

METROPOLITAN SIGNIFICANCE REVIEW REPORT  
\* PROPOSED ARENA OF THE NBA FRANCHISE FOR MINNEAPOLIS

Prepared under the direction of Steve Keefe, Chair  
Metropolitan Council of the Twin Cities Area

by  
Gene Knaff  
Bill Byers  
Pat Pahl  
Jane Davis

June 12, 1987

For Purposes of a Public Hearing  
On Wednesday, June 24, 1987, at 8:30 a.m.  
Metropolitan Council Chambers  
300 Metro Square Building  
St. Paul, Minnesota

Metropolitan Council  
300 Metro Square Building  
7th and Robert Sts.  
St. Paul, Minnesota 55101

Publication No. 640-87-064

## CONTENTS

	Page
AUTHORITY TO REVIEW.....	1
DISCUSSION OF METROPOLITAN SIGNIFICANCE.....	1
History.....	1
Applicable Provision in the Rules.....	2
Standards for a Determination of Metropolitan Significance Based on Local Effect.....	3
SUMMARY OF PRELIMINARY STATEMENTS.....	4
The Minnesota Timberwolves.....	4
The City of St Paul.....	5
The City of Minneapolis.....	5
The City of Bloomington.....	6
DESCRIPTION OF PROPOSAL.....	7
Description.....	7
Analysis of Comprehensive Plan.....	8
POLICY DISCUSSION.....	8
Planning Issues: Policy Areas.....	8
Planning Issues: Metropolitan Systems.....	9
Metropolitan Development and Investment Framework Economic Issues.....	10
ECONOMIC ANALYSIS.....	12
Description of Existing Facilities.....	13
Events Analysis.....	14
Public Subsidies and Arena Financing.....	24
Economic Impacts.....	29
ALTERNATIVES.....	31
Physical Arrangements and Scheduling.....	32
System Impacts at Alternative Facilities.....	35
SUMMARY OF FINDINGS.....	35
Analysis of Alternatives.....	35
Consistency with Comprehensive Plan.....	36
Metropolitan Systems Effects.....	36
Metropolitan Development and Investment Framework: Planning Issues.....	36
Metropolitan Development and Investment Framework: Economic Analysis.....	36
RECOMMENDATIONS.....	37
APPENDIX: Ramifications of the Development of a New Arena in Downtown Minneapolis	



## CONTENTS (Continued)

### TABLES

1. Event Days by Type of Activity by Arena.....
2. Percentage Allocation of Event Days by Activity, 1985.....
3. Average Attendance per Event, by Type, 1985.....
4. Composite Event Days by Type of Activity, Metropolitan  
Area, 1985.....

METROPOLITAN SIGNIFICANCE REVIEW REPORT  
PROPOSED ARENA OF THE NBA FRANCHISE FOR MINNEAPOLIS

AUTHORITY TO REVIEW

A metropolitan significance review of a proposed National Basketball Association (NBA) arena was initiated by the chair of the Metropolitan Council on April 21, 1987, pursuant to the Metropolitan Significance Act of 1976 (MSA 473.173). The act, together with metropolitan significance rules and regulations adopted on Jan. 16, 1978, provides for the identification and review of all proposed matters alleged to be of metropolitan significance. The standards for making an allegation of metropolitan significance include both metropolitan system effects and effects on local governmental units other than the situs governmental unit.

The purpose of the review, as stated in the rules and regulations, is to assure that the total effect of a proposed matter of metropolitan significance is considered and that the orderly and economic development of the Metropolitan Area is promoted, thereby protecting the health, safety and welfare of the residents of the area.

The review of the NBA arena was initiated by order of the chair in response to a resolution and information submission from the city of St. Paul which alleged that the proposed NBA arena would have an adverse effect on the St. Paul Civic Center.

Following initiation of a metropolitan significance review, a significance review report is prepared by Council staff under the direction of the chair of the Council. It is to contain an objective description of the project, to analyze issues raised regarding the project and to make a recommendation as to whether the project is of metropolitan significance and, if so, what action by the Council is appropriate. The report is to be the subject of a public hearing conducted by the significance review committee which makes a recommendation on the metropolitan significance of the proposed development to the Council. If the Council determines that the development meets the criteria in the rules for metropolitan significance, the Council may choose to take no action, to amend its policy plan to accommodate the project, to propose modifications to the project that would alleviate any adverse effect, or to suspend any action (construction) on the project for up to one year following the issuance of its final determination.

The metropolitan significance rules and regulations provide that the Council must complete its review and make its determination within 90 days from the date of commencement. The 90-day period ends on July 20, 1987.

DISCUSSION OF METROPOLITAN SIGNIFICANCE

HISTORY

The metropolitan significance rules represent the final step in a lengthy process in which the legislature and the Council attempted to define the nature of metropolitan significance. The original Metropolitan Council act included the requirement that each local unit submit to the Council for comment and recommendation "any proposed matter which has a substantial effect on

metropolitan area development including but not limited to plans for land use." (Minnesota Statutes 1973 Section 473B.06.) Although there were some early requests from local units for Council review of matters of alleged "metropolitan significance," the Council did not develop any clear policy on Council review and declined to undertake review of several major projects.

An attempt was made in the early versions of the Metropolitan Reorganization Act to draft language clarifying the nature of metropolitan significance and requiring the Council to review matters of metropolitan significance. One approach attempted to use a dollar amount as the threshold criteria for review. The legislature ultimately concluded that the Council should draft regulations on metropolitan significance which would not go into effect until they received approval from the legislature. In addition, the Council was given authority to suspend matters of metropolitan significance for up to one year, with the idea that there would be at least one meeting of the legislature within that time period during which significant issues could be resolved.

Following an extensive set of public hearings, rules were drafted by the Council and reviewed by the 1975 legislature but no action was taken. The 1976 session passed an act allowing the rules to go into effect following an additional public hearing. That act provided that the rules comply with, among other requirements, the following: "The Council shall review all proposed matters determined to be of metropolitan significance as to their consistency and effect upon metropolitan system plans as defined in Laws 1976, Chapter 127, Section 2 and their adverse effects on other local governmental units."

The Council subsequently redrafted the rules, held a public hearing and received the approval of the hearing examiner. The Council adopted the rules on January 16, 1978. No changes have been made in the rules since their adoption and they are the rules under which the metropolitan significance review of the NBA arena is being conducted.

#### APPLICABLE PROVISIONS IN THE RULES

The rules as finally adopted provide that matters can be found to be of metropolitan significance only if they cause a substantial effect on a metropolitan system or a substantial effect on existing or planned land use or development in a local government other than the situs governmental unit (the unit where the metro significance issue is located).

An exemption from a finding of metropolitan significance is provided to local governments that have an adopted comprehensive plan approved by the Council except where the proposed matter is inconsistent with the comprehensive plan and the inconsistency has an effect on a metropolitan system, or where the proposed matter has a substantial effect on another local governmental unit.

The rules define substantial effect as it relates to a metropolitan system and also provide specific threshold criteria to determine system impact of metropolitan significance. "Substantial effect on existing or proposed land use or development in another local government" is not defined in the rules nor are threshold criteria established to make a determination of metropolitan significance.

The Council has conducted six previous metropolitan significance reviews. In all cases adverse impacts on other local governments were alleged and three of

the six also raised issues of system impact. Four reviews were settled between the parties and dismissed by the Council with no findings regarding metropolitan significance. Only two of the six reviews ran the full course of the review. The first of these, dealing with the Renaissance Festival, concluded with a finding of no metropolitan significance. In the second, the Mall of America review, the Council issued findings of metropolitan significance based on both a substantial effect on the regional transportation system and substantial effects on other local governmental units. Specifically, the Council found substantial adverse effects on other local governments in two areas:

- (1) that the Mall of America's proposed convention center would be likely to draw attendance away from the Minneapolis facility and would increase the operating deficit for the Minneapolis convention center, and
- (2) that a proposed exemption of the project from fiscal disparities would affect every community in the Metropolitan Area by increasing the property taxes paid in other communities. In effect, the subsidy to the developer is shifted to other local governments.

#### STANDARDS FOR A DETERMINATION OF METROPOLITAN SIGNIFICANCE BASED ON LOCAL EFFECT

Drawing on the findings of the Council regarding the Mall of America and on the criteria used in initiating the three earlier reviews alleging only local government impacts, this report will use the following standards or criteria to assess the metropolitan significance of the NBA Arena as it affects existing or planned land use or development in a local governmental unit other than the situs governmental unit.

##### Physical Effects

It is clear from the legislative history and past reviews that a finding of metropolitan significance can be made where the proposed matter adversely affects existing or proposed land use or development in another local government with respect to traffic, stormwater runoff, groundwater pollution, air or noise pollution, increased security needs (police, fire) or other similar impacts.

##### Fiscal and Economic Effects

Proposed projects in one governmental unit have the potential for adverse fiscal or economic effects on land uses or development in another jurisdiction. The Council is reluctant to intervene in free market transactions involving solely private parties and private financing unless they present physical impacts on another unit of government. However, where public facilities or public monies are involved, the following standards should be used to determine whether a proposed project is of metropolitan significance:

- (1) a serious threat to the financial viability of a publicly owned facility;
- (2) loss of existing or projected tax revenues from an affected site where the loss can be directly attributed to a proposed project that is publicly subsidized; or

(3) loss of jobs or related development within the affected jurisdiction where the loss can be directly attributed to a proposed project that is publicly subsidized.

Whether an effect meets the test of "substantial" remains the judgment of the Council because the diversity of projects and of local governmental units and the proliferation of a variety of public-private arrangements preclude setting a quantitative standard or threshold.

#### SUMMARY OF PRELIMINARY STATEMENTS

The Metropolitan Significance rules provide in 5700.1700 that the sponsor, initiator and situs governmental units shall, and any other person may, submit preliminary statements containing information, facts and opinions on any of the elements of the metropolitan significance rules, and on the significance and effects of the proposed matter and the appropriate remedy. Preliminary statements were received from the sponsor, the Minnesota Timberwolves; from the initiator, the city of St. Paul; from the situs governmental unit, the city of Minneapolis; and from the city of Bloomington which was admitted as a party to the review by order of the Metropolitan Significance Review Committee.

The preliminary statements are summarized as follows:

#### THE MINNESOTA TIMBERWOLVES

The Timberwolves contend that the metropolitan significance review should be terminated because it does not meet the objective standards for a finding of metropolitan system effect and that the local governmental unit effect is a subjective standard, which is inconsistent with the 1976 Land Planning Act, with the Metropolitan Development and Investment Framework and with the concept of local comprehensive plans being consistent with metropolitan systems and policies. The Timberwolves' statement proposes that the local-governmental-effect standard be applied only where a metropolitan-system effect has been found. If not, the Council is likely to get involved in reviewing every new development where someone is dissatisfied with the local land-use decision.

To use the interpretation posed for discussion purposes by the chair of the Council, which is to intervene where the taxpayers may have to pay, is also opposed by the Timberwolves who claim that taxpayers are not at risk for either the Bloomington Sports Arena or the St. Paul Civic Center. There is no public liability for the debt on either arena and neither arena currently pays property taxes.

The Timberwolves state that the franchise agreement with the NBA league requires that the team play in downtown Minneapolis in an arena designed and built for basketball. In addition, the sponsors must have a downtown site combined with a health club in order to ensure the financial feasibility of the project.

The Timberwolves claim that the project will benefit the entire Metropolitan Area and will be oriented to residents in the northern portion of the region by way of Interstate Hwys. 394, 94 and 694. The "draw" area will be both the seven-county region and the seven-state trade area served by the Twin Cities.

Estimated direct and spin-off contributions to the metropolitan economy are estimated at \$44 million for the construction project. The local economy is projected to benefit from \$10 million annually in direct operating expenses for the team.

They say the project is consistent with both local and regional plans for the downtown area and that it will have a minimal effect on other arenas in the area because 77 percent of the revenues necessary for the project will be generated by the team and the health club. The arena will not compete aggressively with other facilities in the Metropolitan Area for the events market but will provide a location for events previously scheduled in the Minneapolis Auditorium which cannot be accommodated in the new convention center.

#### THE CITY OF ST. PAUL

St. Paul states that it supports the location of a professional basketball franchise in the Twin Cities but opposes the construction of a publicly subsidized new arena to house the team. Its opposition to the new arena is based on the contention that it will oversaturate an already saturated market and will put public investment in existing arenas at risk. Competition among existing arenas already is at a high level and will further intensify if a new general-purpose arena is constructed.

St. Paul says evidence that the market cannot support a new arena is provided by the necessity for public subsidy of the NBA project. A slower pace of population and income growth projected for the region makes it unlikely that there will be significant growth in demand for leisure and entertainment activities that cannot be met by existing facilities.

Because a small number of events are responsible for producing most of the net income of existing facilities, St. Paul states a new arena that draws away those income-producing events is likely to erode the financial base of the existing facilities. Additionally, the over-supply of arena space will further depress rental levels to the detriment of all arenas. Failure of the franchise would further exacerbate the level of competition between the new and existing arenas for the event market.

St. Paul says the franchise will provide limited economic benefit to the Metropolitan Area but its economic benefit would be maximized if it were housed in an existing facility or in a proposed new joint-use basketball facility at the University of Minnesota. It would then become a "gap-filling" activity that improves the efficiency of existing and proposed public facilities.

The University facility is a sound alternative, St. Paul says, because it would not have detrimental economic and public-subsidy impacts. It will replace an existing facility whose primary purpose is to serve the student body. It will not compete in the events market. Also, the NBA franchise would contribute to reducing the public costs of the facility.

#### THE CITY OF MINNEAPOLIS

Minneapolis contends that the purpose of the metropolitan significance review is to provide a mechanism whereby the integrity and function of metropolitan-level systems can be evaluated. Minneapolis states that the rules exempt a project from review where the situs governmental unit (Minneapolis) has an

adopted comprehensive plan that has been approved by the Council unless the project is inconsistent with the city's comprehensive plan. Therefore, it says, the Council has no jurisdiction over the NBA arena project because it is consistent with the city's comprehensive plan and has no adverse impacts on metropolitan systems.

Evidence of a substantial effect on existing or planned land use or development in another governmental unit must be provided by the local governments (St. Paul and Bloomington) alleging the adverse impact, Minneapolis says.

"Substantial" as defined in the metropolitan significance rules refers to the physical utilization of the metropolitan systems. St. Paul and Bloomington have claimed adverse economic effect, which is not contemplated under the "substantial effect" of the metropolitan significance rules.

Even if economic impact were considered, there would be no adverse impact on St. Paul and Bloomington, Minneapolis states. The NBA arena will attract and sustain sufficient additional events without competing for events currently scheduled at existing arenas. There also will be no substantial impact on any public obligations. For the Met Sports Center all debt and operational obligations fall on the Northstars. The St. Paul Civic Center is owned by a private limited partnership and leased back to the city. The lease payments are made to the partnership from a fund supported by excess tax increments from a 17-block district in downtown St. Paul. A decrease in event revenues would not threaten the financial structure of the Civic Center.

Minneapolis says this review presents a potential restraint of competition which the Council should avoid because of anti-trust implications. The Council's proper role is to provide information, raise questions and monitor consistency between local comprehensive plans and metropolitan systems. If the Council were to delay significantly construction of the arena, the Timberwolves franchise would be rescinded. The award of the NBA franchise is contingent upon the construction of a new basketball arena in downtown Minneapolis.

#### THE CITY OF BLOOMINGTON

Bloomington requests that the Metropolitan Council through the Metropolitan Significance Review Committee evaluate the NBA arena using the Council's newly adopted Metropolitan Development and Investment Framework and that it conduct a "special facilities" review to determine the need for additional sports arenas in the region.

Bloomington says the proposed new arena should be evaluated in the context of the Council's resource management strategy, which supports maximum use of existing facilities before investing in expansion or upgrading. The special facilities review should be conducted to determine the need for the arena, the economic impacts of a new arena, the operational requirements (effects of the new arena on metropolitan systems, particularly transportation), and the best location for a facility, if a need is determined.

Bloomington recommends that the Council suspend the review until the city of Minneapolis or the Timberwolves provide a full range of information on the project, including a market study, contingency plans if the franchise moves, analysis of public revenues and subsidies at existing arenas that will be affected, and an environmental analysis. The Council should also review the

Minneapolis subsidies to the project for their consistency with Council policy and require a full-scale analysis from Minneapolis of the effects of this development together with other development proposed in downtown Minneapolis on the transportation system, including parking and air quality.

#### DESCRIPTION OF PROPOSAL

##### DESCRIPTION

The project under review is a facility that includes an arena for the Minnesota Timberwolves, an NBA franchise team, and a full-service health club. The site is in Minneapolis and covers two blocks, bounded by Sixth St. N., Glenwood Av., First Av. N. and Second Av. N. The facility will be linked by skyways to the downtown and to peripheral parking garages.

The arena will have 18,000 seats, including 40 private suites with 10 seats each and 1,500 preferred seats that will be leased. It will have a convertible floor for ice events. The health club will accommodate 6,000-plus members and will provide all of the typical health club amenities with the exception of tennis. The arena and health club, as well as the Timberwolves franchise, will be owned by Marvin Wolfenson and Harvey Ratner and will be built at a cost of \$35.5 million exclusive of land acquisition and preparation costs.

Construction of the facility is planned to begin in spring 1988 with completion in fall 1989. The Timberwolves will play in the Metrodome for their first two seasons and will begin playing in the arena in the 1990-1991 season.

The city of Minneapolis has issued \$19 million in tax increment bonds to assemble and acquire the site for construction. Taxes generated from the facility together with an additional payment from the sponsors will be used to pay the debt service on the city bonds. The project will also pay 20 percent of its taxes as a contribution to the fiscal disparities pool. The remaining 20 percent will be paid by other taxpayers in Minneapolis.

The city will receive five percent of the net taxable income from the arena, the health club and the team. In addition, the city will receive 20 percent of the profit if the facility is sold and 10 percent of the profit if the facility and team are sold together.

Several discrepancies have been noted in the information available about the project. The preliminary statements submitted by the city of Minneapolis and by the Minnesota Timberwolves each state that the franchise agreement with the NBA league requires that the team play in downtown Minneapolis in an arena designed and built for basketball. Newspaper reports at the time of the award of the franchise, however, indicated there is some controversy as to whether that is true. David Stern, NBA league commissioner, is quoted as saying that the NBA acted on an application from the Timberwolves stating that the team would play in a new arena in downtown Minneapolis. He further noted that the league only grants expansion franchises in accordance with the application. NBA officials are quoted as saying that the Timberwolves may be able to play in another arena but any alternative would have to come back to the Board of Governors for its approval.



The Timberwolves statement also states that the project will put \$10 million annually into the local economy in the form of operating expenses but the appendix indicates that operating expenses will be approximately \$7 million.

#### ANALYSIS OF COMPREHENSIVE PLAN

The site is within the defined downtown of the city. The Minneapolis comprehensive plan calls for sustaining the downtown as a diversified and compact metro center of the region. Major redevelopment is expected in the downtown but increase in retail space will be slight. Downtown activities are to include retailing, offices, entertainment, hospitality and government as major activities. The primary principle for downtown Minneapolis, according to the plan, is to emphasize compactness with major long-term parking on the periphery.

The plan for the city of Minneapolis does not propose a specific land use for the site of the proposed arena but such land use is consistent with the general policies for the downtown contained in the plan. The arena use is an entertainment activity, it will make use of peripheral parking, and it is consistent with the entertainment district proposed by the city for the westerly side of Hennepin Av. The plan at this point does not specifically mention the arena use for the site nor describe any roadway realignments that might be needed to accommodate the arena.

#### POLICY DISCUSSION

##### PLANNING ISSUES: POLICY AREAS

The arena is proposed for a location in the central business district of Minneapolis, defined in the Council's Metropolitan Development and Investment Framework as a metro center. Together with the central business district of St. Paul, the metro centers are the largest and most diverse activity centers in the region and comprise the government and financial centers for much of the upper midwest. The Council recognizes the metro centers as two key focal points within the Metropolitan Area and is committed to maintaining their vitality.

Council policy for the metro centers is contained in policy 11 of the Metropolitan Development and Investment Framework:

11. The Metropolitan Council supports the maintenance of two strong metropolitan centers and will support new developments requiring a central location, high accessibility, high service levels and high density as most appropriate for the metropolitan centers. Maintenance of metropolitan systems serving the metropolitan centers will receive the Council's highest investment priority.

The proposed arena location in the central business district appears consistent with and supportive of Council policy for the metro centers. The central location, high accessibility and high density also appear consistent with the needs of an arena. It must be noted, however, that the Council is committed to maintaining the vitality and stature of both downtowns. To the extent that a new arena anywhere in the region has an adverse economic impact on downtown St. Paul, it would not be consistent with the long-standing Council concern that the Metro Centers remain economically healthy.

In addition, a fundamental theme of the recently revised Metropolitan Development and Investment Framework is managing regional resources. A major policy embodying this philosophy is making full use of capacity in existing facilities before adding new facilities. While this policy is primarily focused on regional system investments, it applies to other public investments as well. If sufficient capacity is available within the existing arenas to accommodate the basketball team, that capacity should be used before an investment is made in a new arena.

#### PLANNING ISSUES: METROPOLITAN SYSTEMS

Regional system impact constitutes one of the areas of review in matters of metropolitan significance. The following analysis covers this aspect of the significance review.

##### Transportation

The attendance at games will be much less than at similar events at the Humphrey Metrodome. The highways, transit system and parking system can be expected to handle the demand since they already do so for the Twins and Vikings. The location of the arena on Hennepin Av. should not basically alter the regional access and total parking supply picture even if the arena site is in a location different from the dome. Since the baseball and basketball seasons overlap, occasionally events may coincide. However, likely attendance will still be less than attendance at a Vikings game and the separated locations of the two facilities will spread traffic to the multiple entrance points to the downtown from regional highways.

The regional facility closest to the proposed arena is the Third Av. N. distributor (TAD), which with the planned TAD parking ramps will provide superior access and parking supply to the proposed arena. The arena may be in operation before all the ramp parking spaces are open, but the demand for parking will spread outward to other locations and bus service similar to that available for the dome could be provided. The arena increases the use of the TAD and the TAD ramps, but should not adversely impact them.

The demand for transit service to basketball games may be on the order of five to fifteen percent of attendance. That represents 1,000 to 3,000 persons. The capacity of the regular-route transit system to downtown Minneapolis can handle such loads, although special-event schedules may be needed. It should be noted, however, that the regular-route system demand to Twins and Vikings games is handled by regularly scheduled service.

The arena meets only part of the definition of metropolitan transportation significance. With auto occupancy of 1.5 to 1.8 persons per car, and 18,000 attendees, there may be 10,000 vehicle trips per day or 1,000 vehicle trips in any one hour. However, as discussed above, the proposed arena will not have a substantial effect on a metropolitan transportation facility or on a plan for such a facility contained in a metropolitan system plan.

##### Sewers

The proposed sports facility should have no significant impact on the metropolitan sewer system. It appears that the facility will discharge to a local 30-inch sewer on First Av. that then runs northeast along First Av.

N. for three blocks where it discharges into the metropolitan interceptor, 1-MN-320. At this location the interceptor is a brick and stone rectangular tunnel 7 feet 6 inches by 7 feet 11 inches with a peak capacity of 275 cubic feet per second. This tunnel was built in 1889 to serve as a combined sewer for this area of Minneapolis. This interceptor then discharges into 1-MN-310 which follows along the west side of the Mississippi River until just north of Lake St., where it crosses the river and discharges into Joint Interceptor 1-MS-100, which then conveys the sewage to the Metro Treatment Plant in St. Paul.

None of these facilities has capacity problems except during heavy rains when storm water is carried in these interceptors. Both Minneapolis and St. Paul have programs under way to eliminate these discharges of storm water so this will not be a problem in the future. Based on a preliminary assessment of the sewage flow from this facility it is anticipated that the flow will be above the criterion of 50,000 gallons per day. However, this amount of flow will not have a substantial impact on the metropolitan sewer system.

#### Other Regional Systems

Parks and open space and airport staff have considered the site of the proposed arena and have concluded that the proposal has no potential impacts on the regional park and airport systems, respectively.

#### METROPOLITAN DEVELOPMENT AND INVESTMENT FRAMEWORK ECONOMIC ISSUES

The Council's recently adopted Metropolitan Development and Investment Framework (MDIF) establishes a new regional strategy for the Council--a strategy which emphasizes the management of regional resources, both the existing regional facilities and the public dollars used to maintain or expand them. The fundamental objective is to support the development of the Metropolitan Area--commercial and industrial as well as residential. As part of this strategy the Council has established policies and evaluation criteria that look at the economic and fiscal aspects of regional plans and investment proposals. Although the policies and criteria were established primarily to develop plans for regional systems and to review implementation programs for the same, Council policy states that they will also be used to review development proposals submitted to the Council.

The economic/fiscal policies and criteria applicable to this review are discussed below. This section describes the policies and the Council's purpose for using them. The analysis based on these policies is contained in the section which follows, entitled Economic Analysis.

#### Special Facilities

In the MDIF the Council defines special facilities as:

... large, often one-of-a-kind projects with a special function or focus, such as sports or international trade. They are generally user-oriented and are likely to affect the entire region.

The Council established a special-facilities review as a way to provide Council input on major regional proposals prior to a siting decision. Under a special-facilities review the Council will initiate a study that first determines the need for the facility and its locational and operational requirements, such as

highways and transit access or access to specific facilities and/or user groups, before considering Council policies for development and redevelopment.

The Council does not intend that this policy be used to examine the regional need for a new office building or hotel. The user-oriented portion of this definition is intended to convey the idea of public assembly facilities, like stadiums or arenas, whether publicly or privately owned, that serve mostly regional markets rather than local markets.

The proposed NBA arena fits this definition. It is a large, public assembly facility serving both a regional sports market for basketball and, at least partially, a regional market for nonsports events. Because, however, this proposal is coming to the Council under a metropolitan significance review and because a site has already been proposed, it does not fit perfectly the model the Council had in mind for a special-facilities review. Therefore this report will only examine the regional need for the facility: Could the NBA team play elsewhere? Is there enough demand in the nonsports events market to support an additional arena? Is there capacity in the existing arena system to support both the NBA team and any additional demand for nonsports events?

The Council will not examine alternative locations for a new arena because a site has already been proposed.

#### Investment Decision-Making Process

In the MDIF the Council also established an investment decision-making process consisting of five parts: establishing regional needs, determining regional benefits, ranking investments by geographic policy area priorities, developing a financing plan and conducting an economic development review. This policy is different from the special-facilities review in that it is geared to investment decisions where the Council plays a major role, essentially the regional system investments. However, the Council recognizes that the principles used in this decision-making process can and should be applied to other reviews as well.

The parts of the investment decision-making process that have application in the review of the proposed arena are the regional needs analysis, the benefits analysis (which includes costs as well) and an analysis of the economic impacts of the project. The questions asked in this policy overlap with the questions that come out of the special-facilities review. Both follow a similar economic/fiscal theme. The Council articulated the basic elements of this theme in its Economic Evaluation Criteria which are discussed next.

#### Economic Evaluation Criteria

The five criteria are equity, efficiency, use of external funds, use of public financing mechanisms and use of public revenue sources. The Council states in the MDIF that all special projects and major economic development proposals will be reviewed against these criteria. Three of the five will be used in the arena review.

#### Equity

The concern here is whether there is a balance between who benefits and who pays. One of the major questions in the arena issue is whether St. Paul and Bloomington will pay part of the costs of the new arena in terms of lost events or lost revenues. The Economic Analysis section below addresses that question.

## Efficiency

This criterion deals with the incentives and disincentives created by government actions. The question is how much government is distorting the private market. It is a particularly difficult question today, when there are so many public/private partnerships and very few buildings built without some kind of government help. In the arena issue, the question is how much the actions of Minneapolis in combination with the private developer will affect the non-sports event market--both in competition for prime shows and in competition for audiences. Clearly, the other facilities have government involvement as well. This review looks at that involvement and at the markets themselves.

## Use of Public Revenue Sources

The objective here is to use regional resources well (and appropriately) and to encourage other governments to do the same. This review will look into how public dollars are being used in all of the facilities and the potential for subsidies in the future.

## Summary of Economic Policy Issues

The MDIF contains a policy base for addressing economic issues in the reviews that come before the Council. This review of the proposed Minneapolis arena essentially addresses three general economic questions:

- 1) Is the proposed arena needed?
- 2) What are the economic/fiscal impacts--both in terms of the markets for events and on other jurisdictions? and
- 3) How are public subsidies being used to finance arenas in the region?

## ECONOMIC ANALYSIS

The proposed arena project has two aspects that are important for this analysis. First, it is basically a privately financed and operated facility. While Minneapolis is providing land, it is not unlike what is provided for other private businesses in Minneapolis and in other cities in the area. Second, it will compete for some events with both publicly managed facilities (e.g., the St. Paul Civic Center) and privately managed facilities (e.g., the Met Center).

Underlying the staff analysis in this report are two fundamental assumptions. First, it is an important role of government to encourage a strong private sector, part of which involves supporting a competitive environment. Second, the Council's perspective is to assess the implications for the region as a whole rather than for particular areas of the region.

The benefit of a professional basketball franchise is not the issue. The key concern is the market in the Metropolitan Area for nonsports events. Is the market large enough to support additional events? Or will a new arena merely take some events from other facilities--i.e., redistribute events within the area?

This section analyzes the important economic aspects of the NBA arena debate from the regional perspective. Other sections of the report blend in considerations of arena characteristics, planning policies and the public interest generally. The economic analysis section looks at three major aspects of the arena: the market in the Metropolitan Area for events; arena financing and the use of public subsidies; and the economic impacts of arenas. First a brief description of the facilities analyzed is presented.

## DESCRIPTION OF EXISTING FACILITIES

### St. Paul Civic Center

The St. Paul Civic Center is located on two city blocks bounded by W. 4th St., Washington St., W. 5th St., and Exchange St., on the west end of the central business district. The facility consists of an arena with 16,000 permanent seats, a maximum seating capacity of 18,000 and total floor area of 73,000 square feet; a lower-level exhibit hall of 40,000 square feet, connected to the arena by a concourse; the Forum Theatre and Forum North, with 47,000 square feet of floor space, 3,700 permanent seats, and maximum seating for 5,700; a 13,000-square-foot ballroom; and 14 executive meeting rooms, ranging in size from 374 to 1,634 square feet. Some adjacent rooms can be combined to provide up to 3,010 square feet of contiguous meeting space. The entire facility is connected by an enclosed, temperature-controlled walkway to a 1,600-space parking ramp.

The arena of the St. Paul Civic Center has an ice surface of 200 feet by 85 feet, a basketball floor, a 68-foot ceiling, four loading docks, full air conditioning and climate control, and many other amenities.

### Metropolitan Sports Center

The Metropolitan Sports Center (or "Met Center," as it is more popularly known) is located in Bloomington, on the northeast corner of the site once occupied by Metropolitan Stadium, roughly at the intersection of 24th St. and Interstate Hwy. 494. It consists of an arena of 16,000 seats, two private clubs for preferred customers or season ticket holders, and approximately 20 acres of paved, open-air parking. The arena has a full ice surface, a basketball floor, two vehicle entrances and loading docks, full air conditioning and climate control, and other amenities.

### Minneapolis Auditorium Arena and Convention Hall

The Minneapolis Auditorium Arena and Convention Hall is located in downtown Minneapolis, in the area bounded by Grant St., Stevens Av., 15th St. and Third Av. It consists of the Auditorium Arena, with 6,021 permanent seats, total seating capacity of up to 8,600, and total floor area of 16,500 square feet; a convention hall of 93,000 square feet, with subdivision capability; a lower exhibit hall of 34,000 square feet; and 23 meeting rooms, ranging in size from 336 to 7,100 square feet. The arena has an ice surface, a basketball floor, a full-service performance proscenium-arch stage with overhead rigging, a freight elevator with 23,000-pound capacity, and smaller passenger elevators. The arena is on the second floor and requires that patrons use ramps. It is our understanding that the Auditorium Arena will close permanently in 1988, to allow for the expansion of the convention center.

### Hubert H. Humphrey Metrodome

The Hubert H. Humphrey Metrodome is also located in downtown Minneapolis, in an area bounded by S. 4th St., Chicago Av., S. 6th St., and 11th Av. It is a domed stadium of approximately 50,000 seats, an artificial playing surface, variable-terrain seating and staging for basketball and concerts, climate control and other amenities.

### EVENTS ANALYSIS

The economic effects of the proposed arena flow from the operation of the event market--what events are available and why they are held where they are. The developer's preliminary statement includes several assumptions regarding the events market. It states 1) that, because 77 percent of the revenues necessary to operate the project will be generated by the health club and the Timberwolves, it will not need to attract events from existing arenas; and 2) given the dynamic growth in the events market nationally, the arena can fill its available dates by just capturing a small percentage of growth in the events market.

The events market comprises a wide spectrum, varying by type of event and scale (number of attendees per event). Major segments of the events that are considered in this report are professional sports, college sports, high school sports, family shows, concerts, consumer and trade shows, and community shows. For our purposes we distinguish regional events from local events. Regional events are those attracting people from the entire Metropolitan Area; local events draw primarily from a part of the area. In addition, we are only concerned with those events that require a large facility (e.g., more than 15,000 seats).

Typically the analysis of events is in terms of individual facilities. A more important consideration from a regional perspective is the events market in terms of the "regional arena system"--the capacity of the entire area to hold large spectator events. To some extent this concept is shaped by the needs of particular events in terms of floor area, equipment and other characteristics of the arena. The time of the year is a factor for events that are seasonal and some events require weekend dates.

An individual arena can physically handle a large number of event-days. In the largest population centers of the country a single arena may host several professional sports teams as well as several hundred other events in a year. In most places the average arena is likely to host 150 events, including sports events.

One other important consideration regarding events is their profitability. Clearly some events are more profitable than others. Beyond the initial ticket price are additional revenues from parking, concessions and merchandise. Regional events are generally more profitable than local events. The primary regional events, in addition to professional sports, are concerts and family shows.

While most large arenas depend upon a sports team as the dominant event, there has been an increased emphasis on attracting other events to boost arena use and revenues. The analysis of arena events in this report looks at measures such as the number of events, event days and total attendance. From a financial perspective these measures are less meaningful since some events are

15  
Table 1  
EVENT DAYS BY TYPE OF ACTIVITY BY ARENA  
1985

<u>Activity</u>	<u>Number of Event Days</u>			
	<u>Civic Center Arena</u>	<u>Met Center (4)</u>	<u>Mpls. Arena</u>	<u>Metrodome</u>
Professional sports (1)	12	95	4	93
College sports	0	0	3	10
High school sports	9	20	40	1
Family shows (2)	28	53	0	2
Music concerts	16	17	13	0
Consumer and trade shows	28	7	39	0
Community shows (3)	28	10	34	0
Other	<u>3</u>	<u>0</u>	<u>26</u>	<u>40</u>
Total	124	202	159	146

(1) Includes professional basketball, hockey, indoor soccer, boxing and wrestling; excludes rodeos and motorcycle shows.

(2) Includes circuses, ice shows, tractor pulls, rodeos, motorcycle shows, etc.

(3) Includes religious meetings, garden shows, dog and cat shows, professional exams, swap meets, dances and festivals, school graduations, political meetings.

(4) 1985/1986 fiscal year.

Source: Minneapolis Auditorium and Convention Hall; and Economics Research Associates.



16  
Table 2  
PERCENTAGE ALLOCATION OF EVENT DAYS  
BY ACTIVITY, 1985

<u>Activity</u>	<u>Civic Center Arena</u>	<u>Met Center (1)</u>	<u>Mpls. Arena</u>	<u>Metrodome</u>
Professional sports	9.7%	47.0%	2.5%	63.7%
College sports	0.0	0.0	1.9	6.8
High school sports	7.3	9.9	25.2	0.7
Family shows	22.6	26.2	0.0	1.4
Music concerts	12.9	8.4	8.2	0.0
Consumer and trade shows	22.6	3.5	24.5	0.0
Community shows	22.6	5.0	21.4	0.0
Other	<u>2.4</u>	<u>0.0</u>	<u>16.4</u>	<u>27.4</u>
Total	100.1%	100.0%	100.1%	100.0%

(1) 1985/1986 fiscal year.

Note: May not total 100.0% due to rounding.

Source: Economics Research Associates.

17  
Table 3  
AVERAGE ATTENDANCE PER EVENT, BY TYPE  
1985

<u>Activity</u>	<u>Civic Center Arena</u>	<u>Met Center</u>	<u>Metrodome</u>
Professional sports 6,476	8,793	25,424	
College sports	0	0	43,844
High school sports	25,963 (1)	5,482	31,000
Family shows	5,773	5,521	21,956
Music concerts	11,215	9,421	0
Consumer and trade shows	8,262	8,879	0
Community shows	6,654	3,728	0
Other	5,192	0	1,000

(1) Multiple performances on same day.

Source: Facilities listed; and Economics Research Associates.

more profitable than others. In other words, a few events with relatively few attendees may be more profitable than the opposite situation. Obviously, a critical influence on what is held at an individual arena is what other arenas are interested in holding. The competition for events affects the rent to the event promoter and the profit to the arena. An arena may try to specialize in a type of event to blunt the effect on profits.

The demand for individual events is reflected in attendance. This, in turn, depends upon the preferences of individuals, shaped by factors such as income and age. Spectator sports is one of many activities competing for the discretionary dollars individuals reserve for their entertainment. Different sports appeal to different segments of the population just as different performers do. As choices are expanded, eventually trade-offs are made between the different types of entertainment. Some of what is spent on professional basketball may be diverted from college basketball or from the neighborhood tavern.

An understanding of the market for events is necessary to assess the economic effect of adding another large arena. The Council contracted with Economic Research Associates (ERA) to provide an analysis of the market for arena events and to estimate the impact of the proposed arena on existing arenas.

#### Summary of Major Events By Facility

Each of the facilities except the Metrodome includes a mix of nonsports events. During the past three years the event days have been fairly stable at each of the arenas. The average total annual event days at each breaks out as follows:

St. Paul Civic Center Arena	120 event days
Met Center	200 event days
Minneapolis Auditorium Arena	159 event days
Metrodome	148 event days

Tables 1 and 2 summarize the events for 1985 by arena and the percentage share of event days by type. Tables showing events for each of the past several years from the consultant's report are included in the appendix to this paper. As might be expected, the Metrodome and the Met Center are heavily weighted toward professional sports. The St. Paul Civic Center has equal shares represented by family shows, consumer and trade shows, and community shows. The Minneapolis Arena relied most on high school sports and consumer and trade shows. Concerts, an important part of the events market, was fairly evenly divided among the three arenas.

As can be seen in Table 3, attendance per event varies among types of events. Professional sports are key events at the Metrodome and the Met Center. In St. Paul the high school tournaments are the key event using this measure. However, they do not represent many event days for the Civic Center. For non-sports events, concerts are generally the next highest while family shows and community shows are less well attended.

Both the Civic Center Arena and the Met Center have similar shares of family shows and similar average attendance at family shows. However, there is a difference in the type of family show at each. The Met Center presents chiefly ice shows with the Civic Center's shows balanced among several types. Table 3 also indicates the dominance of sports at the Metrodome.

It is important to look at the overall collection of nonsports events currently held in the Metropolitan Area. ERA provided an estimate of this for the year 1985 as shown in Table 4. In making this estimate, ERA excluded the Metrodome since the other arenas are not likely to be interested in the non-sports events held there. It also lowered the event days for the Minneapolis Auditorium to adjust for use of the arena in conjunction with the convention hall and the use of the arena for high school hockey practice. The year 1985 was selected as offering the most complete information for an average year for each of the arenas.

ERA's conclusion in assessing the existing market is that each facility appears to have a separate niche and serves it fairly well. Certain types of events appear to have little room for expansion in this market, given the number of events currently and low levels of attendance.

In summary, each of the arenas has a somewhat different mix of events. The Met Center has the most events, 202 in 1985; the Minneapolis Auditorium, 159; the Metrodome, 146; and the Civic Center, 124. According to ERA, this compares with an average nationally of about 150 events per arena.

#### National Trends in Events

It is important to understand the market for nonsports entertainment events in order to assess how a new arena might affect existing competing facilities. The primary purpose in engaging ERA was to provide this understanding. Obviously it is difficult in a month's time to analyze the Twin Cities events market. For that reason ERA drew on its experience with similar markets elsewhere in the country to see how the presence of several arenas in a market affects competition and what potential might exist for expanding the market for events.

The following national trends are included in the ERA report:

- o Family shows such as the circus, ice shows, rodeos and sports events such as professional boxing and wrestling are increasing in popularity and enjoying above-average attendance levels.
- o Fewer concert groups are touring but many are appealing to a broader segment of the audience. There is a trend toward outdoor concerts.
- o Interest in NBA basketball is on the rise.
- o Facilities managers are acting as promoters or copromoters of events.
- o Profit margins on concessions are declining.

While not all of these are applicable in the Twin Cities, some clearly are and others may be in the future. In the Twin Cities recently there has been an increase in different kinds of family shows. Two outdoor arenas have been proposed. Finally, the willingness of the NBA to provide an expansion franchise in the Twin Cities reinforces the perception that basketball is increasing in popularity. However, attendance at less than capacity, declining profit margins on concessions and competition among facilities in the Twin Cities cast a fair amount of uncertainty on the arena market in the region.

20  
Table 4  
COMPOSITE EVENT DAYS BY TYPE OF ACTIVITY,  
METROPOLITAN AREA, 1985

<u>Activity</u>	<u>Event Days</u>
Professional sports (hockey, soccer, wrestling, boxing)	111
College sports (includes amateur college-level sports)	3
High school sports	44
Family shows	81
Music concerts	46
Consumer and trade shows	55
Community shows	55
Other	<u>16</u>
Total	411

Source: Economics Research Associates

Case Studies (from the ERA study)

One area where a new arena has recently been added is central Florida, including the metropolitan areas of Tampa-St. Petersburg-Clearwater, Lakeland-Winter Haven and Orlando. Two arenas existed prior to 1980. Since then, two others have been built with a third under construction to house the new Orlando NBA franchise.

Interviews were conducted with facility managers and city planners to determine the extent to which events relocated, how the older arenas responded and what the final effect was. The new arenas did result in a reduction of major concerts at the older arenas. In response, the older arenas diversified into different kinds of events.

It is ERA's judgment that relocation of events was primarily due to the new arenas' being able to offer a significant increase in seating and thus larger potential profits. This and the fact that the new arenas were closer to the population centers are two important differences from the situation in the Twin Cities. The new arena in Minneapolis will not differ from existing arenas in size and quality. In the Florida case no high-quality facilities existed. Consequently, ERA does not believe that the new arena will attract any events away from existing arenas. The major impact will be a reduction in profits from the events rather than a loss of events.

ERA reviewed a number of arenas in other parts of the country to determine arena characteristics and recent operating experiences. The survey of operating experiences provided information on event-day volumes, market trends, operating performance and the marketability of luxury suites. The 14 arenas selected are located in the midwest and western United States. These arenas had an average of 150 event days, ranging from 99 at the Veterans Memorial Coliseum in Phoenix to an estimated 200 at the Oakland Coliseum Arena. By comparison, the Met Center has approximately 200 event days per year and the St. Paul Civic Center arena approximately 120.

Finally, the consultant examined four markets similar to the Twin Cities in market area population, market orientation, existing facilities and professional sports franchises. The four were Denver, Indianapolis, San Francisco-Oakland and Seattle-Tacoma. The object was to see which areas most closely resembled the Twin Cities market in terms of the number of event days and how an additional arena might affect overall competition and individual facilities in the market. The first two were discounted because they are single, unified markets. The two Bay Area cities and the Seattle area were examined more closely to determine how competing facilities interact.

While different from the Twin Cities in many ways, ERA found the Bay Area quite comparable in terms of events market characteristics. The two areas are roughly similar in total numbers of events although there are some differences in the composition of events, with the Twin Cities having more sports events and the Bay Area more rock concerts. After adjusting for these differences, ERA estimates there is room for some expansion of event offerings in the Twin Cities. These would be for some new sports products (e.g., professional basketball, arena football, professional volleyball, women's basketball and martial arts), for family shows and for some music concerts. However, the likely direction of growth in concerts is toward outdoors facilities.

In summary, ERA's close examination of the Central Florida situation and the factors underlying market operations led it to conclude that the new arena would not attract events away from existing arenas. Finally, the examination of the Bay Area situation suggests there may be room for expansion of events in the Twin Cities.

### Existing Regional Capacity

It is clear that existing facilities in the Metropolitan Area can handle additional events. This is evident from the number of event days that the facilities are in use and from the attendance figures for events. It is difficult to identify a set number of event days as "maximum capacity" for an arena because this depends on such factors as the types of events, existing schedule commitments and available dates as well as days lost in setting up for an event and cleaning up afterwards.

ERA assumed a "practical maximum" of 240 event days. While they admitted it was quite arbitrary, it was preferable to assessing capacity in terms of calendar days available. Based on this assumption, the Metropolitan Area could theoretically absorb an additional 160 event days.

An examination of attendance levels indicates few capacity crowds. The exceptions are the high school hockey tournament, certain individual concerts and a few professional hockey games. In fact, ERA concluded that attendance levels, on average, are significantly lower than facility capacities.

Finally, there is a significant level of competition for concerts and family shows in the Twin Cities Area. Agreements between arena management and event promoters cover rental of the facility as well as splits on concessions and merchandise. Although facilities have basic rates, these are always negotiated. In the Twin Cities, where there are two comparable arenas, promoters have greater leverage in negotiating and this serves to lower profits to the arenas for certain events. For example, ERA found that, although rock concerts nationally bring in an average of \$3.15 per attendee, average revenue per attendee at the Met Center is \$2.30.

### Events at the New Arena

In assessing demand for events at the new arena, ERA used the following assumptions:

- o some demand will be generated by the presentation of new events not now available in the Twin Cities;
- o some demand will be created by the closing of the Minneapolis Auditorium Arena;
- o some demand will be generated by offering events with local appeal in the Minneapolis market even though they are also offered in St. Paul and Bloomington.

Using these assumptions (which are lower than the developer's assumptions), ERA foresees the following demand profile, by type of event:

<u>Activity</u>	<u>New Demand</u>	<u>Replacement</u>	<u>Local</u>	<u>Total</u>	<u>Developer's Assumptions</u>
NBA games	45	--	--	45	45
Other sports events	11-12	8-14	--	20-25	10
Wrestling	--	4	6	10	10
Concerts	--	10-15	--	10-15	30
Family shows/ice events	5	--	10	15	40
Consumer/trade shows	--	10	--	10	10*
Community shows	--	15	--	15	
Total	<u>61-62</u>	<u>47-58</u>	<u>16</u>	<u>125-135</u>	<u>145</u>

\*"Other events," which includes both consumer/trade shows and community shows.

Source: ERA, Minnesota Timberwolves

The NBA games represent a significant addition to the Twin Cities market and represent new demand. New sports events include arena football, professional volleyball, tennis exhibitions, kick boxing and other martial arts and important amateur competitions. The other new events are family shows. ERA bases the increase in family shows on some events popular nationally that only occur occasionally in the Twin Cities. ERA also projects an increase in local family shows because the Minneapolis market is underserved for local family shows.

The replacement events are totally from the closing of the Minneapolis Auditorium and do not represent any events relocating from St. Paul or Bloomington. As stated previously, ERA does not see any events moving to the new arena from existing arenas.

The estimate of concerts and family shows at the new arena differs from information presented by the developer of the project. Because of the national trend toward fewer tours except for outdoor concerts, ERA anticipates no new demand for music concerts. ERA does expect some growth in family shows, but significantly fewer than the developer assumes.

#### Team Failure

One possibility that the consultant was asked to analyze was the loss of the NBA franchise. ERA emphasized that this is not likely, particularly with the team owning the arena, but it is a possibility. Sixty percent of total event revenue and more than half of the arena's revenues are derived from NBA games. Consequently, should the NBA franchise be lost, the event market is not strong enough to allow the new arena to meet operating costs. ERA concludes that, under these circumstances, there would be insufficient demand to support the proposed facility along with existing ones.



## PUBLIC SUBSIDIES AND ARENA FINANCING

Financing the arena becomes a concern to the extent that public subsidies are involved. Public subsidies may involve the direct payment of public revenues, indirect payments in the form of public services and facilities or forgone tax revenues. Public subsidies may be desirable if a project generates net benefits to the region and would not occur without the subsidy.

It is important for our purposes to distinguish two aspects of financing-- construction financing and operations financing. Construction financing is typically where public subsidies might arise. Operating finances are important for the events analysis because the annual operating budget is most directly affected by changes in the profitability of events. This section looks at the way in which the construction of the arenas has been financed in the Metropolitan Area. In later sections the financial performance of existing arenas in terms of operations will be discussed.

In recent years, a large proportion of new development in the region has received some form of public assistance. In the past five years both federal and state legislative actions have restrained the use of public development subsidies. Nevertheless, they are still an important development tool and much of the development within the Metropolitan Area is subsidized to some extent. In addition, the use of these methods have been left up to cities within guidelines set by federal and state legislation.

Tax increment financing is the most popular development financing method. The increase in taxable value for an area of land is dedicated to pay for public improvements to the area or for the developer's direct land costs rather than being available for general city services. After the improvements are paid off, the property returns to the general tax rolls. The effect is to provide a tax rebate to the development in the form of improvements that can be foregone. Presumably, the development would not occur without the subsidy. In other words, the benefits over time justify the initial costs. If nothing else changed, current taxpayers would pay somewhat more and future taxpayers somewhat less. The two sections which follow discuss public subsidies for the new arena and the existing facilities.

### Public Subsidies to the New Arena

The development agreement for the proposed NBA arena calls for Minneapolis to finance land acquisition and related costs through the sale of approximately \$19 million of taxable tax increment bonds. The bonds will be repaid by tax increments from the arena and from lease payments of the developer. The developer is allowed essentially free use of the land. The city will also assist the developer if it chooses to connect the arena to adjacent parking ramps. It is anticipated that this assistance would be provided by a combination of federal funds, developer's equity and special assessments.

Of the \$19 million of tax increment bonds, approximately \$15.4 million will be applied to project costs, with the balance to be used for costs of issuance and capitalized interest to pay interest to bondholders until the arena is constructed. The development agreement includes recapture provisions whereby the city's investment is repaid by the developer. The developer is to pay 5

percent of net taxable income from the arena and the team for 40 years. In addition, the city would receive 20 percent of net proceeds from the sale of the arena or 10 percent of the net proceeds if the arena and the team are sold together.

Since the city obligations are financed by tax increment bonds, a portion of this subsidy is indirectly provided by taxpayers in the school district and the county in that the total mill rate is levied on the increment. For taxes payable in 1986, the city accounted for 31 percent of the total mill rate, the county 24 percent and the school district 41 percent. The county is primarily affected because state aid reimburses most of the school district's share. Presumably the county will recoup its share in the future when the tax increment district expires. Similarly, as is true of tax increment financing generally, any increase in city services related to the arena are paid from property tax revenues raised outside tax increment districts.

Not all of the increased tax increment revenue generated will be available for the tax increment bonds. Twenty percent will be contributed to the areawide pool for redistribution under Minnesota's fiscal disparities program.\* The reduction in the contribution to 20 percent for the arena site means that Minneapolis taxpayers in the rest of city will provide the remaining 20 percent required for the fiscal disparities program. In other words, the remaining 20 percent required to make the full fiscal disparities contribution will be generated from city property apart from the arena site.

#### Public Subsidies to Existing Arenas

The other arenas in the Metropolitan Area are public or quasi-public facilities and are all tax exempt. The Met Center is owned by the Metropolitan Sports Facilities Commission (MSFC) even though any debt on the facility is being paid by the operators of the arena (Northstar Financial Corporation). The Metrodome is owned by the MSFC with debt service paid primarily from the admissions tax and the operations of the facility. In the event of a shortfall, liquor and hotel-motel excise taxes can be imposed within Minneapolis. In other words, the facility is paid for primarily by patrons and potentially by visitors to drinking and lodging establishments in Minneapolis. Presumably the sports teams or other event promoters pass on their costs to patrons. To the extent that one team or promoter negotiates a "good deal" there is also cross-subsidization occurring--larger profits on one event balancing smaller profits or losses on others.

The St. Paul Civic Center and the Metrodome are both publicly operated. The Met Center is publicly owned, but privately operated. While none of the arenas currently receive an operating subsidy, the Metrodome and the Civic Center were constructed with public assistance. Debt service on these outstanding bonds is being paid primarily with public funds.

\*The program, established under the Metropolitan Revenue Distribution Act (Minnesota Statutes Annotated, Chapter 473F), provides for sharing 40 percent of increases in commercial-industrial property tax base within the Metropolitan Area. The shared tax base represents an areawide pool that is redistributed for use by all taxing jurisdictions.

The Metrodome is built on land donated by Minneapolis business people and was financed by Metropolitan Area revenue bonds. Debt-service costs are paid from revenues generated by the facility. In the event of a shortfall in revenue, an excise tax on liquor and lodging may be imposed in downtown Minneapolis. Approximately \$51 million remain outstanding with annual debt service costs of \$4.6 million.

The St. Paul Civic Center is privately owned, but it is operated by a public agency, the St. Paul Civic Center Authority. The Civic Center was originally built with general-obligation city bonds. Debt-service costs on the building's original construction are paid by the city of St. Paul. Currently, \$9.8 million remain outstanding with annual debt-service costs of just under \$1.3 million (principal repayment of \$680,000) in 1987. The Civic Center does contribute to the city's general debt-service fund (\$142,073 in 1984 and \$54,207 in 1985).

In addition, there are tax increment bonds outstanding that provided the financing for the sale-leaseback of the Civic Center. These are being paid primarily from tax increment revenues generated in an area of approximately 20 blocks in downtown St. Paul. The Civic Center is currently leased by the city of St. Paul from the Civic Center Partners Limited Partnership for an annual lease payment (\$5.7 million in 1987) that escalates to \$8.0 million starting in the year 2001. The lease agreement requires that annual payments be made from operating revenues of the Civic Center toward the lease payment. The lease payment equals the annual debt service needed for the tax increment bonds sold to finance the sale of the Civic Center to the partnership. Most of the lease payment is generated from tax increments in downtown St. Paul. Other revenues for debt service come from a hotel-motel tax in St. Paul and from the operations of the Civic Center. For example, the bond prospectus for the financing of the sale-leaseback estimates that in 1987 tax increment revenues will provide 71 percent of the lease payment revenues. The remaining 29 percent would be contributed by Civic Center operations (9 percent), the hotel-motel tax (7 percent) and interest income (13 percent).

#### Operations Financing of Arenas

It is not possible to adequately assess the financial condition of the arena market alone. Each arena was unable to provide sufficient detail on the events segment of its operations. The St. Paul Civic Center did provide summaries of overall operations, including the arena, a ballroom, a theater, an exhibition hall, meeting rooms and the parking ramp. The Minneapolis Auditorium information also covers the auditorium and the convention center. The Met Center preferred not to disclose information on expenses and debt.

The ERA report includes general information on financial conditions for the Civic Center, the Met Center and the Metropolitan Sports Facilities Commission for the year 1985. The Civic Center and the MSFC provided a detailed summary of revenues and expenditures, while the Met Center information is net operating income by type of event.

The Civic Center information showed total operating revenues of \$3.5 million in 1985 and that operating revenues exceeded expenditures by \$1.1 million. Approximately \$620,000 in income is derived from parking fees not associated

with events. While this information includes all Civic Center operations, the arena represents the largest single contributor. In 1985 approximately 71 percent of Civic Center attendance and 79 percent of Civic Center rental income was derived from the arena.

The Met Center information shows net operating income, including parking, was \$4.3 million for the 1985-86 year. Most of this (71 percent) represented income from professional sports. Family shows represented 13 percent of the total and concerts 9 percent.

Most of the operating revenues and expenditures of the MSFC are attributable to the Metrodome. In 1985 net operating income was \$1.1 million. Total revenues were \$15.4 million; \$1.6 million from stadium rents (10 percent), \$8.9 million from concessions (58 percent), and \$2.4 million from the admissions tax (15 percent). (Net revenue to the MSFC from concessions was about \$2 million.) Operating revenues exceeded operating expenses to provide a net operating income before depreciation of \$3.8 million. Interest payments on outstanding Metrodome bonds amounted to \$3.9 million while depreciation expense was about \$2.7 million. While depreciation is not an actual cash payment, it recognizes a cost each year as the facility is being "used up," as it were. In addition, for profitable, private arenas, depreciation provides a nontaxable cash flow to the owners. Interest income of \$2 million from the sale of the old Metropolitan Stadium site in Bloomington reduced the accounting deficit to \$0.7 million.

The ERA analysis concluded that the financial performance of existing facilities, on an operating basis, is quite good, with each facility showing an operating surplus for 1985. When debt service, full lease payments and other obligations related to the facilities are included, both the St. Paul Civic Center and the Metrodome show losses. It should be noted, however, that the Civic Center is not being asked to pay a major portion of the debt service and that the Metrodome is living off the sale of the old stadium site.

#### Financial Analysis of the New Arena

The need to attract other entertainment events is obviously related to the profitability of the basketball operations. ERA projected event-days the arena would attract and related this to a financial analysis for the proposed arena.

It should be noted that the financial information available on the new arena is preliminary at this stage. In addition, information contained in the preliminary statement submitted by the developer reflects some revisions in pro forma summaries that differ from what ERA used.

The ERA analysis estimates revenues and expenditures. Revenues for events are estimated by type of event, using ERA's assessment of demand which, in the case of concerts, is lower than that of the developer. Nonevent revenues are included for luxury box rentals, preferred seating, advertising and the health club. Nonevent revenue represents about three-fourths of total arena revenues. The largest piece of this is preferred seating.

This preliminary financial analysis of the new arena indicates that the NBA franchise, the health club and arena operations from the projected events should generate sufficient revenues after operating expenses to cover debt service and amortization. (ERA estimates an operating surplus of \$6.78 million

to cover debt service ranging from \$2.7 to \$3.3 million.) ERA's analysis, using the pro forma data submitted by the developers, concludes the arena will be in a strong financial position. Non-sports events in ERA's estimate will contribute \$0.7 million (5%) of total revenue at the new arena. In other words, the new arena should be able to be successful financially without significant competition with existing arenas. However, when staff calculates the operating surplus based on adjustments made by the developer in the number of boxes and preferred seating, the surplus drops by \$2.4 million, but remains sufficient to cover debt service.

#### Financial Impact on Other Arenas

ERA concluded that the most likely outcome is that the new arena will not result in the loss of any events at existing facilities, but that profit margins for certain events will be lower. Most of the events at the other arenas are either almost unique to that facility or their appeal is primarily local.

The events primarily affected by additional regional capacity are concerts and certain family shows that appeal primarily to a regional audience and for which the promoters have flexibility in presenting them. As part of the contract on the events analysis, the Council asked ERA to estimate the financial impact of the new arena on other facilities. Based on discussions with promoters and facilities managers, ERA projects an average reduction in revenues for these events of 10 to 20 percent.

At the Met Center, which holds 70 events of this type in an average year, this would mean a loss of \$94,000 to \$187,000 per year using the net operating income for 1985-86 provided by the Met Center. This represents 2.2 to 4.4 percent of net event operating revenues in 1985/1986. The effects on the Civic Center arena would be less severe insofar as it hold fewer of these events, on average 40 to 45 per year. Although per-event information is not available for the Civic Center arena, ERA estimates that there would be a loss of \$50,000 to \$100,000 in event revenues. This represents 1.4 - 2.9 percent of total operating revenue in 1985. Since St. Paul depends very little on Civic Center profits to cover debt service, there is no major impact on St. Paul.

While the most likely outcome of the new arena is the reduction in profits, the addition of another arena does increase the potential for intensified competition if a major source of revenues for any arena is jeopardized. For example, the new arena shows a sizable share of projected revenues from preferred seating rentals. Preferred seating is a relatively new method of generating revenue. Although ERA feels that the developer's figures are achievable, they add that there is little history on this technique, particularly for a new franchise.

In addition, ERA indicates that the greatest uncertainty with respect to the new arena's revenues lies in the financial agreements that cover how revenues are shared among the basketball team, the health corporation and the arena. The developer's preliminary statement implies that all of the excess revenue goes to the arena. Typically this is not the case. The arrangements made for splitting these revenues will affect total arena revenues and the need to expand or contract event operations. If the arena portion of the revenue stream is small as a result of these financial arrangements, then there may be pressure on arena managers to compete for more and better events.

## ECONOMIC IMPACTS

Sports Facilities--National Trends

Studies of sports facilities indicate that they are generally losing propositions when debt service and depreciation are figured in. Why then do cities continue to expend sizable amounts to build and operate facilities? The reason is the team franchise. The prime example is professional football, the public demand for which remains very strong. Today professional basketball appears to be experiencing a surge in popularity also. This is supported by the monopoly control of the leagues in restricting where franchises are located.

There is no doubt that professional franchises confer intangible benefits on a city beyond the revenue generated by ticket sales, television revenue and team payroll. Cities become recognized as "big league" along with the team. Exposure on national television provides considerable free advertising about the city. This "prestige" factor is apparently more important than the actual stadium economics.

Other beneficiaries are team owners and citizens who enjoy watching professional sports. The monetary payoff to owners comes primarily in the form of tax deductions for depreciation. The increasing importance of depreciation benefits has affected team ownership since it requires individuals or corporations with substantial income to take advantage of the writeoff. In those instances where owners also own facilities, there is an added ability to capture any excess revenues from facility operation.

Most of the sports facilities that have been built in this country recently have been publicly financed. A recent study by Robert Baade indicates that, since 1953, of the 38 arenas used by NBA and National Hockey League (NHL) teams, only eight were privately owned.\* This was not always the case. Previously, most teams owned their own facilities. This was particularly true for baseball. Professional football teams usually rented baseball parks.

According to the Baade study, the public sector was the primary source of stadium financing in the 1960s and 1970s. Since the late 1970s there has been more private involvement in stadium financing as public budgets have tightened and public money is less available. An ancillary effect has been an increased emphasis on finding new ways to increase revenues generated by sports facilities.

Basketball arenas are significantly different from football and baseball stadiums in that they do not cost as much to construct and can be used for a wider variety of events. In recent years, basketball arenas have been designed to attract more nonsports events as a way of increasing revenue. A shift toward private financing of arenas should intensify this trend.

\* Robert A. Baade, "Is There an Economic Rationale for Subsidizing Sports Stadiums?" Heartland Policy Study, No. 13 (Chicago: Heartland Institute, February 23, 1987), p. 2.

Economic Impact of Arenas in Twin Cities

This last part of the economic analysis looks at the economic impacts of the arena. It is important from the Council's perspective to distinguish the economic impacts of the NBA franchise from that of the arena. The benefit of the NBA franchise is not an issue. The issue is the new facility proposed to house the team.

The developer indicates that the arena project will serve the entire Metropolitan Area. Given its location in Minneapolis, it will provide a facility that is more convenient and accessible to persons in the northern and northwestern portions of the Metropolitan Area. The developer estimates that during the two-year construction phase of the project more than 1,000 construction jobs will be created, and direct and indirect economic contributions to the metropolitan economy will be \$44 million. In addition, when completed, the arena will provide jobs.

ERA examined the economic impact of arenas in other cities and tried to project the impact of a new facility and of the other facilities in the Metropolitan Area. Arenas generate a less significant economic impact than other facilities such as convention centers. This is because they attract primarily local and regional residents rather than visitors from outside the Metropolitan Area. In addition, because arena attendees come only for the event, they have less effect on adjacent restaurant and retail establishments. In short, they do not generally stay overnight.

According to ERA's analysis, these are the major impacts of the arena:

- o annual operating expenses of \$3.6 million;
- o spending by visiting teams and performers at local hotels and restaurants of \$0.9 million;
- o spending by arena attendees on nonarena goods and services of \$3.6 million.

In addition, the Timberwolves will contribute a significant amount to the metropolitan economy, but these were not projected.

The total direct impacts, according to ERA, will be \$10.5 million, of which \$2.4 million will be real estate taxes to Minneapolis and \$0.4 million sales and excise taxes on goods and services. Using a standard multiplier of 1.3 to 1.5 yields indirect impacts of \$13.7 million to \$15.8 million. Total impacts, the sum of direct and indirect, are \$24.2 million to \$26.3 million.

Metropolitan Council staff believes it is more appropriate to call the nontax revenues of \$8.1 million direct impacts and then apply the multipliers. This yields a total direct and indirect impact range of \$18.6 million to \$20.3 million.

It must be recognized that some of these expenditures are diverted from other goods and services in the Metropolitan Area. ERA did not estimate what portion of the economic impacts represented new growth to the area.

Events held at other arenas in the Metropolitan Area have similar impacts to the extent that similar restaurant and retail establishments are close by. One type of event that does have a greater impact is the high school sports tournament. This is because the tournament brings players and spectators into the area for several days, requiring overnight lodging and other additional expenditures.

### ALTERNATIVES

The economic analysis of the events market shows that the financial performance of existing arenas on an operating basis is quite good. There is unused capacity in the regional "arena system" that might be able to accommodate the professional basketball schedule.

At the present time, three existing large-scale facilities in the Twin Cities Metropolitan Area can potentially be considered as alternatives to house the Minnesota Timberwolves professional basketball team. A fourth facility is in the planning stages.

- 1) The St. Paul Civic Center, which was sold by the St. Paul Housing and Redevelopment Authority to Civic Center Partners Limited in 1983, and located adjacent to downtown St. Paul, currently handles conventions, annual consumer shows and the state high school hockey, basketball and wrestling championships.
- 2) The Hubert H. Humphrey Metrodome, in downtown Minneapolis, is the home field of the Minnesota Vikings and the Minnesota Twins. The Metrodome began operating in 1982. Other sports events such as the NCAA Basketball Regionals have been played at the Metrodome in recent years.
- 3) The Metropolitan Sports Center in Bloomington held its first event in 1967 and is home to the Minnesota North Stars and the Minnesota Strikers. The Met Center also plays host to other events such as concerts and family shows.
- 4) The fourth potential alternative is an arena scheduled to be constructed on the University of Minnesota campus in Minneapolis. This facility is only in the planning stages, but it is expected to be the home court of the Minnesota Gophers basketball team. The arena is the major part of Phase 2 of a three-phase development plan approved by the University's Board of Regents. Phase 1 has been funded by the State Legislature, and the University has been directed to move forward on funding for Phase 2 by the Board of Regents. The facility will take 18 months to two years to be constructed once the financial package is in place. The University views the planned arena as the replacement for the current basketball facility, Williams Arena.

As a member of the Big 10 Athletic Conference, the University of Minnesota is subject to the rules and regulations of the conference as well as the National Collegiate Athletic Association (NCAA). The Big 10 restricts the use of college sports facilities by professional sports teams. However, this rule can be waived through approval by a joint group of faculty and athletic directors of the member universities. The NCAA will support the decision of the Big 10 Conference faculty and directors. University of Minnesota officials do not foresee any difficulties in obtaining a waiver from the Big 10 Conference in order to allow the Timberwolves to play.



## PHYSICAL ARRANGEMENTS AND SCHEDULING

The physical arrangements and scheduling for the Minnesota Timberwolves at these four alternative locations is the subject of this section. The physical arrangements include: 1) seating capacity, 2) parking availability, 3) visibility of the basketball court from the seats, 4) availability of private spectator boxes, 5) necessary remodeling, 6) availability of a basketball floor, 7) conversion time, 8) concessions, 9) scheduling and 10) adequate capacity.

### Seating Capacity

The seating capacities at the four alternative arenas range from 16,800 to 35,000. The proposed arena has a seating capacity of 18,000. The Met Center and the Civic Center are slightly below that capacity, with seating of 17,500 and 16,800, respectively. The University of Minnesota's planned facility and the Metrodome would have seating capacity higher than the proposed arena, or up to 20,000 and 35,000, respectively. Although the Civic Center has the least available seating, it is only 1,200 below the full capacity of the proposed arena.

### Parking Availability

The existing facilities have sufficient parking capabilities to handle the needs of the Timberwolves. The existing arenas already handle large crowds within their existing event schedule. Parking is readily available, such as the approximately 5,000 spaces at the Met Center. The University of Minnesota's planned arena will have access to 2,000 to 4,000 additional spaces via a planned shuttle from the St. Paul campus. The shuttle will go to and from both campuses with continuous service and will drop off people directly in front of the arena.

### Visibility of the Basketball Court

The "sitelines," or the visibility of the basketball court from the seats, is expressed as good to excellent among the alternative locations. None of the facilities have claimed any visibility problems.

### Availability of Private Spectator Boxes

Currently, only the Metrodome has private suites or spectator boxes that could be used to view basketball games. Approximately one-third of the 115 private suites at the Metrodome could be used during basketball games. The proposed arena plans to have 40 private suites and 1,500 "preferred" seats.

If private spectator boxes were to be used at the other locations, physical alterations would have to take place. The Met Center has indicated a strong willingness to make the physical changes necessary for private suites should professional basketball be played there. The University of Minnesota is also willing to accommodate the Timberwolves by placing private boxes in the planned arena.

### Necessary Remodeling

None of the existing facilities expressed a need for any remodeling for a professional basketball team to play there. The Metrodome indicated a possibility of adding more toilets to the main arena floor. The Met Center expressed a desire to add spectator boxes. The University of Minnesota arena is still in the planning stages and could therefore accommodate the needs of the Timberwolves before any construction begins. However, none of these changes would affect the ability of the Timberwolves to play at these locations.

### Availability of a Basketball Floor

The alternative sites must also have access to a basketball court that can be set up in the arena. Only the Metrodome does not currently own a basketball court. Basketball games played there in recent years have used a special exhibition court. The Metrodome would have to acquire or rent a basketball court. Both the Met Center and the Civic Center already own basketball courts that could be used for the Timberwolves.

### Conversion Time

The conversion time--that is, the time it takes to set up for a professional basketball game varies--significantly among the alternative arenas. Conversion time at the Metrodome involves setting up more than 9,000 temporary bleachers. Total time includes two days to set up and one day to tear down. The Civic Center conversion can usually be done overnight. The Met Center conversion time involves only one and a half to two hours. Conversion time also varies depending upon the type of activity preceeding the basketball game. Because the University of Minnesota arena is planned to specifically house a basketball team, conversion time necessary to set up for professional basketball is minimal or none.

### Concessions

The St. Paul Civic Center is privately owned by Civic Center Partners, Limited and publicly managed by the city. The main objective the city has in operating the Civic Center is that it be used as a multi-purpose public facility. Concessions are handled through a percentage management contract with a concession service company.

Although owned by the Metropolitan Sports Facilities Commission, the Metropolitan Sports Center is privately operated. The building is leased to Met Center management. The Met Center has a private arrangement with a concession company through approximately 1993.

While the MSFC owns the concessions in the Metrodome, a management company operates and retains a percentage of the profits. The remainder goes to the MSFC.

### Scheduling

Because of the variety and number of events held at the three alternative locations, planning a professional basketball home game schedule of 45 games could potentially lead to some scheduling conflicts. The home schedule of the Timberwolves would begin in November and continue through April with playoffs occurring in May and June.

During 1986, the Metrodome handled 148 events. Because the Metrodome does not have facilities to host trade or consumer shows, most of the events in 1986 were sports oriented. However, the Metrodome plans to help the Minneapolis Convention Center's schedule during the construction period by hosting some trade shows during the next three years. The Metrodome is home field to the Minnesota Vikings NFL team and the University of Minnesota Gophers Football team. The possibility of weekend conflicts exists with these teams during November and December. Also, NFL playoffs take place in January, which could also have an impact on Timberwolves' home game schedules. The Minnesota Twins begin playing in the Metrodome during April and continue throughout the summer. The Twins' home games involve use of the Metrodome for half of each month.

The Metrodome has already reached an agreement with the Timberwolves to allow them to play there during construction of the proposed arena. The lease agreement is for three years with a two-year buyout option.

The Met Center held 202 events during its 1985-1986 year. The Met Center is home to the Minnesota North Stars NHL team and the Minnesota Strikers professional indoor soccer team. The Met Center also schedules one-night shows such as rock concerts and several day events, such as ice shows, the circus and other family shows. The North Stars schedule runs from the end of September through the first of April, with playoffs in May. The North Stars play a 40-game home season. The Minnesota Strikers schedule runs from the first of November through the end of April. Playoffs for the Strikers take place during May and June. The Strikers play 25 regular-season home games. The Met Center has submitted a proposal to the Timberwolves to accommodate their schedule within the Met Center's existing schedule.

The Civic Center is not home to any professional sports teams, but many sports events are held there. The Minnesota State High School Championships in wrestling, basketball and hockey are held during the month of March. Professional wrestling events are also held at the Civic Center throughout the year. The Civic Center handled 118 events during 1986. The schedule for the championships is set through 1990. Many conventions and annual consumer shows lasting several days have been scheduled through 1991.

The planned arena at the University of Minnesota will host 14 to 15 games during the Gophers' basketball season and other appropriate University functions such as guest speakers, concerts and graduation ceremonies. A 5,000-seat exhibition gymnasium is also planned with the large arena. The exhibition arena will house women's volleyball, gymnastics and men's wrestling as well as other college athletic events. The University of Minnesota feels a strong commitment to keep these college athletics on the University campus. The University has initiated discussions with the Timberwolves to accommodate professional basketball specifications within their arena.

### System Impacts at Alternative Facilities

Impacts of the alternative sites for the Timberwolves to the metropolitan systems (sewers, parks, transportation) will be minimal. This is due to the fact that three are currently existing and one is planned for areas already adequately served by sufficient capacity within the metropolitan systems.

The Met Center is located in the area which has been extensively studied due to the proposed Mall of America Fantasy World. Roadway improvements to this area have been scheduled to start during the next year. For the Metrodome and the St. Paul Civic Center, basketball games will normally occur in the evening and weekend hours and will therefore have little impact on system capacities in both the downtown areas of Minneapolis and St. Paul.

The University has handled large crowds for very many years at both Williams Arena and Memorial Stadium. The addition of parking on the St. Paul campus with a shuttle to the arena will further spread traffic onto highways such as Hwy. 280 rather than concentrating in the immediate campus area.

### SUMMARY OF FINDINGS

#### ANALYSIS OF ALTERNATIVES

1. Existing arenas and the planned arena at the University of Minnesota may have sufficient unused capacity to house the Minnesota Timberwolves.
  - a. The St. Paul Civic Center seats up to 16,800 with good to excellent visibility. The center owns a basketball floor, conversion can usually be done overnight and no remodeling is necessary for the Timberwolves to play in the center. There are possible scheduling conflicts with the state high school championships and with other events such as conventions and annual consumer shows.
  - b. The Metrodome seats up to 35,000 with good to excellent visibility but would have to acquire or rent a basketball floor. Conversion time includes two days to set up and one day to tear down. Scheduling conflicts with the Vikings, Gophers and Twins are possible.
  - c. The Met Center seats up to 17,500 with excellent visibility, conversion requires one and one-half to two hours, and no remodeling is necessary. The Met Center management is willing to add private spectator boxes to meet the needs of the Timberwolves. Scheduling conflicts with the North Stars and Strikers are minimal because of fast conversion time.
  - d. The University of Minnesota Arena will seat up to 20,000. It is still in the planning stages and can be designed to meet the needs of the Timberwolves. No conversion time is needed and scheduling conflicts would be minimal. The arena will take 18 months to two years to construct.

## CONSISTENCY WITH COMPREHENSIVE PLAN

2. The NBA arena is consistent with the general policies for the downtown contained in Minneapolis's comprehensive plan. The plan at the present time does not specify the arena for this site or show what street realignments might be needed to accommodate the proposed arena.

## METROPOLITAN SYSTEM EFFECTS

3. Although the NBA arena meets the threshold criteria for number of trips in one day and for amount of sewage flow, the project will not cause a substantial effect on the metropolitan transportation, sewer, airport or parks system or on metropolitan system plans for transportation, sewers, airports and parks.

## METROPOLITAN DEVELOPMENT AND INVESTMENT FRAMEWORK: PLANNING ISSUES

4. Location of the NBA arena in the Minneapolis Metro Center is consistent with MDIF policy for the Metro Centers which states that the Council will support new development in the Metro Centers that requires a central location, high accessibility, high service levels and high density.
5. MDIF policy supports two strong Metro Centers; if a new arena in the region will adversely affect the economic health of downtown St. Paul, it would not be consistent with Council policy for the Metro Centers.
6. The major focus of the MDIF is on managing public resources with the Council's stated objective to maximize the use of existing facilities before investing in new or upgraded facilities. If any of the three existing facilities or the planned University facility are capable of accommodating the Minnesota Timberwolves, construction of a new arena anywhere within the region would not be consistent with Council policy.
7. The special facilities review established in the MDIF for large-scale public assembly-type development is applicable to the NBA arena project. This review appropriately uses elements of the investment decision-making process and economic evaluation criteria to analyze the NBA arena.

## METROPOLITAN DEVELOPMENT AND INVESTMENT FRAMEWORK: ECONOMIC ANALYSIS

### Events Analysis

8. The existing regional "arena system" has unused capacity as reflected in 160 excess days and events with less-than-maximum attendance.
9. Markets for nonsports events are both local and regional. There is not much room for growth in the Twin Cities in the regional market.
10. The new arena will not attract as many nonsports events as the developer proposes. ERA estimated 125-135 events, down from the 145 estimated by the developer. According to pre-filed testimony, some local operators think both are high.
11. National trends indicate little growth in indoor concerts but some potential to expand the number of family shows.

12. Losing the NBA franchise would render operation of a new arena impossible without severe impacts on all arenas.

#### Public Subsidies and Arena Financing

13. Each of the existing arenas has received some degree of public subsidy. None receives operating subsidies at this time. Detailed information on revenues and expenditures of the individual arenas was not available.
14. Given new demand from basketball and replacement events from the old Minneapolis Auditorium, the new arena can be profitable without attracting events from other arenas. It is estimated to have an annual operating surplus (before debt service and amortization) of \$4.4 million, using the revised estimates for luxury boxes and preferred seating.
15. The extent to which the new arena needs to attract additional nonsports events depends upon the revenues generated by the basketball operations and health club operations. This, in turn, depends upon the organizational structure for these operations and the arena, specifically how revenues are shared.
16. The primary effect at existing arenas will be reduced revenues from existing events--two to four percent of net event operating revenue at the Met Center and one to three percent of total operating revenues at the Civic Center.
17. Operations revenues of the St. Paul Civic Center Authority pay a small part of the outstanding debt on the Civic Center and of the lease payment.
18. The effect of the tax increment subsidy to the arena site is to increase taxes within Minneapolis and, to a lesser extent, in the rest of Hennepin County.

#### Economic Impacts

19. Arenas typically have less significant economic impact than facilities such as convention centers that attract visitors from outside the area who stay overnight and use nearby restaurants and other retail establishments.
20. The arena will have annual total direct and indirect benefits upwards of \$18.6 million in addition to the one-time benefits from construction. Total direct impacts are projected to be \$7.8 million plus an additional \$2.4 million in property taxes and \$0.4 million in sales and excise taxes.
21. Benefits in terms of construction spending, jobs and property taxes accrue to Minneapolis. Minneapolis and the developer are paying the financial costs. At the same time, existing arenas pay part of the costs in terms of reduced revenues for events.

#### RECOMMENDATIONS

1. That the Council determine that the metropolitan significance regulations apply to the proposed NBA arena project.

2. That the Council determine that there is sufficient evidence to conclude that there will be no substantial effects on any of the metropolitan systems and, therefore, that the proposed NBA arena project is not of metropolitan significance with respect to the standards set forth in Minn. Rules 5700.0400 (D).
3. That the Council determine that the evidence is not conclusive to determine that the proposed NBA arena project causes a substantial effect on existing or planned land use or development in a governmental unit other than the city of Minneapolis and, therefore, that the proposed NBA arena project cannot be found to be of metropolitan significance with respect to the standard set forth in Minn. Rules 5700.0500.
4. That the Council determine that there may be capacity available to house the Minnesota Timberwolves in existing facilities or in the planned University of Minnesota arena.
5. That the Council encourage the city of Minneapolis to reconsider construction of a new arena to house the Minnesota Timberwolves, to reopen negotiations with existing arenas or to enter into negotiations with the University of Minnesota for use of its planned arena on the University campus.

ARENAa, PHDEV2







DATE: 10-JUN-87

TIME: 9:29:46

STATE OF MINNESOTA  
COUNTY OF HENNEPIN

METROPOLITAN COUNCIL OF  
THE TWIN CITY AREA

IN THE MATTER OF THE  
METROPOLITAN SIGNIFICANCE  
REVIEW OF THE PROPOSED  
ARENA FOR THE NATIONAL  
BASKETBALL ASSOCIATION  
FRANCHISE FOR MINNEAPOLIS

PRE-FILED DIRECT TESTIMONY  
OF DAVID P. WELLE

Referral No. 14154-1

STATE OF MINNESOTA)  
                                  )SS.  
COUNTY OF HENNEPIN)

David P. Welle, being duly sworn upon oath, states and  
testifies as follows:

1. I am a certified public accountant, practicing with the  
firm of Coopers & Lybrand at the address of 1000 TCF Tower,  
Minneapolis, Minnesota 55402.

2. The firm of Coopers & Lybrand, for which I am employed,  
is an international accounting and consulting firm which employs  
over 29,000 individuals. As a firm, we perform a wide variety of  
services, including auditing, tax services, and management and  
financial consulting. Our Minneapolis office has over 200  
employees and 17 partners.

- . Minneapolis Athletic Club -- Minneapolis, Minnesota
- . Minnesota Convention Center -- State of Minnesota
- . Multi-Use Sports Facility -- Buffalo, New York
- . New Orleans Convention Center -- New Orleans, Louisiana
- . Omaha Civic Auditorium Expansion Analysis -- Omaha,  
Nebraska
- . Phoenix Stadium -- Phoenix, Arizona
- . San Francisco Baseball Stadium -- San Francisco,  
California
- . Stadium Financial Analysis -- Flushing Meadows, New York
- . Tampa Baseball Stadium -- Tampa, Florida
- . University of Wisconsin Convocation Center Analysis --  
Madison, Wisconsin

4. Through studies that Coopers & Lybrand has performed in recent years, we have gathered significant amounts of information and experience in the financing, marketing, and economics of arenas. Much of this information is the result of personal interviews, our surveys of hundreds of event promoters and association representatives, as well as arena managers. We have also personally visited and inspected many arenas around the country. In addition, we have prepared financial forecasts for the development and operation of numerous arenas, and have reviewed the event market structure for these arenas in connection with our work.

c. Assess and comment on the range of events which could be held in a public assembly facility of the size and nature planned for the new facility in downtown Minneapolis.

d. Identify types of additional events based on: historical events in the Minneapolis/St. Paul marketplace held in the previous five years; geographic and demographic characteristics and related projections; interviews with individuals active in the industry and review of industry data; and review of the synergism with the new Minneapolis Convention Center.

e. Assess the proposed arena's limited need for events based on a review of management's financial projections.

f. Perform an economic impact analysis of the development of an NBA/arena health club. This analysis will describe the effects of development during the construction period on the state and local economy.

g. Incorporate these findings into testimony provided to the Metropolitan Council.

7. The events that are outlined and described within the text of this testimony are not confirmed or committed bookings; instead, they represent a list of events which are held in similar facilities around the country to illustrate the types of events available.

Leisure time for most Americans has been on the increase over the past several years, accompanied by a corresponding rise in household disposable income. Event promoters are capitalizing on these factors, and are creating new sports, shows, and events, some of which have become extremely successful, to capture these dollars.

The promotion of the Olympic games through extensive television coverage in recent years has created a market demand for the staging of events (i.e., gymnastics, volleyball, basketball, etc.) which previously did not have organized tours playing in arenas across the country.

The family show market has probably experienced the most growth in number of new shows in recent years. Several years ago, the principal family shows were the circus, ice shows, and Harlem Globetrotters. Now a venue may also offer Sesame Street Live, the Muppets, Muppet Babies, Alvin and the Chipmunks, Masters of the Universe, Disney on Ice, Ice Capades, Ice Spectacular and a number of others. The increase in these family shows can be primarily attributed to the recovery of the economy, the impact of the baby boom and, to a lesser extent, the fact that parents are seeking leisure activities which may be shared with their children. Increased attendance at various family shows and a producer's desire to keep attendance limited to heighten audience participation have led several family show promoters to request longer playing dates at facilities. Many heavily utilized facilities are not able to comply with this request because of scheduling difficulties.

## II. Available Events

The following is a list of events, grouped by category, currently being conducted in arena-type venues throughout the United States. Contained in the universe of events are not only for-profit events, but also charitable events and community shows.\* These latter events are generally scheduled to fill dark days, and any revenue generated therefrom helps cover the fixed expenses of the facility.

The diversity of events within each category demonstrates the broad appeal that can be generated by a market utilizing the proper combination of events. Presenting the same number of additional events appealing to several unique market segments will potentially increase the total number of events within a market area with little impact on each event's attendance.

This list does not nearly reflect the universe of events.

The list of potential arena events is as follows:

- . Greco-Roman Wrestling
- . Gymnastics
- . Hockey
- . National Figure Skating Championships
- . Olympic and World Figure Skating Exhibitions
- . Olympic Festival
- . Olympic Trials and Exhibits
- . Tennis Tournaments/Exhibitions
- . Volleyball
- . World Figure Skating Championships
- . Wrestling

#### HIGH SCHOOL SPORTS

- . Basketball
- . Curling
- . Gymnastics
- . Hockey
- . Tennis
- . Volleyball
- . Wrestling
- . Other High School Tournaments/Exhibitions

#### FAMILY SHOWS:

- . Adventures on Ice
- . Alvin and The Chipmunks
- . American All-Star Magical Variety Show
- . American Rodeo Company

- . Fantasy on Ice
- . Flying Caballeros Trapeze Troupe
- . Franzen Bros. Circus
- . Gentle Ben
- . Globe of Death (Motorcycle Stunts)
- . Great American Lumberjack Show
- . Great American Magic Spectacular
- . Harlem Globetrotters
- . Harry Blackstone (Magician)
- . Holiday on Ice
- . Hollywood Stunt Show
- . Hollywood Stunts
- . Ice Capades
- . Ice Follies
- . Ice Sparkles
- . Ice Spectacular
- . Ictravaganza
- . Irving Hall's African Baboons
- . Joe Gilbride (The Human Torch)
- . Kastles Bears
- . Kelly-Miller Bros. Circus
- . Kurt Thomas Gymnastics America
- . Lazar Images
- . Lila-ana's Leopards and Panthers
- . Longhorn World Championship Rodeo, Inc.
- . Loyal-Suarez Bareback Riding Troupe
- . Magnificent Magical Animals
- . Masters of the Universe

- . The Muppets
- . Theater on Ice
- . Tornado on Wheels Aerial Thrill Act
- . Truck/Tractor Pulls
- . Walt Disney's Magic Kingdom on Ice
- . Walt Disney's Snow White on Ice
- . Walt Disney's World of Ice
- . Wendy's Super Circus
- . World Cup Ice Speedway Racing
- . World Family Wild Animal Acts
- . WWA All-Star Championship Wrestling

#### CONCERTS:

A list of individual acts for concerts consists of over 2,600 performers. Therefore, the following is simply the categories for these 2,600 separate performances:

- . Bluegrass
- . Country
- . Dixieland/Ragtime
- . Easy Listening/Middle of the Road
- . Ethnic
- . Folk
- . Gospel/Contemporary Christian
- . Jazz
- . New Jazz



- . Flea Markets
- . Great Gatsby's Architectural Auction
- . Grocers Association Convention and Trade Show
- . Home Remodeling and Restoration Show
- . In-Town Apple Sale
- . Midwest Auto Show
- . Midwest Boat and Camper Show
- . Midwest Custom Hot Rod Show
- . Minnesota College Fair (Public and Private)
- . Minnesota Home Improvements Show
- . New Journal Home Show
- . New to New Sale
- . North Country Ski Equipment Sale
- . Northwest Hunting Show
- . Outdoorsmen's Fishermen's Flea Market
- . Red River Arts and Crafts Show
- . Reinhart Institutional Food Show
- . Suburban Corvette Car Show and Swap
- . The Lift Ski Equipment Sale and Swap
- . Twin Cities Computer Show and Business Equipment  
Exposition
- . Variety Merchandise Show
- . Winona Knitting Mills Sale

#### COMMUNITY EVENTS:

- . 3M Awards Banquet
- . 3M Seminar
- . Aerobathon

## OTHER

In this category are conventions and association meetings which, like trade shows, run into the thousands and are impossible to quantify with any degree of accuracy. The examples of such events are as follows:

- . Association Conventions
- . Big Ten Conference
- . Cheerleading Contest
- . College Sport Information Directors of America
- . Dance Companies
- . Danceline Contest
- . First International French Festival
- . International Association of Fairs and Expositions
- . International Association of Auditorium Managers
- . Link-Dillard Exposition
- . Marching Bands
- . National Association of Exposition Managers
- . National Association of Collegiate Directors of Athletics
- . National Restaurant Association
- . NBA Draft
- . Season Ticketholder Party
- . Square Dance
- . Stockholders' Meetings/Party
- . The Great James H. Drew Exposition
- . Third Annual Music Business Symposium
- . Union Meetings

MINNEAPOLIS/ST. PAUL CUMULATIVE EVENT LISTING FOR 1986

	<u>St. Paul Civic Center</u>	<u>Met Center</u>	<u>Metrodome</u>	<u>TOTAL BY TYPE</u>
Professional Sports	13	95	91	199
College Sports	0	0	11	11
High School Sports	26	20	3	49
Family Shows	27	53	2	82
Music Concerts	16	17	1	34
Consumer & Trade Shows	23	26	0	49
Community Shows	30	8	0	38
Other	<u>8</u>	<u>3</u>	<u>40</u>	<u>51</u>
TOTAL	<u>143</u>	<u>222</u>	<u>148</u>	<u>513</u>
Market Share	28%	43%	29%	

Source: Number of events presented to the Metropolitan Council  
by the individual facilities.

Compiled by: Coopers & Lybrand

MINNEAPOLIS/ST. PAUL CUMULATIVE EVENT LISTING FOR 1984

	<u>St. Paul Civic Center</u>	<u>Met Center</u>	<u>Metrodome</u>	<u>TOTAL BY TYPE</u>
Professional Sports	13	62	107	182
College Sports	0	14	8	22
High School Sports	19	22	2	43
Family Shows	28	57	2	87
Music Concerts	29	21	0	50
Consumer & Trade Shows	9	65	0	74
Community Shows	61	21	0	82
Other	<u>24</u>	<u>7</u>	<u>15</u>	<u>46</u>
TOTAL	<u>183</u>	<u>269</u>	<u>134</u>	<u>586</u>
Market Share	31%	46%	23%	

Source: Number of events presented to the Metropolitan Council  
by the individual facilities.

Compiled by: Coopers & Lybrand

MINNEAPOLIS/ST. PAUL CUMULATIVE EVENT LISTING FOR 1982

	<u>St. Paul Civic Center</u>	<u>Met Center</u>	<u>Metrodome</u>	<u>TOTAL BY TYPE</u>
Professional Sports	14	58	87	159
College Sports	0	2	6	8
High School Sports	20	25	2	47
Family Shows	33	34	0	67
Music Concerts	24	31	0	55
Consumer & Trade Shows	12	31	0	43
Community Shows	23	19	0	42
Other	<u>33</u>	<u>3</u>	<u>5</u>	<u>41</u>
TOTAL	<u>159</u>	<u>203</u>	<u>100</u>	<u>462</u>
Market Share	34%	44%	22%	

Source: Number of events presented to the Metropolitan Council  
by the individual facilities.

Compiled by: Coopers & Lybrand

## B. Analysis of the Minneapolis/St. Paul Event Market Structure

From the foregoing, it is obvious that only a small fraction of the universe of events now use existing facilities in the Minneapolis/St. Paul market. Currently, the Met Center captures approximately 45 percent of the total events held in the Minneapolis/St. Paul market and the St. Paul Civic Center and HHH Metrodome capturing approximately 30 and 25 percent, respectively.

The total number of events held in the Minneapolis/St. Paul market has varied within the last five years by 132 events. In 1983 there were only 454 arena/stadium events held in the market, while in 1984, 586 events were presented. Even though 1984 may have been an unusually intense event year due to external factors, such as Olympic events being held or a favorable national economic position, the fact that 132 additional events were scheduled demonstrates the market's ability to support an increased number of events.

With the exception of additional sporting events at the Met Center, due to a recent lease with an MISL soccer franchise, the professional, college, and high school sporting events have remained at a stable level. The remaining event categories have all varied by significant amounts in the last five years. The maximum and minimum number of events scheduled in the last five years in each category are summarized below:

#### IV. Potential Additional Events

A greater variety of events scheduled in a particular market increases the total number of people supporting the events. In other words, the number of attendees is, in an absolute sense, not static. Given a broad base of events with distinct target markets, attendees will be drawn from several different population segments. As such, the entertainment dollars spent on arena events will become less sensitive to the absolute number of events relative to the diversity of the event mix.

The types of events that appeal to segments of the population that do not patronize "mainstream" arena events include attractions such as dog, flower, car, antique or off-road vehicle shows. These types of events provide an alternative to the arena rather than remaining vacant. Also, these "secondary" events typically cover the variable expenses associated with their presentation as well as contributing to the payment of fixed expenses. Attractions such as these vary in both interest and popularity and are often scheduled in an arena during the slow months of the arena's operation. Such events can contribute to the economy through the respending effect of economic impact.

The developers of the proposed NBA Arena/Health Club are considering installing an acoustical divider for the arena. This ability to adjust the configuration of the arena will allow for additional flexibility and potential to accommodate additional smaller events.

B. Current Additional Event Potential for the Minneapolis/  
St. Paul Area by Each Category

The Minneapolis/St. Paul market has the potential to attract a number of events that are either not currently being produced in the market or whose scheduling is not currently optimized. There are numerous additional events which could be produced in the Minneapolis/St. Paul market; however, defining every potential event can be accomplished only by identifying and analyzing each and every event held in every arena in the United States and Canada. As such, the events identified within this section and prior sections represent only a portion of the universe of potential events, and it is likely that a greater number of events could ultimately be attained.

The following descriptions are examples of some of the potential events based on our interviews with promoters, industry experts and talent agents familiar with the Minneapolis/St. Paul market, as well as our experiences with this and other markets around the country.

1. Professional Sports

The Minnesota Monarchs, a professional women's volleyball team, for example, expressed an interest in scheduling events in an arena venue. To date, the Monarchs have been unable to schedule dates consistently in the Minneapolis Auditorium and have been forced to



3. Family Shows (Ice Events are examined in another section)

The number and type of family shows is broader based than any of the other event categories. There are a number of promoters who have expressed interest in promoting additional family shows in the Minneapolis/St. Paul market. Some local show producers have experienced difficulty in scheduling events in the market due to either conflicting dates or restrictions on the number of family shows presented in a given time frame.

4. Professional Wrestling

There are currently 20 professional wrestling events held in the Minneapolis/St. Paul market. The promoters felt that if a new arena venue were added to the market (especially in the downtown area), additional wrestling events could be promoted successfully. A new venue also would add to the potential for a Wrestlemania-type event, to either be held live or broadcast over closed circuit television, in the market.

There are currently six to eight wrestling events held in the Minneapolis Auditorium. Given the schedule of the current convention center, a new convention center would make scheduling events in the auditorium even more difficult. The promoter believes that these displaced events will utilize an arena venue.

## 6. Ice Events

There are many national events which could be attracted to the Minneapolis/St. Paul market, such as Olympic and World Figure Skating Exhibition, Professional Ice Skating and The National Figure Skating Championships.

Although none of the aforementioned events perform on an annual basis in any one venue, it is possible that at least the Olympic and World Figure Skating exhibition could be scheduled when it is on tour. There are a number of Ice Shows that do follow an annual schedule including: Ice Follies, Icestravaganza, and Torvell and Dean.

## 7. Motor Sports

There are currently many different types of motor sport events on the market. There are also producers interested in promoting motor sports events in a new downtown Minneapolis arena. Included in the motor sports category are events such as motorcycle racing/jumping, truck pulls, and stunt shows.

The Twin Cities could either get a tournament that another market (city) wanted to discontinue or they could apply for an additional tournament to be added. In any case, corporate sponsorship would increase the chances of the Minneapolis/St. Paul area acquiring these additional events. Since the market has a significant corporate base, promotional support for these events appears likely.

#### Arena Football:

Arena football has entered the event market this spring. The promoters of arena football are anticipating the addition of 8 to 10 franchises within the next two years. The season, which runs from mid-May to mid-August, will consist of 8 to 10 events. The promoters also expressed an interest in holding two exhibition games in the Minneapolis/St. Paul area.

#### Kick Boxing:

The promoter of Minneapolis/St. Paul kick boxing felt that one or two annual events could be held in an arena venue. The draw for kick boxing currently consists mainly of family and friends of the participants, but the promoter feels that this is partially due to the suburban location of the current venue. The promoter believes that a downtown Minneapolis venue, coupled with aggressive promotion, would generate support for the additional arena events.

The location of the proposed arena/health club is central to the related metropolitan area. The centrality of its locale will enable people from a wide range of suburbs to attend events on a regular basis. Also, the market from which the health club has to draw from is larger in a downtown location.

2. There exists a significant number of events that require a facility capable of seating 12,000 to 20,000 persons for one or two sessions during a multi-day convention. Unlike the events noted in (1), the assembly for plenary sessions during these events is not the main requirement for the event, but such a facility is a key secondary need. This need arises generally in two ways:

- a. As a necessary part of the convention, such as an election or presentation of a significant research paper; or
- b. To provide a site for a social event, such as an evening performance by a national entertainer.

As mentioned earlier, there is a significant efficiency in being able to facilitate such an event without assembly seating in exhibition floor areas.

3. There will be a number of events currently being held at the existing Minneapolis Auditorium that will be displaced as a result of developing the new facility. These events include:

- . Regional High School Basketball Tournament
- . State High School Gymnastics
- . Girls' High School Basketball

Overall, the proposed arena should complement the new Convention Center. It will allow for added flexibility of the center and enable management to market the facility to groups who would not be interested in coming to the Twin Cities without the arena.

## VII. Economic Impact

### Employment

The construction and operation of any facility has an effect on the local, state, and regional economies. For example, construction of a facility increases both employment for those working directly on the construction project and also for those firms which supply the construction materials. Upon completion of the facility, increased employment will be generated directly from expenditures which may occur as a result of the facility's operations.

#### Construction Period Jobs

The construction of the proposed facility affects the economy, primarily through increases in employment. The direct labor jobs created by the construction of the facility are primarily to construction workers. The estimation of incremental construction jobs are based on the following assumptions:

Accordingly, the number of construction jobs in man years that would be created from the development of the proposed facility is estimated to be 213, and is determined as follows:

Local labor expenditures (\$21,000,000 x 45%)	\$9,450,000
Annual per person labor cost	<u>\$44,375</u>
Incremental construction jobs - man years (rounded to nearest whole number)	<u>213</u>

In addition to the construction jobs, there will be jobs created through incremental respending. It is assumed that the jobs created would be for lower level clerical and administrative-type personnel. Based on an average wage of \$5.00 per hour, the annual labor cost per worker is estimated as follows:

<u>Average wage of clerical worker</u>	=	Annual per person
Percent of labor costs		labor cost
taxable as gross income		
<u>\$10,400</u>	=	\$13,000
.80		



Accordingly, the number of construction jobs in man years that would be created from the development of the proposed facility is estimated to be 213, and is determined as follows:

Local labor expenditures (\$21,000,000 x 45%)	\$9,450,000
Annual per person labor cost	<u>\$44,375</u>
Incremental construction jobs - man years (rounded to nearest whole number)	<u>213</u>

In addition to the construction jobs, there will be jobs created through incremental respending. It is assumed that the jobs created would be for lower level clerical and administrative-type personnel. Based on an average wage of \$5.00 per hour, the annual labor cost per worker is estimated as follows:

<u>Average wage of clerical worker</u>	=	Annual per person
Percent of labor costs		labor cost
taxable as gross income		
<u>\$10,400</u>	=	\$13,000
.80		

these incomes may spend all or part of it on goods and services outside the area, put part of these earnings into savings, or pay taxes. This halts the process of subsequent (induced) expenditure flows, and does not generate additional spending or impact within the community after a period of time. This progression is termed leakage, and reduces the overall economic impact.

- . Induced effects consist of increased purchases by households of goods and services due to the additional wages and salaries paid as a result of direct and indirect activities.

#### Respending Multiplier Effect

In addition to the direct primary effect construction has on an area's economy, income is further increased through the respending of the initial funds. The total income generated is estimated by applying what is termed a multiplier to the initial expenditure in order to account for the total economic impact of the respending activity.

The multiplier is the ratio of total spending (direct, indirect, and induced) to initial spending. A distinction is often made between the gross multiplier and the net multiplier. The gross multiplier is the ratio of the total economic impact to the initial (direct plus indirect) spending. The net multiplier is the ratio of induced (or additional) spending to the initial

Results of the economic impact analysis are measured in terms of the following categories:

- . Total output represents the direct plus the indirect and induced effects of the project.
- . Wages and salaries represent those amounts earned in the Minneapolis metro area.
- . Employment is expressed in man years, and jobs may be full- or part-time.
- . State income tax reflects income tax revenues to the Minnesota State government.
- . State sales tax reflects the sales tax revenues to the Minnesota State government. The current tax level is 6 percent.
- . City sales tax reflects the sales tax revenues to the City of Minneapolis. The current tax level is .5 percent.

The results of this analysis are based on the incremental economic impact of the proposed facility. That is, only those expenditures which are new to the Minneapolis area because of the proposed facility are considered to result in a gain to the economy. All values in this analysis are expressed in 1987 dollars unless otherwise stated.

The breakdown of the economic impact from construction is estimated as follows:

Hard construction costs	\$21,000,000
Labor percentage of costs	<u>.45</u>
Local construction labor expenditures	\$9,450,000
Percentage of labor from Minneapolis area	<u>1.0</u>
Local labor expenditures	\$9,450,000
Gross multiplier for Minneapolis	<u>2.1</u>
Total economic impact of local labor expenditures	<u>\$19,845,000</u>
Percentage of labor costs considered taxable gross income	.80*
Wages and salaries	<u>\$15,876,000</u>

\*It is estimated that 80 percent of the total labor costs are taxable as gross income to employees.

#### Tax Revenue Impacts

The tax revenues which are generated through construction take two basic forms: income taxes and sales taxes.

Incremental income tax is calculated for the State of Minnesota through personal state income taxes. For our analysis, we will assume a state income tax rate of 8 percent based on the average wage of construction workers, and 5 percent based on the average wage of clerical/administrative workers in Minnesota.

Incremental sales tax is estimated on the amount of taxable consumption of new jobs created by the construction of the facility. It is estimated that Minneapolis area residents spend approximately 30 percent of their gross wages on taxable goods.

Incremental sales tax revenues generated through employee spending and construction material purchases were estimated for the 18 months of construction as follows:

Employee Spending:

Wages and salaries		\$15,876,000
Percentage spent on taxable goods		<u>.30</u>
Estimated local consumption (rounded to nearest hundred)		\$4,762,800
Incremental sales tax calculation:		
State portion	6.0%	\$ 285,768
City portion	0.5%	<u>23,814</u>
Total tax	6.5%	<u>\$309,582</u>

Construction Material Purchases:

Construction Hard Costs		\$21,000,000
Percent pertaining to material purchases		<u>.55</u>
Material Purchases		\$11,550,000
Equipment		<u>7,000,000</u>
Total purchases		\$18,550,000
Percent purchased in Minneapolis area		<u>.50</u>
Total taxable purchases		\$ 9,275,000

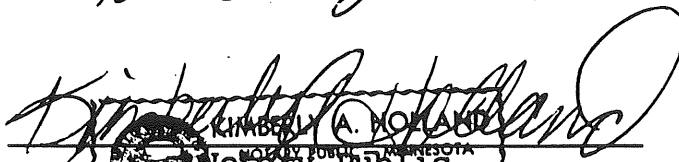
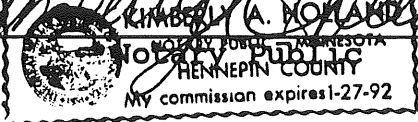
Incremental sales tax calculation:

State portions	6.0%	\$ 556,500
City portion	0.5%	<u>46,375</u>
Total estimated tax		<u>\$602,875</u>

- . The universe of potential new events that are likely to be attracted to the market is increased with the development of a state-of-the-art facility in a downtown location.
- . The sources of revenue for the NBA Arena/Health Club, according to preliminary projections of the developers, will be generated largely from the basketball team and health club; therefore, the need to pursue a large number of high revenue events appears to be minimal.
- . The construction of a new arena will impact the state and local economy by creating 1,013 man years of employment, generating \$1,862,868 in state income and sales taxes, and impact the economy as a whole by producing a total output of over \$44 million during the construction period.

  
David P. Welle

Subscribed and sworn to before me  
this 10th day of June, 1987.



AMENDMENT TO  
HOCKEY PLAYING  
AND  
METROPOLITAN SPORTS AREA  
USE AGREEMENT

This Agreement is made January 16, 1985, between the Metropolitan Sports Facilities Commission and Northstar Financial Corporation.

1. Definitions and Descriptions.

The following definitions and descriptions shall apply throughout this Agreement:

1.1. "Commission" means the Metropolitan Sports Facilities Commission established pursuant to Sections 473.551 through 473.596 of the Minnesota Statutes.

1.2. "Northstar" means Northstar Financial Corporation, a Minnesota corporation.

1.3. "Team" means the entity that now or in the future owns the National Hockey League franchise for the Minneapolis-St. Paul area through membership in the National Hockey League and its hockey team.

1.4. "NHL" means the National Hockey League, its successors and its assigns.

1.5. "Hockey Season" means the pre-season, regular season, play-off and Stanley Cup major league professional hockey games of the NHL each year. At this time, the "Hockey Season" runs from September of one year until June of the following year.



2 A street easement in favor of the City of Bloomington for East 79th Street over the Northerly 50 feet of that part of the Northwest Quarter of Section 1, Township 27, Range 24, lying Southerly of a line running from a point on the West line of said Northwest Quarter distant 705 feet South from the Northwest corner thereof to a point on the East line of said Northwest Quarter distant 628.5 feet South from the Northeast corner thereof and there terminating as contained in Document No. 1118792, Files of the Registrar of Titles;

A drainage easement and a highway easement for County Road No. 1 in favor of the County of Hennepin as contained in instrument recorded in the office of the County Recorder as Document No. 4496856;

A highway easement for County Road No. 1 in favor of the County of Hennepin as contained in Document No. 1391981, Files of the Registrar of Titles.

When the Commission acquires the Additional Land described in subsection 1.7 of this Agreement, the Additional Land shall be deemed a part of the Sports Area.

1.7. "Additional Land" means the real property now owned by the Port Authority of the City of Bloomington, Minnesota, which is legally described as follows:

That part of the Northwest Quarter, Section 1, Township 27, Range 24 which lies South of a line drawn from a point on the West line of said Northwest Quarter distant 1,591.04 feet South of the Northwest corner of said Northwest Quarter to a point on the East line of said Northwest Quarter distant 1,603.6 feet South of the Northeast corner of said Northwest Quarter and North of a line drawn from a point on the West line of said Northwest Quarter distant 1,861.04 feet South of the Northwest corner of said Northwest Quarter to a point on the East line of said Northwest Quarter distant 1,873.6 feet South of the Northeast corner of said Northwest Quarter, Hennepin County, Minnesota.

Subject to:

Any rights or incumbrances which may be subsisting, specified in Section 508.25, Chapter 508, Minnesota Statutes, and all acts amendatory thereof;

1.12. "CPI" means the Minneapolis-St. Paul All Items Consumer Price Index For All Urban Consumers with 1967 having a base of 100 as reported by the Bureau of Labor Statistics of the United States Department of Labor. If the Bureau ceases to calculate the "CPI," an index comparable to the CPI shall be substituted by agreement of the Commission and Northstar; the substitute index will thereafter be the "CPI." The "CPI" for an Agreement Year or the Base Year will be the CPI as reported as at the December 31 preceding the applicable year. By way of examples, the CPI for the Base Year will be the CPI as at December 31, 1983, which was 317.5, and the CPI for the first Agreement Year will be the CPI as at December 31, 1984.

1.13. "Third Party" means a person or entity other than

- (a) Northstar, or Team, or shareholders, directors, officers, employees or partners of Northstar or Team, or partners in Northstar or Team;
- (b) any natural person related by blood, adoption or marriage to a person listed in clause (a);
- (c) any trust which has as a trustee a person or entity listed in clauses (a) or (b) or which has as a beneficiary a person or entity listed in clauses (a) or (b);
- (d) any person or entity owned in whole or part by a person or persons or an entity or entities listed in clauses (a) through (c), except in the case of a publicly held corporation, the corporation shall not be considered owned in whole or in part by persons or entities listed in clauses (a) through (c) unless such persons or entities collectively own five percent or more of either (i) the outstanding shares of all classes of stock of the corporation, or (ii) the outstanding shares of any class of stock of the corporation;

Event Receipts" shall not include free passes issued by Northstar or the Team which do not entitle their holders to regular Met Center seating, standing room-only admission or entrance to clubs or private boxes.

1.15. "Third Party Rent" means

- (1) in the case of events or activities conducted at the Met Center by a Third Party for which tickets are sold or there is otherwise a charge for admission, other than Home Games, fifteen percent of the gross value, less all applicable sales and admission taxes of all governmental units, of tickets sold or otherwise issued, or admission fees, whether or not redeemed for admission, and
- (2) in the case of all other events or activities conducted at the Met Center by a Third Party which are not described in clause (1) above, all money paid to Northstar by the Third Party for use of the Met Center, on whatever basis, including, but not limited to, a flat sum of money, and reimbursement to Northstar by the Third Party of Northstar's heat, electricity, clean-up, arena conversion, labor and other expenses of any kind in making the Met Center available to the Third Party (but not amounts paid to musicians, stagehands, and others for which Northstar is, in reality, acting as a paying agent for the Third Party).

"Concession Receipts" shall not include (i) receipts from vending machines in the lower level of the Met Center which are installed primarily for use by Northstar's, the Team's, or the concessionaire's employees or other event support personnel, (ii) receipts from the sale of non-consumable novelty items, including but not limited to, hockey programs, hockey score-cards, hockey scorebooks, hockey yearbooks, hockey pennants, hockey sticks and pucks, glasses, cushions, umbrellas, parkas, buttons, records and other novelty items customarily sold to patrons of professional hockey games or other events conducted at the Met Center, and (iii) receipts from the sale of nonconsumable merchandise on such occasions as the Met Center or other part of the Sports Area is used for a special sale of such merchandise.

1.17. "Parking Receipts" means the gross receipts, less all applicable sales taxes, from the parking of automobiles, busses and other vehicles on the Sports Area parking lot for patrons of Home Games and other events at the Met Center, parking on the Sports Area parking lot at other times or rental of the parking lot for any purpose.

1.18. "Commercial Television" means a system of television broadcasting in which unscrambled signals are broadcast over-the-air through a licensed UHF or VHF television station to a recipient's television set at no charge to the recipient.

## 2. General Agreement

2.1. This Agreement is a complete amendment and restatement of the February 17, 1976 "Hockey Playing and Sports Center

approximately the average number of regular season hockey games played by all NHL teams; (2) approximately one-half of its regular season hockey games at the Met Center, (3) all Stanley Cup games, in which it plays and which are scheduled to be played in the Minneapolis-St. Paul franchise area, at the Met Center, (4) all pre-season and exhibition hockey games (except intra-squad games) which the Team plays in the Minneapolis-St. Paul Metropolitan Area at the Met Center; and (5) all of the Team's games which the NHL schedules for the Team's franchise area at the Met Center. Northstar will utilize its best efforts to assure that one-half of its regular season hockey games are played at the Met Center.

2.5. Pursuant to the July 29, 1984 Land Sale Agreement between the Commission, the Port Authority of the City of Bloomington, Minnesota and the City of Bloomington, the Commission has the right to use the Additional Land without cost for parking for events at Met Center until July 17, 1986.

Further, the Commission has an option to purchase the Additional Land under that Land Sale Agreement until September 10, 1994. The Commission shall purchase the Additional Land on or before June 1, 1985. When the Commission purchases the Additional Land, it shall be deemed a part of the Sports Area. If the Commission fails to purchase the Additional Land by June 1, 1985, Northstar may, within thirty (30) days thereafter, terminate this Agreement and it shall be deemed void ab initio, in which event, the terms and provisions of the "Hockey Playing and Sports Center Use Agreement" dated February 17, 1976, as

continued to fulfill all of its obligations under this Agreement, Northstar may extend this Agreement for a second, additional five year period from August 1, 2010 through July 31, 2015, by giving the Commission notice prior to July 31, 2009. All provisions of this Agreement including the provisions of subsections 2.4 and 3.2 shall remain in effect during the second extension.

3.4 The Commission believes that real property owned by the Commission is not subject to real property taxes or personal property taxes.

The Commission and Northstar shall use their best efforts to cause legislation to be passed during the 1985 Regular Session of the Minnesota Legislature specifically confirming and ratifying the tax-exempt status of the Sports Area and Met Center.

Notwithstanding the foregoing, if the Sports Area is determined to be subject to real or personal property taxes, Northstar shall, subject to the provisions of this subsection 3.4, be responsible for paying those taxes.

If Northstar fails to pay those taxes for a period of six (6) months after the date due, except during a time while a court or administrative proceeding brought by Northstar to challenge the imposition or amount of those taxes is pending, this Agreement shall terminate automatically, and neither party shall have any further rights or liabilities hereunder.

Further, if such taxes are imposed, any time after the imposition of such taxes, Northstar may terminate this Agreement and neither party shall have any further rights or liabilities hereunder.

thereafter, Northstar shall pay the Commission three percent of the receipts as specified in subsections 4.2 and 4.3.

4.2 On December 1 of each Agreement Year, Northstar shall pay the Commission in respect of that Agreement Year the applicable percentage of the sum of the preceding Agreement Year's the Base Year's in the case of the first Agreement Year):

- (1) Event Receipts, except Event Receipts in respect of Play-Off Games,
- (2) Concessions Receipts, except Concessions Receipts in respect of Play-Off Games,
- (3) Parking Receipts, except Parking Receipts in respect of Play-Off games, and
- (4) Third Party Rent.

Northstar shall report to the Commission the above-described receipts for the Base Year, the fifth Agreement Year and the tenth Agreement Year (and the twentieth and twenty-fifth Agreement Years as applicable if Northstar extends the term as provided in subsection 3.3 of this Agreement). Northstar's report of receipts will be subject to verification by the Commission through a mutually agreeable independent auditor, whose determinations shall be final and binding upon both parties. Northstar will make available to that auditor such records as may be reasonably requested by that independent auditor to verify Northstar's receipts reports and to make determinations required by this Agreement. Prior to the auditor's final determination, both Northstar and the Commission

greater of (1) actual receipts for parking at such activities and events or (2) \$600,000. Northstar may charge such amount, if any, for parking on the Sports Area as Northstar may in its discretion determine.

4.5. As additional consideration, during each Agreement Year, Northstar shall pay all costs of operating, maintaining, managing and insuring the Sports Area and Met Center. Northstar shall maintain the Sports Area and Met Center in at least as good condition as it is in now, reasonable wear and tear excepted, except in the case of any addition, improvement or upgrade of the Sports Area or the Met Center, in which case Northstar shall maintain such addition, improvement or upgrade in the initial condition of such improvement, addition and upgrade, reasonable wear and tear excepted. Further, the Commission shall be relieved of all responsibility for the cost of all modifications in the Sports Area parking lot which the March 5, 1982 and March 31, 1982 orders in Gund v. Metropolitan Sports Facilities Commission, Hennepin County District Court File No. 781559 could be interpreted as requiring the Commission to make.

4.6. As special consideration, Northstar agrees to expend, or cause to be expended, a minimum of \$3,000,000 by January 1, 1988 for capital improvements, to expand and upgrade the Met Center and Sports Area to enhance its revenue producing capability, improve the comfort and quality of service available to patrons of Home Games and other events at Met Center and Sports Area or to provide facilities for additional athletic, educational or cultural opportunities for visitors to the Met Center.



against all the loss, expense or liability resulting from any bodily injury including death, any personal injury or any property damage which occurs at the Sports Area. Northstar and the Commission shall be named insureds. The policies shall provide coverage for Commission members and employees and also for the Commission's agents and other authorized persons while such members, employees, agents and other authorized persons are acting within the scope of their authority on behalf of the Commission. The policies shall provide primary coverage. The policy (or combined policies) shall have minimum limits of liability of \$3,000,000 for injury to one person, \$5,000,000 for injury to two or more persons, and \$1,000,000 for property damage. Every fifth Agreement Year, the required minimum limits of liability shall be increased by the percentage increase in the CPI during the preceding five Agreement Years. All policies must provide that they cannot be cancelled without thirty days' written notice to the Commission. The policies must be approved by the Commission, which approval shall not be withheld unreasonably. Northstar shall furnish to the Commission a Certificate of Insurance evidencing that such insurance policy or policies are in full force and effect within ten days of the execution of this Agreement. The Certificate shall be in a form acceptable to the Commission, which acceptance shall not be withheld unreasonably.

5.3 During the term of this Agreement, Northstar shall maintain insurance on the Met Center and other improvements on the Sports Area against loss by fire and extended coverage risks for

Any such repair or reconstruction shall be done in a manner, and in accordance with plans and specifications, mutually acceptable to Northstar and the Commission. If Northstar and the Commission cannot agree upon the manner of repair or reconstruction, or the plans and specifications applicable thereto, Northstar may, at its option, terminate this Agreement.

Northstar shall be entitled to an abatement of rent for the proportion of each Agreement Year during which the Met Center cannot be used. If the Met Center cannot be used for any portion of an Agreement Year for which an actual determination of receipts by report and verification is to be made pursuant to subsection 4.2, an actual determination will be made instead for the first Agreement Year during which the Met Center could be used for the full Agreement Year preceding the Agreement Year scheduled in subsection 4.2.

6. Television and Radio.

6.1 Northstar has the sole and exclusive right to permit, license, or engage in the broadcast, transmission, production, dissemination, or distribution of all or any part of the Home Games or other events or activities occurring at the Met Center or Sports Area (and the right to assign any of the foregoing) whether such broadcast, transmission, dissemination, or distribution occurs by television, radio, telephone, telegraph, or any other means of electronic communication or distribution. Any and all revenues or income generated by any of the activities enumerated in this subsection 6.1 shall be the sole and exclusive

terminate this Agreement for a partial taking; this Agreement shall continue in full force and effect; and the Commission shall equitably compensate Northstar for material adverse effects on Northstar's operations at the Sports Area caused by the partial taking; and any dispute as to such compensation shall be resolved by the parties in accordance with the rules and procedures of the American Arbitration Association. In the event of a termination pursuant to this section 7, the Commission shall pay Northstar the lesser of (1) the condemnation award or (2) Northstar's expenditures before January 1, 1988 pursuant to subsection 4.6 of this Agreement reduced by one-seventeenth for each full Agreement Year after July 31, 1988, provided such payment does not cause the Commission to violate the October 1, 1979 Indenture of Trust between the Metropolitan Council and the First Trust Company of St. Paul for the bonds issued to finance construction of the Hubert H. Humphrey Metrodome.

8. Force Majeure.

Neither the Commission nor Northstar shall be liable to the other for any delay or inability to perform any term or condition of this Agreement which delay or inability shall be caused by strike or other labor trouble or by act of God or a public enemy or other cause beyond the control of the parties.

9. Option to Purchase the Sports Area.

On July 31, 2004, (or July 31, 2009 or July 31, 2014, if this Agreement is extended pursuant to subsection 3.3), Northstar shall have the option to purchase the Sports Area for its fair

on the date in respect of which it gave notice, the option is forever waived and Northstar shall have no further option to purchase notwithstanding extensions of this Agreement pursuant to subsection 3.3; and Northstar shall reimburse the Commission for the Commission's appraisal expenses. If Northstar does not exercise its option after determination of fair market value, the Commission shall not have the right of specific performance to require Northstar to purchase or any claim for damages except for the reimbursement of appraisal expenses as set forth herein.

10. General Provisions.

10.1. Northstar shall comply with all laws and lawful regulations applicable to its use and occupancy of the Sports Area, and shall obtain at its own expense all necessary licenses and permits for the conduct of its operations, and shall require any person or entity that it permits to use the Sports Area to do the same. The Commission shall provide Northstar such assistance as Northstar may reasonably request to enable Northstar to obtain any necessary licenses or permits.

10.2. Northstar and the Commission agree that all local, state and federal laws, rules and regulations pertaining to discrimination and affirmative action applicable to this Agreement are incorporated as if more fully set forth herein.

10.3. Any late payments due under this Agreement shall be accompanied by interest on the amount of the payment from the day ten days after payment was due at the average of the prime rates of the two largest banks in Minneapolis, Minnesota, prevailing on the date the payment was due plus one percent per annum.

property of the Commission under the provisions of Sections 514.01 to 514.16 of the Minnesota Statutes; further, Northstar shall post obviously visible notices to that effect in the vicinity of all work in progress.

10.6. This Agreement shall be binding on Northstar's successors and assigns as fully as if those successors and assigns were Northstar itself. Northstar may assign its interests under this Agreement only to the person or entity, or an affiliate of the person or entity, that constitutes the Team at the time of the assignment to which the NHL has approved transfer of the NHL franchise for the Minneapolis-St. Paul area and only if the assignee assumes all of Northstar's obligations under this Agreement as a condition of the assignment. Upon such an assignment, and upon determination by the Commission that the assignee is financially able to discharge the obligations of Northstar hereunder -- such determination not to be unreasonably withheld. -- Northstar shall be released from all liability or obligations under this Agreement not incurred before the date of the assignment, and the assignee shall thereafter be deemed Northstar for all purposes under this Agreement. In making its determination of the financial ability of an assignee hereunder, the Commission shall be entitled to receive all financial data regarding the assignee that the assignee theretofore submitted to the NHL in support of the assignee's application for a NHL franchise.

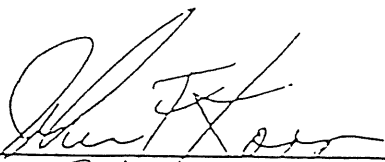
10.7. This Agreement shall be construed according to the laws of the state of Minnesota.

2.5 or 3.4, Northstar and the Commission shall dismiss with prejudice all litigation between them relating to their respective rights under that agreement which is pending on the date of this Agreement. Further, while this Agreement is in effect, the Commission will not prosecute any claim for rent due under the February 17, 1976 agreement before the date of this Agreement by virtue of the Commission's position that the Pay-Out Date under the February 17, 1976 agreement has been reached before the date of this Agreement.

NORTHSTAR FINANCIAL CORPORATION

By

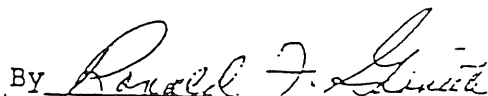
Its

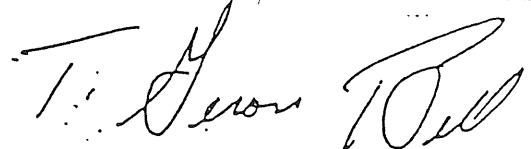
  
President

METROPOLITAN SPORTS FACILITIES  
COMMISSION

By

Its

  
Chairman

  
Executive Director



STATE OF MINNESOTA

METROPOLITAN COUNCIL

COUNTY OF RAMSEY

OF THE TWIN CITIES AREA

IN THE MATTER OF THE METROPOLITAN  
SIGNIFICANCE REVIEW OF THE PROPOSED  
NBA ARENA IN MINNEAPOLIS

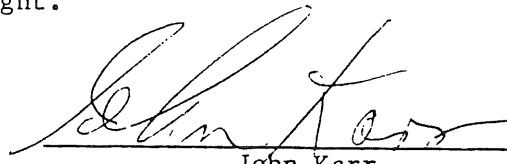
AFFIDAVIT OF JOHN KARR

STATE OF MINNESOTA     )  
                              ) SS.  
COUNTY OF HENNEPIN    )

John Karr, being first duly sworn, on oath deposes and says as follows:

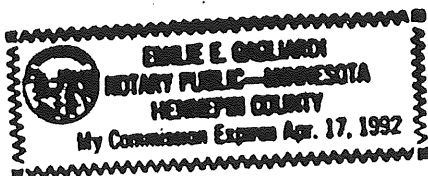
I prepared prefiled testimony dated June 9, 1987, which is to be submitted to the Metropolitan Council for its significance review of the proposed NBA arena in downtown Minneapolis. The matters contained in my prefiled testimony are true and correct to the best of my knowledge.

Further your affiant sayeth naught.

  
\_\_\_\_\_  
John Karr

Subscribed and sworn to before me  
this 10th day of June, 1987.

  
\_\_\_\_\_  
Notary Public





STATE OF MINNESOTA

COUNTY OF RAMSEY

METROPOLITAN COUNCIL

OF THE TWIN CITIES AREA

IN THE MATTER OF THE METROPOLITAN  
SIGNIFICANCE REVIEW OF THE PROPOSED  
NBA ARENA IN MINNEAPOLIS

CITY OF BLOOMINGTON PREFILED  
TESTIMONY OF JOHN KARR

1. Please give your name, occupation and business address for the record.

My name is John Karr. My occupation is President of Northstar Financial Corporation, located at 7901 Cedar Avenue South, Bloomington, Minnesota, 55420.

2. What are your general duties as President of Northstar Financial Corporation?

Actually I have two sets of duties. One is as the Chief Operating Officer of the Met Center; and the second is as Chief Operating Officer of the Northstars Hockey team, through Northstar Hockey partnership which is owned by Northstar Financial Corporation.

3. How long have you been President of Northstar Financial Corporation?

Nine years.

4. Would you briefly provide your educational background?

I received a bachelor of science degree from Wayne State University in 1952, and an MBA from Indiana University in 1953.

5. Prior to assuming the duties of the President of the Northstar Financial Corporation, did you have any employment background in arena management?

No, I did not.

6. Who presently owns the Met Sports Center?

The Metropolitan Sports Facilities Commission.

7. Do you understand what the purpose of the Metropolitan Significance Review proceeding is?

Yes, I do.

8. What is your understanding of that?

My understanding of the procedure is that the Metropolitan Council is trying to establish whether the construction of a new arena in downtown Minneapolis will have a serious effect on the metropolitan area.

16. Under the terms of the use agreement, is it your understanding that if the Northstars terminate their use of the Metropolitan Sports Center that the use agreement would then be cancelled automatically?

Yes, that is correct.

17. That would also result in extinguishing your option to purchase the building, is that correct?

Yes, it would.

18. Do the Northstar's presently intend to honor the use agreement?

Yes, we do.

19. Do you have any future plans to move the Northstars Hockey team?

No.

20. Have you previously discussed using the Metropolitan Sports Center to accommodate the NBA Timberwolves?

Yes, we have.

21. Approximately when were these discussions held?

There were two sets of discussions. The first one took place at about the time the Timberwolves reached an agreement to play their first three years in the Metrodome. We had submitted a proposal to them prior to that decision and they chose to play at the Metrodome rather than accept our proposal. We submitted additional proposals within the last year and those proposals have not been accepted either.

22. Presumably at the present time your facility could accommodate the Timberwolf team, is that correct?

Yes, it could.

23. What types of improvements or alterations to the facility would be required in order to facilitate an NBA team playing at the Met Sports Center?

None.

24. Has the Met Sports Center accommodated professional basketball in the past?

Yes, we have. We have promoted pre-season exhibition games between NBA teams in each of the last three or four years.

25. Have there been any other professional basketball teams that have used the Metropolitan Sports Center as their home?

Yes. Several years ago, when a competing league to the NBA was in existence, the Minnesota Muskies played here and, I think there may also have been another team in that league that was a successor or predecessor that played in this building.

There is a fairly wide range of profitability of these events. In general, the music events, like concerts, are considerably more profitable to us than the other events. For example, high school events, the revenues are substantially lower because of lower ticket prices. So, they tend to be on the lower side and concerts tend to be on the higher side.

34. If the Met Center were to lose certain types of rock concerts or family shows that it has derived fairly good profits from, would this have a serious impact on the operation of the building?

Yes, it would.

35. Why is that?

It would be because the revenues of the building would decline significantly. Operating an arena involves a very high proportion of fixed costs. For example, the building has to be maintained regardless of how much it is used; the interest on the debt has to be paid regardless of how much the building is used; the basic staff has to be employed regardless of how much the building is used; so that if revenues decline in any significant fashion, the fixed costs must continue to be paid, and the profitability of the enterprise declines dramatically.

36. What is your current assessment of the market in the Twin Cities Metro Area so far as attracting events such as rock concerts and family shows that are popular?

As far as I know, every touring family show plays here with the exception of Ringling Brothers Barnum and Bailey Circus, which has not played here for two years but has played here regularly prior to that, and we expect will be returning here in a couple of years. As far as concerts are concerned, all of the major concert tours play here, and part of this is a result of the fact that there are two major arenas available so conflict is minimized, also that this is a very attractive market in the fact that it is 2.3 million people, and they're generally upscale demographic people. So it's an excellent market. As far as I'm concerned, virtually every available concert does play this area.

37. Do you believe that currently the market is fairly saturated as far as its ability to accommodate further music concerts or family shows, or other types of events, that your facility strives to obtain?

That's an interesting question. The answer to that is two-fold. First, as I mentioned earlier, the available events play here in this market so in that sense the market is saturated. However, a broader question is could there be more of these types of events playing here and be successful if they existed. My sense is that they could. For example, if there were another popular singer like Neil Diamond (who is going to play here shortly, and is going to play four concerts), if there were someone that

intense competition between the two facilities for concerts, high school events, fights, wrestling, family shows - those kinds of events. The consequence of that competition is it drives down the rental rates that promoters are willing to pay, because if a promoter has an event he simply plays one facility off against the other in an attempt to get the most attractive arrangement. That has the affect of reducing the profitability of both buildings.

43. Are you familiar at all with the proposed NBA arena in downtown Minneapolis?

Very slightly, based only on what I have read and seen on television.

44. Do you have any knowledge as to what the proposed seating capacity of the arena is?

I have seen a number of 18,000.

45. In the event that the downtown NBA arena is built, in your opinion what type of impact or impacts will this arena have on the Metropolitan Sports Center?

The existing market for the events that we have been describing in this testimony will be divided up among three similar facilities as opposed to presently being divided up among two facilities. One can expect that both we and the St. Paul Civic Center will lose a substantial portion of the events that now play in this building to the new arena. The number of events that shift from one facility to another will largely be determined by how attractive a financial arrangement the arena operator will make with the promoter of the event, and it just gets to be a question of who will offer the most attractive deal in order to attract them.

46. Are there any other advantages that the NBA arena would have because it's a new facility and would incorporate certain types of technology that might give it an edge in attracting events?

In my opinion, the most significant difference it could have over the two existing arenas is extra seats, because popular events in particular, events that a promoter feels can sell a large number of tickets tend to turn to a larger seating capacity facility because they will make more money. While one can easily identify this characteristic with rock concerts, for example, another more local example of this is the State High School Hockey Tournament. The State High School Hockey Tournament plays in St. Paul, largely because there are more seats available in the Civic Center than in the Met Center and there is a very strong demand for those seats. If the downtown Minneapolis arena has 18,000 seats, there's a very strong liklihood that that tournament will move to Minneapolis simply because of an extra thousand or so people that will be able to see each game. There are other facilities that could be built into a new arena that might have some impact on them getting events. For example: putting in private boxes would allow for certain luxury type seating arrangements for which patrons tend to pay more than regular seating, and the promoters of those events would be able to share in those revenues. Anything new also has a tendency to attract people at least for novelty purposes, and my suspicion is that for awhile the new arena would have that novelty feel.

52. Why is that?

Because, as I have mentioned earlier in my testimony, the shows that tour throughout the country and play this size of facility all come to the Twin Cities now. The only way that a new facility would add to the number of events would be if they created their own, which can be done but it is a very costly and time consuming, and more importantly risky, process. For example, one of the ways that additional events could be created would be to combine two or three musical groups who individually would not be able to attract enough people to justify playing an arena, put them on one show and hope that the combination of the three would make it worthwhile to play the bigger facility. Sometimes that works if you get the right combination, sometimes it doesn't work and you end up losing a lot of money. That kind of packaging of events or creating of new events is, in my opinion, the only way that any significant number of new musical or show type events could be brought into the area. There is some possibility of some non-standard professional sports being brought into the area. But, those are also extremely risky. For example: there is a new arena indoor football league being test marketed right now. Conceivably, a franchise for that sport could be brought to the Twin Cities if, indeed, the concept proves successful. And, if it did, then that would add to the total market. Those things are not all that available.

53. Has the Metropolitan Sports Center been profitable since 1981?

No, it has not.

54. In your opinion, if the NBA team were to abandon the Twin Cities, would the NBA arena be able to be self supported?

No, it would not.

55. What is the basis of your opinion?

There simply would not be enough events available to generate sufficient revenues to support it.

56. Based on your experience in professional sports management, is it unusual for a sports franchise to leave a city?

I would not say it would be unusual, particularly when a sport is entering a metropolitan area for the first time. The ability to assess the market and demand in a new metropolitan area is limited and sometimes sports teams owners make mistakes as to whether their team can be successful in a new market. Those are the situations where there is more likely to be movement. I think also that one could look at the history of NBA basketball in the Twin Cities, or professional basketball in total, and conclude that bringing in a new team here is pretty risky. Again, the fact that Muskies and the Pipers were unsuccessful in the American Basketball Association and the Minnesota Lakers were moved to Los Angeles after winning several world championships here causes one to question whether a new team has the ability to survive.

63. Based on your experience, are you aware of any problems in accommodating those two teams in a single facility?

No, I am not. Several of those, or at least two of those, facilities house a major indoor soccer league team as well as the NBA and NHL teams.





METROPOLITAN COUNCIL OF  
THE TWIN CITY AREA

PRE-FILED DIRECT TESTIMONY  
OF ROBERT A. STEIN

STATE OF MINNESOTA)  
COUNTY OF HENNEPIN) ss.

1. I am an attorney at law, practicing at the address of  
5525 Cedar Lake Road, Minneapolis, Minnesota 55416.

2. I have represented Marvin Wolfenson and Harvey Ratner with respect to their successful effort to obtain a National Basketball Association (NBA) franchise since 1984.

3. My responsibilities on behalf of my clients with respect to the NBA franchise (hereafter the "Minnesota Timberwolves" or "Timberwolves"), have included:

- (1) Overall responsibility for the preparation of the application to the NBA for an expansion franchise, including all supporting materials and presentations to the NBA.
- (2) Overall responsibility for the preparation of financial projections and pro formas for the Timberwolves.
- (3) Primary responsibility for locating a facility for the Timberwolves, including negotiation with owners and managers of existing facilities.
- (4) Primary responsibility for negotiating the terms of the Timberwolves' Franchise Agreement with NBA.



(5) The pro formas and financial projections for the Timberwolves and the Arena; and

(6) All aspects of the design for the proposed arena.

8. The Timberwolves NBA Basketball franchise is one of four expansion franchises awarded by the NBA in April 1987 after a 12 month process involving eight expansion franchise applications. The NBA's process of selecting expansion franchises from among the applicants was highly competitive, with each of the applicants competing with all others for one of the franchises eventually awarded.

9. Principal factors in the NBA's expansion franchise decision included:

- (1) The character, background, and financial strength of the individual applicants;
- (2) The demographics and support of the proposed market for NBA basketball; and
- (3) The lease terms and quality of the facility in which the proposed team would play.

10. These three factors were combined by the NBA to arrive at a judgment on the desirability and economic viability of each proposed franchise location.

11. Messrs. Wolfenson and Ratner were able to clearly demonstrate the strength of their personal and financial resources and the attractive demographics and fan support of the Twin Cities Metropolitan Area market for NBA basketball. However, to compete successfully with other franchise applicants, Messrs. Wolfenson and Ratner had to provide an application including a long term commitment to play in a facility comparable to those proposed by competing applicants.

The managers of these three facilities were contacted to initiate discussions to determine the feasibility of locating the proposed NBA team in their facility.

16. The manager of the St. Paul Civic Center advised that the Civic Center could not accommodate the scheduling requirements of an NBA basketball franchise because of existing scheduled dates, which were described as generating more revenue and secondary spin-off benefits to the Civic Center and to downtown St. Paul than an NBA team would. Consequently, as the Civic Center was not available for use by the Timberwolves, no lease negotiations were conducted.

17. Extensive negotiations took place with the operators of the Metropolitan Sports Center. Significant problems with using the Sports Center include:

- (1) The facility itself is not a new, state-of-the-art facility, comparable to the facilities offered by competing applications for an NBA expansion franchise.
- (2) The Metropolitan Sports Center is located on the southern edge of the metropolitan area. This location is inconvenient to the strongest Twin Cities market for professional basketball, which is located in Minneapolis and the northern and western suburbs of Minneapolis.
- (3) The financial package proposed by the Metropolitan Sports Center management, taken as a whole, was not competitive with the leases of most existing NBA franchises or any of the competing expansion franchise applications.
  - ° The rent proposed by the Met Center was approximately twice the average rental for an NBA team playing in a municipally owned facility.
  - ° The Met Center proposal also restricted Timberwolves participation in Timberwolves-generated revenue streams from concessions,

- ° Play off-dates are particularly problematical because the National Hockey League requires that a certain number of play-off dates be reserved to hockey whether or not they will be needed.
- (7) Metropolitan Center currently has no suites.
- ° This would have an adverse effect on Timberwolves team revenues and the marketing of tickets to corporations.
  - ° The Met Center proposal to the Timberwolves provided that Met Center management would keep all revenues and rights to suites if any are built.

18. Extensive negotiations were also held with the Metropolitan Sports Facilities Commission, owners and operators of the Hubert H. Humphrey Metrodome, and eventually a lease was signed pursuant to which the Timberwolves may play for up to three (3) years in the Metrodome. This lease was signed in part because the NBA required the expansion franchise application to include a signed lease or other commitment indicating that the team would have a facility available in the proposed first year of operation.

19. However, the Metrodome is unacceptable to the NBA and is not an adequate facility in which to house an NBA franchise on long term permanent basis, for the following reasons:

- (1) Most importantly, it has been conclusively demonstrated to the satisfaction of the NBA that professional basketball cannot be successful on a long term basis in a stadium constructed for football and/or baseball. Three NBA teams have tried to play in domed stadiums, and all three have abandoned them in favor of traditional basketball arenas.
- (2) The Metrodome could provide no space for the necessary Timberwolves office operations, including team management, ticket sales, promotions, and public relations.

NBA. The proposal at this time is little more than a speculative idea.

- (2) Such a facility, if developed, would not provide space for the Timberwolves' front office operations or its ticket sales, promotions, and public relations.
- (3) Such a facility would not provide dedicated locker rooms, training facilities, or practice facilities for the Timberwolves.
- (4) The Timberwolves' pre-season, regular and play-off scheduling would be at least a secondary priority at such a facility, behind the University of Minnesota basketball team, and possibly behind other student events.
- (5) NCAA and Big Ten rules, as we understand it, expressly prohibit the use of such a facility on a college campus by a professional sports team.
- (6) Such a facility would offer no possibility for the sale of suites or preferred seating. This would have a severe adverse effect on Timberwolves team revenues and the marketing of tickets to corporations.
- (7) Other potential revenue streams would be lost to the Timberwolves, including scoreboard advertising, certain promotional events, and revenues from beer, wine and liquor concessions.
- (8) The location of the University of Minnesota further limits the attractiveness of a possible arena renovation. It has limited access from major highways and very limited parking facility convenience.

21. After investigating all possible alternatives for using existing facilities, and considering the NBA's requirement of a facility comparable to those facilities offered by competing franchise applicants, Messrs. Wolfenson and Ratner determined that the best alternative was to build their own Arena in downtown Minneapolis. An agreement was made with the City of Minneapolis to locate the Arena on First Avenue North in the location currently proposed, and for the

in approximately 1958 in an attempt to keep that team in Minnesota before it moved to Los Angeles. The most significant factor in Minnesota losing the Lakers was that they had no adequate home facility. They were forced to play "home games" at the Minneapolis Auditorium, the Minneapolis Armory, the St. Paul Auditorium, local college field houses and on some occasions outside of the Twin Cities. They had no true home court facility. This affected not only the players and team management, but also the fans--who did not have one facility to go to in order to follow their team. A successful NBA franchise must have one home where all of its operations and activities can take place in a first class facility.

- (2) Construction of a privately owned and financed Arena offered the owners an opportunity to combine the Arena with a large Racquet and Health Club. The Franchise owners currently own and operate eleven (11) other Racquet, Swim and Health Clubs in the Twin Cities area. The downtown location will compliment their existing health club locations and will provide a facility for their many members who patronize the nearest club to where they live, but who work downtown. More importantly, revenues from the operation of the Health Club will be committed to support Arena operations. The projected subsidy from the health club to the Arena over the first ten years of operation is estimated to be over 30 million dollars. This makes construction of an Arena by the owners of the team economically feasible and operation of the team in the Arena economically viable, thus raising the application for an NBA expansion franchise to the level of competing applications.
- (3) Combining the Arena and the Health Club in a single facility has the additional advantage of making available to the basketball team, right in its home court facility, all of the necessary training, practice and rehabilitation facilities, including staff. All basketball activities of any nature can be conducted under the single roof of the Arena building.
- (4) The Minnesota Timberwolves will draw fans and supporters from the entire Metropolitan area and, the State of Minnesota. However, demographic and marketing studies indicate that its strongest support will be from the City of Minneapolis, particularly the central and northern Minneapolis

support the cost of the Arena. They have concluded that the Arena is absolutely necessary to ensure the long term success of the franchise. This conclusion is confirmed by the experience of the Minneapolis Lakers. It is accurate to say that without this Arena as proposed, there likely will be no Timberwolves and no NBA basketball in Minnesota in the foreseeable future.

26. Construction costs for the Arena, which will be privately financed by Messrs. Wolfenson and Ratner, are estimated to exceed 35 million dollars. The City of Minneapolis will assist in land acquisition by means of tax increment bond financing. The Arena will be a tax paying facility, with Messrs. Wolfenson and Ratner responsible for repaying all principal, interest and other bond expenses from new real estate taxes generated by the Arena site, as well as from additional payments to the City for which Messrs. Wolfenson and Ratner will be personally liable. In addition to these payments, the City will realize 5% of the net taxable income from the Arena, the Health Club, and the Timberwolves; and will receive 20% of the profits from the sale of the Arena, or 10% of the profits from the sale of the Arena and the team if sold together. This is in addition to all applicable sales and entertainment taxes and other spin-off economic benefits.

27. The Arena and the Timberwolves will represent an investment of nearly 80 million dollars before any revenues from operations are received. This entire sum will be privately financed by Messrs. Wolfenson and Ratner. The

in which all operations and activities related to the basketball team will be consolidated. Furthermore, they will own and manage the Arena and will be able to do so to the maximum advantage of the basketball team. All of the experience to date indicates that under these circumstances an NBA franchise can be extremely successful.

30. The Arena project will be built on the two blocks bounded by Sixth Street North, Glenwood Avenue, First Avenue North, and Second Avenue North on the western edge of downtown Minneapolis. Seventh Street North, which bisects the two blocks, will be realigned. The location is in downtown Minneapolis, two blocks away from the retail core, and will be connected to it by skyway. Skyways will also link the Arena to the Third Avenue North parking garages which will contain approximately 5,800 parking stalls. In total, some 10,000 parking stalls will be available within three blocks of the Arena. Local and long distance transit facilities are also available via bus transfer stations in the adjoining parking ramps and the Greyhound Bus Depot.

31. The project will have two major components, the Arena and a Health Club, in a single 120 foot tall structure approximating 350 feet wide and 460 feet long. This facility will house a multi-purpose Arena space suitable for hosting professional sports and concerts seating 18,000 to 20,000 people; a 90,000 square foot Racquet, Sports & Health Club; an enclosed parking garage for approximately 80 cars, and the auxiliary spaces necessary to insure the proper operation of

Wolfenson and Ratner and will contain all of the amenities and facilities provided in the other clubs, with the exception of tennis. The club will be open year-around and will accommodate 6,000 plus members in approximately 90,000 square feet of space located below the main Arena area. The facility will include 11 racquetball/handball courts; a 25 yard swimming pool; Nautilus, Universal, and freeweight exercise areas; jogging track; fitness/aerobic dance studios; womens and mens lockerrooms with saunas, steamrooms, and whirlpool baths; proshop; juice bar; and two gymnasiums--one of which will be equipped to double as the practice court for the Minnesota Timberwolves.

The entry to the health club will be located to allow access for members from both street and skyway levels at all times the club is open, regardless if an event is taking place in the Arena. The ability of the health club to operate independently of the Arena, but also to provide facilities that compliment the Arena, is an important part of the total program.

34. Construction is scheduled to begin in the spring of 1988, with completion in the fall of 1989. The Arena will be open approximately 145 days per year. This assumes 45 regular season NBA games plus approximately 100 other events.





METROPOLITAN COUNCIL OF  
THE TWIN CITY AREA

PRE-FILED DIRECT TESTIMONY  
OF WILLIAM A. CUNNINGHAM

STATE OF CALIFORNIA) ss.  
COUNTY OF ALAMEDA )

2. I have over 30 years of experience in arena and auditorium management. Attached to this testimony is my resume which details my professional experience, professional associations, academic background and public assembly facility consulting experience.

4. My experience includes consultant services to the City of Minneapolis on the feasibility and site analysis of the new

10. In addition to the supply of new events constantly being developed by show producers and promoters, managers of arenas themselves also create new event opportunities through various forms of promotion and co-promotion.

11. The categories of potential arena events are virtually limitless. The major overall categories include sporting events\* (professional, college, school, amateur), family shows (ice shows, circuses et al), concerts of every type, consumer and trade shows, convention plenary sessions and special events, major religious events, commencements, international attractions, and an endless list of community activities.

12. The potential arena event universe is growing, representing many hundreds of events.

13. Many arena events which are presented in arenas throughout the country are not currently playing in the Twin Cities market. Most notably, of course, is N.B.A. basketball. It has also been noted that while many major arenas host 50 or more concerts a year that the combined total of all concerts at Twin Cities facilities is considerably below these levels.

14. The proposed arena will accomodate more than just the traditional arena sports and entertainment events. It will complement the new Convention Center and be available for the wide range of community events previously held in the arena of the Minneapolis Auditorium, which will be demolished to accomodate the new Convention Center.

# Coliseum Consultants

WILLIAM A. CUNNINGHAM, C.F.E.

## PROFESSIONAL EXPERIENCE

1980-Present	President, Coliseum Consultants Inc.
1964-1980	General Manager, Oakland-Alameda County Coliseum Complex
1957-1964	Assistant Director, Philadelphia Trade and Convention Center (now Civic Center)
1949-1957	Public personnel work for State of New Jersey and City of Philadelphia

## PROFESSIONAL ASSOCIATION

International Association of Auditorium Managers

Member since 1964. Named Honorary Member 1980

Board of Directors 1970-1975

President 1973-1974

Recipient of McElravy Award 1977  
IAAM's Highest Honor for Contributions to the  
Profession of Public Assembly Facility Management

Named "Certified Facilities Executive" (CFE) 1976

Extensive experience as speaker, author and  
participant in major programs, 1964 to present

## ACADEMIC BACKGROUND

Bachelor of Science in Education, 1949  
Panzer College of Physical Education, New Jersey

Graduate Study in Governmental Administration  
University of Pennsylvania, 1953-1955

Professional Auditorium Management Symposium  
University of Illinois, 1973

# Coliseum Consultants

## PUBLIC ASSEMBLY FACILITY CONSULTING EXPERIENCE (continued)

<u>Client</u>	<u>Activity</u>
THE KINGDOME Seattle, Washington	Consultant to Kingdome management on master planning for expansion, including private boxes, concessions and Club operation
CITY OF SAN JOSE REDEVELOPMENT AGENCY San Jose, California	Developed the Architectural Program for the expansion of the Convention Center. Reviewed marketing efforts of Center and the Convention Bureau. Monitor and evaluate work performed by architects and other consultants.
SRI INTERNATIONAL Menlo Park, California	Consultant on management review of Aloha Stadium, Hawaii. Development of Master Plan, with special emphasis upon creating a self-supporting facility.
UNIVERSITY OF NEVADA Las Vegas, Nevada	Consultant on lease negotiations with N.B.A. franchise. Advised on leases, rental policies and other issues involved in opening new arena...developed lease document for use of facilities.
NORRIS GRAIN COMPANY Detroit, Michigan	Litigation support and expert witness testimony in behalf of Joe Louis Arena and Detroit Redwings ownership.
CITY OF MINNEAPOLIS Minneapolis, Minnesota	Consultant to City Planning Department on feasibility study and site analyses for expanded or new Convention Center.
KENNETH LEVENTHAL & CO. San Francisco, CA.	Consultant on economic feasibility and market potential study for new stadium in Oakland, California.
NEW BOSTON GARDEN CORP. Boston, Massachusetts	Consultant and expert witness on leases and arena management matters in real estate tax abatement proceedings.
B. C. PLACE STADIUM Vancouver, Canada	Consultant on lease agreements with professional sports franchises and other tenants.

# Coliseum Consultants

## PUBLIC ASSEMBLY FACILITY CONSULTING EXPERIENCE (continued)

<u>Client</u>	<u>Activity</u>
JONES, DAY, REAVIS & POGUE Cleveland, Ohio	Litigation consulting and expert witness for Cleveland Stadium Corporation and Cleveland Browns.
McKINSEY & COMPANY New York, N.Y.	Member of consultant team for USFL Long Range Planning Committee, analyzing the potential of Fall scheduling.
DES MOINES DEVELOPMENT CORP Des Moines, Iowa	Conducted recruitment campaign and consulted on the selection of the Manager for the new Convention Center.
UNIVERSITY OF NEVADA Las Vegas, Nevada	Conducted operations audit of the Thomas and Mack Arena. Developed recommendation for improved management.....Conducted salary survey for Manager position.
BILL GRAHAM PRESENTS San Francisco, CA.	Consultant on design and planning for new 15,000 seat Shoreline Amphitheatre in Mountain View, CA.
HOUSTON SPORTS ASSOCIATION Houston, Texas	Consultant to Astrodome management. Conducted market potential analysis in United States and Europe re the feasibility in stadiums, arenas and convention centers of a new, computerized message and advertising system.
OAKLAND CONVENTION CENTER Oakland, California	Analysis of existing operation. Develop future needs assessment with particular emphasis upon organization, staffing, management policies, tenant relationships and internal revenue controls.
COLUMBUS BOARD OF REALTORS Columbus, Ohio	Consultant to Task Force considering expansion of Ohio Center arena and convention facilities.
CITY OF WINSTON-SALEM Winston-Salem, N.C.	Consultant to City and Citizens Coliseum Study Committee considering feasibility of a new arena.





RAMIFICATIONS OF THE  
DEVELOPMENT OF A NEW ARENA IN  
DOWNTOWN MINNEAPOLIS

Prepared for:  
METROPOLITAN COUNCIL

June, 1987



## TABLE OF CONTENTS

<u>Section</u>		<u>Page</u>
I	INTRODUCTION . . . . .	1
II	EXECUTIVE SUMMARY . . . . .	3
	Introduction . . . . .	3
	Existing Facilities . . . . .	3
	National Markets . . . . .	4
	Assessment of Demand . . . . .	6
	Financial Analysis . . . . .	7
	Economic Impacts . . . . .	8
III	EXISTING FACILITIES . . . . .	10
	Introduction . . . . .	10
	Physical Characteristics . . . . .	10
	Events Schedules . . . . .	12
	Attendance . . . . .	19
	Financial Performance . . . . .	22
	Composite Events Profile . . . . .	28
	Regional Capacity . . . . .	29
	Conclusions . . . . .	31
IV	NATIONAL MARKETS . . . . .	32
	Facility Ownership . . . . .	38
	National Trends . . . . .	39
	Central Florida Case Study . . . . .	41
	Comparison to Twin Cities Market . . . . .	45
	Conclusions . . . . .	51
V	ASSESSMENT OF DEMAND . . . . .	53
	Introduction . . . . .	53
	New Arena . . . . .	53
	Projected Events . . . . .	54
	Assessment of Demand . . . . .	56

# LIST OF TABLES

<u>Number</u>		<u>Page</u>
III- 1	EVENT DAYS BY TYPE OF ACTIVITY ST. PAUL CIVIC CENTER ARENA, 1982-1986 . . . . .	13
III- 2	EVENT DAYS BY TYPE OF ACTIVITY METROPOLITAN SPORTS CENTER, 1984-1987 . . . . .	14
III- 3	EVENT DAYS BY TYPE OF ACTIVITY MINNEAPOLIS AUDITORIUM ARENA, 1984-1985 . . . . .	15
III- 4	EVENT DAYS BY TYPE OF ACTIVITY METRODOME, 1982-1986 . . . . .	16
III- 5	PERCENTAGE ALLOCATION OF USES, 1985 . . . . .	18
III- 6	AVERAGE ATTENDANCE PER EVENT BY TYPE, 1985 . . .	20
III- 7	PERCENTAGE DISTRIBUTION OF ATTENDANCE BY EVENT TYPE, 1985 . . . . .	21
III- 8	ST. PAUL CIVIC CENTER REVENUES AND EXPENSES, 1984-1985 . . . . .	23
III- 9	NET OPERATING INCOME, BY EVENT, MET CENTER, 1984-1986 . . . . .	25
III-10	METROPOLITAN SPORTS FACILITIES COMMISSION REVENUES AND EXPENSES, 1984-1985 . . . . .	26
IV- 1	CHARACTERISTICS OF SELECTED LARGE U.S. ARENAS .	33
IV- 2	ARENA EVENT DAY SUMMARY OF ACTIVITIES IN SELECTED U.S. ARENAS (EVENT DAYS) . . . . .	36
IV- 3	MAJOR FACILITIES IN THREE CENTRAL FLORIDA METROPOLITAN AREAS . . . . .	42
VI- 1	PROJECTED REVENUES AT PROPOSED ARENA (TYPICAL YEAR) . . . . .	71
VI- 2	PROJECTED EXPENSES AT PROPOSED ARENA (TYPICAL YEAR) . . . . .	72

## Section I

### INTRODUCTION

Economics Research Associates was retained by the Metropolitan Council to conduct an analysis of the demand for and probable financial performance of the proposed Minneapolis arena, to be the home of the NBA expansion franchise, the Minnesota Timberwolves, within the context of the existing arena "system." Specifically, ERA was asked to:

- o review the events schedules and operations of existing facilities;
- o examine the national market for available product and typical schedules;
- o project additional demand, if any, which could be presented in a Minneapolis arena;
- o provide an overview of factors influencing operating costs and revenues;
- o assess the potential performance of the proposed arena in the context of the existing arena system, and determine whether a need for public subsidy exists;
- o determine, to the extent possible, the impacts of a new arena on existing facilities' operations and financial performance; and
- o project economic impacts on the region of the new arena and existing facilities.

Our report is divided into seven sections. Following this introduction is an executive summary, which presents significant findings and conclusions in encapsulated form. Section III provides a

## Section II

### EXECUTIVE SUMMARY

#### Introduction

This section provides a summary of major findings and conclusions. For a more detailed discussion, the reader is referred to subsequent sections.

#### Existing Facilities

Existing facilities reviewed include the St. Paul Civic Center arena, the Metropolitan Sports Center, the Minneapolis Auditorium arena, and the Hubert H. Humphrey Metrodome. Each of these facilities presents a varied events schedule, including sports, family shows, concerts, and other types of events. Average annual number of events days, at each facility, based on available data for the past three years, are as follows:

St. Paul Civic Center Arena	120 event days
Met Center	200 event days
Minneapolis Auditorium Arena	159 event days
Metrodome	148 event days

As would be expected, the event mix is different at each facility. Professional sports predominate at the Metrodome and Met Center, while trade and community shows make up nearly half the event days at the St. Paul arena and Minneapolis Auditorium arena.

after certain adjustments (chiefly omission of swap meets). National trends, in terms of event product, include the increasing popularity of family shows and wrestling; fewer concert groups touring; a resurgence in interest in NBA basketball; shifts from passive operation to active participation in promotion on the part of facilities managers; and reductions in concession income to facilities. A case study showing the effects of market overlap and intensified competition is presented, which demonstrates reduced profit margins and a shift from smaller to larger facilities by concerts and other high-visibility events.

A comparison of the Twin cities market to four similar market areas was conducted. In these cities, different public assembly facilities have evolved, their development dictated by need, demand, and inter-city rivalries, among other factors. The Seattle-Tacoma market and the San Francisco-Oakland market seem to approximate the Twin Cities situation. In the San Francisco-Oakland situation, significantly more events are presented, when adjusted for the absence of a soccer team and high school sports tournaments.

Rental rates and revenue splits, on a national average basis, range from 10% for family shows to 15% for wrestling and high school sports. For concessions, the arena's portion ranges from 30% to 40%, depending upon the type of event. These rates and splits are subject to negotiation. Net revenue per attendee accruing to arenas, on a national average basis, also varies greatly by event, from \$3.20 per person for professional sports to \$1.00 per person for community shows.

Based on this review, it is our opinion that, while excess capacity does exist in the Twin Cities "arena system," the arena is not necessarily overbuilt.

While it is unlikely, it is possible that the NBA franchise could move to another market area. Were this to occur, ERA does not feel that the arena could continue to operate without significant impacts on all other facilities, since it would lose 45 events and at least 60% of its gross revenues.

### Financial Analysis

Arena revenues are derived from several sources: facility rentals, concessions sales, luxury boxes or preferred seating rentals, and advertising. ERA has made assumptions based on industry standards and local conditions regarding attendance, average ticket price, and revenue splits, to develop estimates of revenues at the proposed arena.

Chief elements of operating expenses will be salaries, utilities, insurance, and marketing. Costs have also been assessed based both on industry standards and local conditions, including information supplied by the developers.

As we understand the percent arrangements between the developers and the City of Minneapolis, the arena will derive no revenue from parking. Ample parking is available within a three-block radius. At the existing arenas in the Twin Cities, parking revenues are an important component of the total revenues.

ERA has projected total event revenues in a typical year for the new arena at \$2.68 million, 60% of which will be derived from NBA basketball. Non-event revenues will come from advertising, the rental of luxury boxes and preferred seating, and the health club. Total revenues in a typical year will be \$12.76 million.

highly paid professional athletes; spending by visiting teams and other performers; and spending by spectators on goods and services outside the arena. Total direct impacts are projected to be approximately \$10 million per year.

Impacts of existing facilities are roughly comparable, although those generated by the Met Center are likely to be lower, due to the relative lack of amenities in the area. Those generated by the St. Paul arena, given the concentration of service establishments, are probably higher. Of special note are the impacts generated by state high school tournaments, held in St. Paul each year. Because of the large numbers of persons involved and the three-day durations, impacts of these events are quite high. These impacts, while quite important, are not easily measured without primary research and surveying.

The arena of the St. Paul Civic Center has an ice surface of 200 feet by 85 feet, a basketball floor, a 68-foot ceiling, four loading docks, full air conditioning and climate control, and many other amenities.

#### Metropolitan Sports Center

The Metropolitan Sports Center (or "Met Center," as it is more popularly known) is located in Bloomington, on the northeast corner of the site once occupied by Metropolitan Stadium, roughly at the intersection of 24th Street and Route 494. It consists of an arena of 16,000 seats, two private clubs for preferred customers or season ticket holders, and approximately 20 acres of paved, open-air parking. The arena has a full ice surface, a basketball floor, two vehicle entrances and loading docks, full air conditioning and climate control, and other amenities.

#### Minneapolis Auditorium Arena and Convention Hall

The Minneapolis Auditorium Arena and Convention Hall is located in downtown Minneapolis, in the area bounded by Grant Street, Stevens Avenue, 15th Street, and Third Avenue. It consists of the Auditorium Arena, with 6,021 permanent seats, total seating capacity of up to 8,600, and total floor area of 16,500 square feet; a convention hall of 93,000 square feet, with subdivision capability; a lower exhibit hall of 34,000 square feet; and 23 meeting rooms, ranging in size from 336 to 7,100 square feet. The arena has an ice surface, a basketball floor, a full-service performance proscenium arch stage with overhead rigging, a freight elevator with 23,000-pound capacity, and smaller passenger elevators. The arena is on the second floor and requires



Table III-1

EVENT DAYS BY TYPE OF ACTIVITY  
ST. PAUL CIVIC CENTER ARENA  
1982-1986

<u>Activity</u>	<u>Number of Event Days</u>				
	<u>1982</u>	<u>1983</u>	<u>1984 4/</u>	<u>1985</u>	<u>1986</u>
Professional Sports <u>1/</u>	13	12	13	12	13
College Sports	0	0	0	0	0
High School Sports	9	9	9	9	9
Family Shows <u>2/</u>	30	20	26	28	9
Music Concerts	24	15	29	16	17
Consumer and Trade Shows	32	28	28	28	37
Community Shows <u>3/</u>	24	26	47	28	24
Other	4	5	6	3	9
Total	136	115	158	124	118

1/ Includes professional basketball, hockey, indoor soccer, boxing and wrestling; excludes rodeos and motorcycle shows.

2/ Includes circuses, ice shows, tractor pulls, rodeos, motorcycle shows, etc.

3/ Includes religious meetings, garden shows, dog and cat shows, professional exams, swap meets, dances and festivals, school graduations, political meetings, etc.

4/ Auditorium closed; Arena used for bookings previously held in Auditorium.

Source: St. Paul Civic Center; and Economics Research Associates.

Table III-3

EVENT DAYS BY TYPE OF ACTIVITY  
MINNEAPOLIS AUDITORIUM ARENA  
1984-1985

<u>Activity</u>	<u>Number of Event Days</u>	
	<u>1984</u>	<u>1985</u>
Professional Sports <u>1/</u>	2	4
College Sports	4	3
High School Sports	46	40
Family Shows <u>2/</u>	1	0
Music Concerts	7	13
Consumer and Trade Shows	59	39
Community Shows <u>3/</u>	54	34
Other	44	26
	----	----
Total	237	159

1/ Includes professional basketball, hockey, indoor soccer, boxing and wrestling; excludes rodeos and motorcycle shows.

2/ Includes circuses, ice shows, tractor pulls, rodeos, motorcycle shows, etc.

3/ Includes religious meetings, garden shows, dog and cat shows, professional exams, swap meets, dances and festivals, school graduations, political meetings.

Source: Minneapolis Auditorium and Convention Hall; and Economics Research Associates.

As can be seen, the emphasis is quite different at each facility. While the Met Center and the Metrodome rely heavily on professional sports, the other two facilities limit their presentations to wrestling in this category. The Minneapolis Auditorium Arena relies relatively heavily on high school sports, chiefly hockey. In fact, many of these event days are ice rentals for hockey practice. Consumer and Trade Shows and Community Shows make up more than 45% of the event days in the St. Paul Arena and Minneapolis Auditorium, while accounting for just 8.5% at the Met Center and none at the Metrodome.

The St. Paul Arena and the Met Center present a similar percentage of family shows. In the Met Center, these consist chiefly of ice shows, while in St. Paul they are balanced among motorcycle races and shows, circuses, and other types of events. Percentage breakdowns by type of event for each facility for the year 1985 are shown in Table III-5.

While the number of events may vary from facility to facility, there are clearly some types of events that are more profitable than others. While this aspect is discussed in more detail in Section VI, it should be noted here that in general, professional sports, concerts, and family shows provide higher net returns to arenas than do high school sports, trade and consumer shows, and community shows. This is because ticket prices or admission fees vary by type of event, as do the percentage of the revenues from admissions and concessions retained by the arena.

## Attendance

Attendance may be an indicator of financial health in an individual facility, and can show demand or market saturation for particular types of events. It is best, however, to use attendance figures in conjunction with other indicators, such as facility rental rates, concessions sales, and so on, due to the complexities of arena economics. The per-capita returns per type of event, a good measure of relative profitability, are discussed in Section VI.

Table III-6 shows average attendance per event, by type, for the St. Paul Arena, the Met Center, and the Metrodome. Attendance data by event type for the Minneapolis Auditorium were not completely available. As is shown, none of the events presented approaches capacity, with the exception of the High School State Hockey-Tournament at the St. Paul Arena. Attendance at music concerts is also relatively high. Table III-7 shows the percentage of total attendance attributable to each type of event.

As is shown in Table III-6, attendance at music concerts is over 11,000 per event at the St. Paul arena, and over 9,400 per event at the Met Center. Professional sports attendance at the Met Center averages nearly 8,800 per event, although this figure is skewed by low attendance at professional soccer games. Attendance at the North Stars games averages about 12,000 per event. Attendance at other types of events is lower, ranging from over 8,000 for consumer and trade shows to 3,700 for community shows at the Met Center.

Finally, it should be noted that high school sports presentations at the St. Paul arena, consisting chiefly of the State Hockey Tournament, the State Basketball Tournament, and the State

Table III-7

PERCENTAGE DISTRIBUTION OF ATTENDANCE  
BY EVENT TYPE  
1985

<u>Activity</u>	<u>St. Paul Arena</u>	<u>Met Center</u>	<u>Metrodome</u>
Professional Sports	7.2%	56.1%	81.0%
College Sports	0	0	15.0%
High School Sports	21.5%	7.3%	1.1%
Family Shows	14.9%	19.4%	1.5%
Music Concerts	16.5%	10.6%	0
Consumer and Trade Shows	21.3%	4.1%	0
Community Shows	17.2%	2.5%	0
Other	1.4%	0	1.4%
	-----	-----	-----
	100.0%	100.0%	100.0%

Source: Facilities listed; and Economics Research Associates.

Table III-8

ST. PAUL CIVIC CENTER  
REVENUES AND EXPENSES  
1984-1985

	<u>1985</u>	<u>1984</u>
Operating Revenues:		
Building Rentals	\$749,476	\$864,071
Equipment Rentals	52,089	48,960
Building and Event Services	494,626	514,601
Concessions and Commissions	857,140	992,528
Parking Fees	1,304,449	1,082,629
	-----	-----
Total Operating Revenues	\$3,457,780	\$3,502,789
Operating Expenses:		
General Operating	\$384,154	\$391,702
Building Power	779,283	685,156
Building Maintenance	597,914	544,496
Event Services	286,223	421,382
Parking Ramp	298,981	270,628
	-----	-----
Total Operating Expenses	\$2,346,555	\$2,313,364
Operating Income (Loss)	\$1,111,225	\$1,189,425
Non-Operating Revenues (Expenses):		
Miscellaneous Revenue	-	\$3,500
Contribution to City of Saint Paul		
General Fixed Assets	(107,878)	(660,000)
	-----	-----
Total Non-Operating Revenues (Expenses)	\$(107,878)	\$(656,500)
	-----	-----
Income (Loss) Before Operating Transfers	\$1,003,347	\$532,925
Operating Transfers:		
Transfer Out to City of Saint Paul		
General Debt Service Fund	\$(54,707)	\$(142,073)
Transfer Out to City of Saint Paul		
Civic Center Lease Trust Fund	(550,000)	(425,000)
	-----	-----
Total Operating Transfers in (Out)	\$(604,707)	\$(567,073)
Net Income (Loss)	\$398,640	\$(34,148)

Source: St. Paul Civic Center Authority; and Economics Research Associates.

Table III-9

NET OPERATING INCOME, BY EVENT  
MET CENTER  
1984-1986

<u>Activity</u>	<u>1984/5</u>	<u>1985/6</u>
Professional Sports	\$2,958,019	\$3,047,617
High School Sports	146,981	182,930
Family Shows	456,945	567,778
Music Concerts	317,413	369,056
Consumer and Trade Shows	55,673	74,477
Community Shows	46,946	30,672
Total	<u>\$3,981,977</u>	<u>\$4,272,530</u>

Note: Net income to arena, including parking, before expenses.

Source: North Star Financial Corporation; and Economics Research Associate.

Agreements with the City of Minneapolis provide for the levy of additional hotel/motel and liquor taxes to make up any shortfalls in revenue sufficient to pay operating expenses and debt service obligations. Since 1984, this additional tax has been unnecessary, due to interest income from the sale of Metropolitan Stadium properties.

Because of the complex financial arrangements involved in setting up each facility, none of them requires a public subsidy in the form of a direct payment even if they should lose money on operations. The hotel/motel and liquor tax, which would be assigned to the Metrodome, is generated largely by visitors. The Tax Increment Financing district in St. Paul, according to information we received, pays nearly all of the principal and interest on the original debt, even if no activities are held at the Civic Center. The debt involved in refurbishing the Civic Center in 1984 is the responsibility of the owners. Similarly, the Met Center makes payments to the Metropolitan Sports Facilities Commission on the lease, although the facility was built by the North Star Financial Corporation, which is responsible for payments.

Thus no direct subsidies are required. Rather, the "subsidies" are indirect, in the form of opportunity costs, foregone income, and other one-time contributions which must be repaid over the long term. The new arena, as proposed, would operate in the same manner. No operating subsidy would be required because the facility would be privately owned and operated. The City of Minneapolis must acquire the land, however.



	<u>Total</u>	<u>Regional</u>	<u>Local</u>
Professional Sports (hockey, soccer, wrestling, boxing)	111	84	27
College Sports (includes amateur college-level sports)	3	3	0
High School Sports	44	44	0
Family Shows	81	30	51
Music Concerts	46	46	0
Consumer and Trade Shows	55	40	15
Community Shows	55	0	55
Other	16	0	16
	-----	-----	-----
Total	411	247	164

This determination has been made based on a review of individual events and our judgment as to their appeal.

#### Regional Capacity

One possible method of approaching the determination of need for an additional facility is to attempt to assess the regional capacity for event presentation. There are several means of doing this. The first is to look at the number of event days and the number of available dates, to ascertain the number of additional events that could be absorbed by the existing system. Using this method, and applying it to the St. Paul and Bloomington arenas, a theoretical capacity of 730 days (365 days times two facilities) is far greater than the 411 events now presented. This overstates the number of days available, however. While in theory a facility could be programmed for every day, in practice such an occurrence is virtually impossible, due

Thus, "capacity" is influenced to some extent by availability, timing and proximity.

A final factor, and one which must not be overlooked, is that new events, not now presented, will create additional demand. The best example is the NBA franchise, which will create additional demand for events in the form of basketball games.

### Conclusions

From a review of events schedules, attendance, and available financial information, it appears that each facility has a separate market niche and serves it fairly well. Assessing the financial performance of the arenas is extremely difficult, given the nature of each facility, although each appears to have operating surpluses generated from a variety of sources. There does appear to be excess capacity in the existing arenas, in that the number of events presented in each could be increased without straining the facilities' capacities or schedules. At the same time, however, it is shown in the next section, through a review of the performance of selected arenas in other cities, that the number of events presented, on the average, is much lower than "practical maximums." Section IV describes events schedules by type of event at a number of facilities throughout the midwest and western United States.

## CHARACTERISTICS OF SELECTED LARGE U.S. ARENAS

City	Arena	Year Built	Seating Capacity		Parking Spaces		Ice Rink	Home Teams
			Total	Fixed	On-Site	Walking Distance <sup>1/</sup>		
Dallas	Reunion Arena	1980	19,071	15,520	5,000 <sup>2/</sup>	6,000	Yes	NBA Mavericks, MISL Dallas Sidekicks
Denver	McNichols Sports Arena	1975	19,000	16,500	3,000	2,000	Yes	NBA Nuggets
Houston	The Summit	1975	17,094	15,030	6,500	0	Yes	NBA Rockets
Indianapolis	Market Square Arena	1974	18,154	15,900	1,300	7,000	Yes	NBA Pacers, IHL Checkers
Inglewood, CA	The Forum	1967	18,679	15,552	3,500	10,000	Yes	NBA Lakers, NHL Kings, MISL Lazers, LA Strings
Las Vegas	Thomas and Mack Center	1983	18,236	18,000	6,021	2,500	No	UNLV Rebels
Los Angeles	Sports Arena	1959	16,100	12,389	5,000	5,000	Yes	NBA Clippers
Oakland	Oakland Coliseum Arena	1966	15,891	11,285	10,000	15,000	Yes	NBA Warriors
Phoenix	Veterans Memorial Coliseum	1965	15,500	14,118	4,467	2,353	Yes	NBA Suns
Portland	Memorial Coliseum Arena	1960	13,600	9,300	2,200	500	Yes	NBA Trail Blazers
Sacramento	ARCO Arena (Temporary) (Permanent)	1985 U/C	10,333 18,000	10,333 N.A.	5,000	0	Yes	NBA Kings, Capitals (Tennis)
San Diego	Sports Arena	1967	15,051	10,995	4,500	N.A.	Yes	MISL Sockers, SDSU Aztecs
San Francisco	Cow Palace	1935	14,700	14,500	5,000	0	Yes	--
Seattle	Seattle Center Coliseum	1962	14,300	9,300	2,300	N.A.	Yes	NBA SuperSonics
AVERAGE			16,670 <sup>3/</sup>	13,722 <sup>4/</sup>	4,913 <sup>5/</sup>	4,196 <sup>6/</sup>		

1/ Defined as no more than a 10-minute walk.

2/ 5,000 more parking spaces are currently under construction, to be completed in 1987.

3/ Includes the permanent ARCO Arena now under construction.

4/ Excludes the ARCO Arena since information is not available.

5/ Includes planned total of 10,000 spaces at the Reunion Arena in Dallas.

6/ Excludes San Diego Sports Arena and Seattle Center Coliseum since information is not available.

N.A. means Not Available.

U/C means Under Construction.

Source: Individual Facility managers, Aud Arena Stadium 1987 International Guide, and Economics Research Associates

Although only Market Square Arena and the Forum can claim to have their own professional hockey teams (IHL and NHL), all but one of the facilities have ice capabilities. This amenity is desirable since promoters of ice shows prefer to hold their performances in such venues. Professional basketball teams (NBA) are based out of all but three of the arenas surveyed. The Thomas and Mack Center in Las Vegas keeps a busy winter events calendar with the University of Nevada's basketball games while the San Diego Sports Arena does so with both a professional indoor soccer team (MISL) and the San Diego State University's basketball team. The Cow Palace in San Francisco attracts the Grand National Rodeo each fall and spring and other professional sports exhibitions.

The annual event day volumes for those facilities providing data are summarized in Table IV-2. It must be remembered that these events reflect activity in these facilities only. Events presented in other facilities in the same market areas are not included. With the exception of the Veterans Memorial Coliseum in Phoenix and the Seattle Center Coliseum, they reflect the most recent year of activity. The total number of event days for each facility is broken down by type of event as follows:

- o Sports (professional, college, and other),
- o Family shows,
- o Concerts,
- o Consumer and trade shows, and
- o Community shows and conventions.

This data has been assembled from facility event schedules and summarized by ERA according to these categories in order to provide information in a consistent format.

The San Diego Sports Arena reported the busiest events calendar with a total of 355 event days. However, deducting its 225 days of swap meets it showed an annual total of 129 event days. The Veterans Memorial Coliseum in Phoenix experienced the lowest number of event days due largely to the fact that fairground events and activities were excluded from the total. An average of 150 event days was found among the facilities when swap meets were omitted from the computation. This total was surpassed by the Reunion Arena, Market Square Arena, the Los Angeles Sports Arena, the Seattle Center Coliseum and, according to estimates, the Oakland Coliseum Arena. By comparison, the Met Center has approximately 200 event days per year, while the St. Paul arena has approximately 120.

With both an NBA and IHL franchise team, Market Square Arena boasts the largest number of event days allocated to sports. The ARCO Arena in Sacramento runs second. The Cow Palace, without any professional franchise teams, held the least number of sports-related event days in 1986. It should be noted that although the Junior and Grand National Rodeos run for two weeks each spring and fall at the Cow Palace these are classified as family shows rather than sporting events. It is primarily for this reason that the Cow Palace claimed the most event days for family shows in 1986.

More concerts were held in the Reunion Arena in Dallas than in any other venue surveyed. This facility is considered to be ideal among promoters in that industry, according to ERA's promoter interviews. The fewest number of concerts was reported by the Los Angeles Sports Arena which must compete with numerous market area venues for such events, including the Forum and the Long Beach Arena.

### National Trends

Discussions with facilities managers and promoters, as well as our own observations of this industry, reveal the following national trends:

- o Family shows such as the circus, ice shows and rodeos as well as professional boxing and wrestling are evidencing a surge in popularity and above-average attendance levels. There are some changes, however, in that ice shows are proliferating rapidly, with little differentiation; wrestling programs are highly dependent on name recognition, with the World Wrestling Federation being viewed as the most popular; and boxing is also in danger of saturation, with cable television and closed circuit telecasts as well as live cards.
- o Fewer concert groups are touring but many are appealing to a broader segment of the market and some of the more popular bands are playing longer runs. There is also a trend toward outdoor concerts and venues, with many groups preferring to work solely in this market.
- o There has been a resurgence of interest in professional basketball and a corresponding proven ability among NBA teams to negotiate more lucrative deals with arenas, such that they receive a greater share of event revenues. While the revenue splits would not be an issue in Minneapolis, the level of interest would be high. The prior experience with the Lakers is not felt to be comparable.

### Central Florida Case Study

In an attempt to gain insights and examples of effective strategies undertaken to maintain a competitive market position in changing conditions, a case study was conducted of a region with a similar competitive situation in terms of arenas: Central Florida, including the three metropolitan areas of Tampa-St. Petersburg-Clearwater; Lakeland-Winter Haven; and Orlando. It is particularly applicable in that Orlando has also been awarded an NBA expansion franchise, and a new arena is under construction there.

The Central Florida region, encompassing the three metropolitan areas of Tampa-St. Petersburg-Clearwater, Lakeland-Winter Haven, and Orlando, was selected as a comparable region to the Twin Cities for analyzing the impacts associated with development of arenas in overlapping market areas. This region has experienced significant growth in population over the past five years, fueled in part by the attraction of a mild climate and available economic opportunities. Both regions have experienced development of new arenas and other assembly facilities which compete for events and attendance in overlapping market areas. Finally, development plans for more new facilities have been announced in both regions that promise to increase activity and competition in their respective markets.

The major facilities in the three metropolitan areas analyzed in Central Florida are listed in Table IV-3, along with the year each facility opened and current seating capacities. Most of the recent new and proposed new development of additional facilities has been in the Tampa Bay and Orlando metropolitan areas, which also are the two biggest metropolitan areas in Central Florida. Between 1980 and 1985, the population of the Orlando metropolitan area increased by twenty

percent, while the Tampa Bay metropolitan area enjoyed a growth rate of seventeen percent.

Interviews were conducted with the managers of these facilities, as well as city planning officials, to collect information and insights on the impacts new facilities have on existing facilities in the marketplace. Specifically, our questions focused on three general areas: first, the extent to which new facilities draw business away from existing facilities, both in the short and long term; second, examples of mitigating measures undertaken by existing facilities to prevent significant loss of market share in the wake of increasing competition; and third, the ability of facilities to establish a distinctive market niche within the competitive environment.

Of the facilities listed in Table IV-3, the Lakeland Civic Center has experienced the most adverse effects attributed to the development of new facilities in its market area. Lakeland is located mid-way between Tampa Bay and Orlando, and prior to the opening of new arenas in these two metropolitan areas, events at Lakeland Civic Center drew attendance regularly from both metropolitan markets. Although the Lakeland Civic Center is reputed among the industry to be managed and operated well, the facility has been losing major events to newer and larger facilities in both Orlando and Tampa Bay. Prior to the opening of these new facilities, Lakeland hosted twenty-five major concerts a year, which has been reduced by more than half, to twelve major concerts last year. This loss of major event activity is attributed directly to the smaller number of seats Lakeland offers to promoters compared to competitive facilities in the market area. Major rock concerts which played in Lakeland in the past are now playing in facilities offering more seats and the potential for greater profits.



new events for the facility. Critical factors to her success have been the flexibility of the facility in both its physical ability to accommodate a variety of events and in negotiating deals with promoters and sponsors; the quality of her staff; personal contacts in the industry; and time and hard work. The results have been an increase in banquet and catering business, primarily targeting local, regional and state market activity, and the establishment of a market niche in country and western shows, heavy metal, and wrestling.

The Central Florida situation is somewhat analogous to the situation in the Twin Cities, although there are important differences which must be recognized. In Central Florida, the two markets were separated by nearly 100 miles, while Lakeland was located between the two and could tap both, in the absence of competition. In the Twin Cities, the submarkets are much more compact, so that distance is much less of a factor, and, for events with regional appeal, the facilities operate in the same market. Another important distinction is the relative sizes of the facilities involved. While the Lakeland facility was much smaller than the new arenas developed, the proposed arena in Minneapolis is roughly comparable in size to existing facilities. While this case study demonstrates the effects of competition, these differences must be kept in mind.

#### Comparison to Twin Cities Market

Two questions must be addressed in this analysis: first, how does the number of event days in the Twin Cities market compare with those in similar markets; and second, what will be the effects in the Twin Cities of the development of an additional arena on overall competition and on existing facilities.

clearly defined hub. In the Twin Cities, the market is split between Minneapolis and St. Paul, with Bloomington as a third "node." In Denver, while the McNichols Arena presents a total of 112 events (roughly comparable to St. Paul's 120), they are almost all shows with higher\* profit margins: professional sports, concerts, and family shows. The smaller shows, trade and consumer shows and community events make use of smaller, more appropriately sized facilities.

Similarly in Indianapolis, the capitol and major city of Indiana, the sports and public assembly facilities have been planned to accommodate every conceivable type of event. In addition to Market Square Arena, the City has the Hoosierdome, a domed stadium of 63,000 seats; a convention center complex; and several smaller, specialized sports facilities such as a velodome and natatorium. Market Square Arena presents approximately 186 events per year, about 50% of which are NBA basketball and IHL hockey. The remainder are other sports events, family shows and concerts. Again, the lower attendance, lower profit shows are presented elsewhere. As noted, Indianapolis, a market area roughly half the size of the Twin Cities, has a more unified market to draw from, and therefore a more efficient public assemblies facilities system.

Two other market areas have been chosen which do approximate the Twin Cities situation. In the Seattle-Tacoma market area, about 25 miles separates the two communities, although travel between the two is quite easy on I-5. In addition to the Seattle Center Coliseum, with 14,300 seats, there is the Kingdome, a domed stadium of 65,000 seats, and the Tacomadome, actually an arena of about 25,000 seats. The Kingdome is used for major league baseball, NFL football, and special events such as the NCAS regional championships, very similar to the

which attracts large gatherings such as trade shows and community shows away from the two venues discussed. Finally, San Francisco has several facilities which regularly present rock concerts. Deducting 31 event days for professional soccer, 44 for high school sports, and half of the 140 trade and community shows presented in the Twin Cities (judged by ERA to be attributable to the presence of other facilities in addition to the arenas) yields a total of 285 event days in the Twin Cities comparable to 382 in the Bay Area, even without an allowance for the extra rock concerts in the San Francisco area.

While these descriptions are not meant to be a rigid assessment of the potential for events in the Twin Cities, they do indicate that some potential for expansion of event offerings exists. One obvious category is professional basketball. Others include other professional and amateur sports, family shows, and some music concerts, although outdoor concerts are the likely direction for growth in the Twin Cities.

The second question, concerning the effects of an additional arena on overall competition and on existing facilities, is more complicated. While the case study of the Central Florida facilities demonstrated a shift away from the Lakeland Civic Center to newer and larger facilities in Tampa and Orlando, the situation there is somewhat different, in that Lakeland served two markets in which no good facilities existed. In the Twin Cities, the St. Paul arena and the Met Center are roughly of the same size and quality, and will not differ significantly from the new arena.

The major impact will not be loss of events so much as reduced profits from the same event. With the exception of professional sports franchises on long-term leases, all events presented by arenas are the

Wrestling	\$2.64 per person
High School Sports	1.84
Other Sports	3.20
Family Shows	1.97
Concerts	3.15
Convention and Community	1.00

(Source: Economics Research Associates)

It is our belief, supported by our experience in dealings with facilities managers throughout the country, that the major impact of additional competition will be to reduce, through negotiation, the percentages of ticket and concessions revenues available to existing arenas for certain types of events.

Nor will this be felt all at once. In many cases (such as with ice shows, for example), multi-year contracts for appearances are negotiated which will have to be honored. These financial effects will be discussed further in a subsequent section. It is our feeling, however, that an additional arena would not result in significant event shifts from existing facilities to the new one.

### Conclusions

The survey of arenas in the midwest and western United States indicates that, overall, the Twin Cities market is not "overfacilitied," and is supporting comparable numbers of events in a competitive atmosphere. The experience in Florida, while instructive, has some differences which would indicate that a new arena in Minneapolis would not attract events away from existing facilities.

## Section V

### ASSESSMENT OF DEMAND

#### Introduction

This section projects demand for events or performances at the proposed facility, given existing levels of performances and events, the nature of the new facility, and changes in or additions to product. A hypothetical schedule of events is proposed.

#### New Arena

The proposed arena will be located on a site bounded by Sixth Street North, Glenwood Avenue, First Avenue North, and Second Avenue North, on the western edge of the central business district. The location is two blocks away from the retail core, and would be connected to these shops by skyway. Skyways would also link the proposed arena to the Third Avenue North parking garages, which will contain 6,300 stalls. It is our understanding, based upon a review of documents submitted by the City of Minneapolis, that there will be approximately 10,600 parking spaces within three blocks of the proposed arena by 1990.

The project would have two components, as proposed: an arena and a Northwest Racquet Swim and Health Club. The arena would have 18,000 fixed seats, including 40 private suites with ten seats each and 1,500 preferred seats which would be leased. As currently proposed, the arena would have an ice surface as well as a basketball floor. The

Minneapolis Auditorium Arena, with limited seating. Further, there are proposals now being considered to develop two outdoor concert facilities. While outdoor concerts represent a separate market to a large extent, a doubling of the indoor market is unrealistic.

Family shows and Ice Events. This category currently represents 80-85 events in the Twin Cities market, predominantly in St. Paul and Bloomington. While the market for ice events appears to be saturated, there are a number of family show products which have not been presented, or presented in limited quantities, in the Twin Cities. These include motorcycle and motorcross shows, truck and tractor pulls, and similar events. The figure proposed is overly optimistic.

Wrestling Events. Wrestling is currently offered 25-30 times per year in existing facilities, or 2-3 times per month, and is not well attended. This may be due to the differences between sponsoring federations and relative name recognition factors. Depending upon the sponsor, this figure seems realistic.

Other Sports Events. Ten other sports events have been projected. Given the range of sports events which are not presented but are available, we feel this number is understated.

Other Events. No indication of what these events are is given, although the possibilities range from consumer and trade shows to religious convocations and high school graduations. Given the high volume of these types of events and the increasing levels of demand, we feel that this number is understated.

Community Shows	--	15	-	15
	-----	-----	-----	-----
Total	61-62	47-59	16	125-135

By way of comparison, the St. Paul arena averages about 120 events, while the Met Center averages about 200 events, per year. The above events schedule does not consider any events switching from existing facilities to the new one, as discussed in the previous section. This demand has been derived as follows.

NBA games represent a significant addition to the Twin Cities sports events universe, the one major professional sport missing from the available offerings. Obviously, this category represents new demand.

ERA has projected 20-25 days of other sports events. These will be broken down in the following manner. Of the 40-45 high school sports events held each year at the Minneapolis Auditorium Arena, about 25 were hockey practices, while the remainder were conference games and post-season tournaments. Given the size difference between the existing and proposed arena, we project that 5-10 of these events, limited to post-season tournaments, will be transferred to the new facility. Second, three or four college-level amateur events (such as gymnastics, karate competitions, and miscellaneous tournaments) were held at the Minneapolis Auditorium arena. These will be available to the new facility. The remainder will consist of new offerings, such as arena football, professional volleyball, tennis exhibitions; kick boxing and other martial arts, and significant amateur competitions. These are not now presented in the Twin Cities for two reasons: either they have not been available up to now (such as arena football or

Met Center. ERA projects an increase in this category for the following reasons:

- o the market for family shows is predominantly local, unless the show is truly spectacular;
- o the types of events projected (motorcycle shows, truck and tractor pulls, and similar "thrill shows") are popular throughout the U.S. but are not presented in the Twin Cities except occasionally; and
- o the Minneapolis market (as a subset of the Twin Cities market) is underserved.

Finally, ERA has projected ten consumer and trade shows and fifteen community shows for the new facility. These are derived entirely from events now presented at the Auditorium Arena. These represent a relatively small percentage of the number of events in these categories now presented at the Auditorium Arena. As noted, however, not all of these shows will be willing to relocate to the new facility, given the distance involved and the different configuration.

One last question must be considered: could the proposed arena operate without an NBA franchise? While this is not a likely scenario, it is a possibility, given that NBA teams have moved from less supportive to more supportive communities in the recent past. Two examples are the Sacramento Kings, which moved from Kansas City; and the Los Angeles Clippers, which moved from San Diego. As noted, we feel that this is an unlikely scenario, since the Twin Cities market appears to be a good one for professional sports, and since the team owners will also own and operate the arena.



## Section VI

### FINANCIAL ANALYSIS

#### Introduction

This section examines potential sources of revenue to an arena, discusses the factors which dictate the arena's share of funds, and comments on the relative profitability of different types of events. Finally, using this analysis, the projected event-days by category, and assumptions concerning attendance and spending, a financial analysis for the proposed arena is presented.

#### Sources of Revenue

Arenas generate event revenues from three principal sources:

- o Building rentals, based on either a percentage of gross admissions or a flat daily rate, whichever is greater;
- o Concession income from food, beverage, and merchandise sales at the facility;
- o Parking revenues from on-site parking for events held at the arena.

Additional potential contributions to revenue come from the lease of luxury suites and preferred seats, and from display advertising in arena and concourse areas. Assumptions regarding rates and policies which affect each of these revenue streams are described below.

(Source: Economics Research Associates).

The operating structure and revenue share for concessions differs from facility to facility. It appears most common to contract concession operation to an experienced concessionaire rather than to operate it in-house. Given this approach, the facility receives a percentage of gross sales, with the concessionaire responsible for the cost of goods and vendor labor. In some instances early commitment of such a contract can provide some opportunities for up-front contribution from the concessionaire in financing the construction of concession facilities. When this is done then it is common for the concessionaire to receive a larger percentage during the early years of the contract as a return on his investment in the facility.

In practice the arena's share of concession revenue is typically higher for food and beverage sales than for merchandise sales. While a range of from 35 to 42 percent of gross is common on food and beverage, arenas typically receive from five to 15 percent for merchandise for most events. A notable exception is Ringling Brothers' family shows where the event brings in and controls all merchandise sales, giving no share to the facility, and returning no more than 30 percent on food and beverage to the building. It is also often the case that sports franchises receive the profit from merchandise sold at home games, and, as a result, merchandise sales often become a revenue source to facility revenue primarily for concert events.

Typical net per-capita revenues by event for admissions and concessions accruing to arenas are shown below:

Although preferred seating is a relatively new concept, it has met with much less price resistance in areas where it has been attempted. Essentially, it represents a higher grade of season ticket, and is likely to be purchased by individuals for their own use. Prices in other markets have ranged as high as \$3,000. While this will be an important element in the revenues of the new facility, the proposed prices are modest and will be achievable.

A particular area of concern has been the potential impact of the 1986 federal tax law on the marketability of luxury suites. This concern arises from the limitation placed by the law on deductability of private event seating used for entertainment purposes. Under the current provisions, deductability for lease payments would be phased out over a three year period, with 100 percent write-off allowed in 1986, 67 percent in 1987, 33 percent in 1988, and none thereafter. Purchase of tickets to events will be allowed an 80 percent deductability as a business expense when used for legitimate business entertainment.

ERA has initiated discussions with representative of arenas marketing suites in various cities around the country and has reviewed published sources on the topic. It is our conclusion that while the elimination of deductability is likely to prolong the marketing process, it is not expected to occasion more severe impacts. For example, the Seattle Seahawks began marketing a program of 48 new skyboxes at the Kingdome during the latter half of December, 1986, at prices ranging from \$55,000 to \$80,000. By mid-February, 38 had been leased, and there had been little or no market resistance relating to change in deductability.

## Expenses

In a "typical" facility, personnel costs including wages, salaries and fringe benefits are the largest single expense line, commonly accounting for 30 to 45 percent of operating budgets (depending on staff size, contracted services, etc.). Staffing is normally augmented by temporary or event-specific help, the cost for which is passed through to the event promoter.

Costs for utilities are subject to wide variations, depending on climatic differences, costs of energy, building design, and the need to maintain an ice surface. Other volatile costs are liability insurance, promotion and marketing, and contract services.

Annual cost for liability insurance has been one of the most volatile expense lines for building in all parts of the country during the last two years. Many facilities have experienced premium increases of 100 to 200 percent, although this process has more or less levelled off in 1987.

Costs associated with promotion, as well as advertising and publicity appear to show the widest variation among buildings of all expense categories. In those cities where arenas function as elements of larger complexes of public assembly facilities, costs for this function are frequently shared on a cooperative basis, reducing the specific costs to the individual building. In other cases, where facilities vigorously promote and co-promote events, it is necessary to allocate greater resources to this end.

attendee for rock concerts at the Met Center is \$2.30. The national average for family shows was \$1.97, while at the Met Center it was \$1.95. These averages fluctuate on a yearly basis as well.

As shown in Table III-6, music concerts attract a higher attendance, on the average, than any other type of event in the Twin Cities area. Second is the category of consumer and trade shows, followed by professional sports. It should be noted, however, that the professional sports category is skewed downward by wrestling and soccer. The North Stars average about 12,000 persons per game.

Perhaps the most important statistic is net revenue per attendee, by event category. Using figures provided by the Met Center, the following shows what the income to the facility is from admissions, concessions, and parking.

<u>Event</u>	<u>Net Revenue per Attendee (1985/86)</u>
North Stars hockey	\$4.37
Other professional sports	2.19
Family shows	1.95
Concerts	2.30
High school sports	1.67
Consumer and trade shows	1.20
Community shows	0.82

ERA has used the above figures, as well as information from facilities managers in other cities, to arrive at projected per-capita net revenues by event category for the new facility. Using the projected number of events, as well as expected attendance per event,

Table VI-1

PROJECTED REVENUES AT  
PROPOSED ARENA  
(TYPICAL YEAR)

<u>Event Category</u>	<u>Attendance Per Event</u>	<u>Number of Events</u>	<u>Net Revenue Per Attendee</u>	<u>Total Event Revenue</u>
NBA Games	12,000	45	3.00	\$1,620,000
Other Sports	8,500	30	1.50	382,500
Family Shows	8,500	15	1.50	191,250
Concerts	11,000	10	3.00	330,000
Consumer Shows	8,500	10	1.00	85,000
Community Shows	6,500	15	.75	73,125
Total Event Revenue				<hr/> \$2,681,875
<u>Non-Event Revenue</u>				
Luxury Box Rentals:	30	at \$25,000		750,000
Preferred Seating:	3,000	at \$1,750		5,250,000
Advertising:				500,000
Health Club Revenue:				3,580,000
Total Revenue:				<hr/> \$12,761,875

Source: Minnesota Timberwolves; and Economics Research Associates.

This provides a total of \$6.78 million in surplus funds for debt service and amortization. Debt service requirements, using several assumptions concerning total debt, term, and interest rate, are shown in Table VI-2 as well.

The question of how the corporation or corporations which control the three entities involved (the basketball team, the arena, and the health club) will be organized is important, and will affect revenues at the facility. It is common, for example, for the NBA team to share substantially in revenues generated by the rental of luxury boxes and preferred seating. Similarly, a percentage of health club revenues will undoubtedly accrue to a health club corporation. While no corporate organization plan has been prepared as yet, the details of such a plan will have an impact on total arena revenues.

#### Financial Impacts on Other Facilities

As discussed earlier, the major impact of the proposed facility on existing facilities will be to reduce profit margins on certain events. Because local appeal events will be presented in all facilities, we do not feel that the revenue splits will be affected. It will chiefly be in the categories of music concerts and certain family shows, for which the markets are regional and promoters have flexibility in presentation, that profit margins will be reduced. Based upon discussions with promoters and facilities managers, ERA projects an average reduction in revenues for these events at the St. Paul arena and the Met Center of 10-20%. In Bloomington, where 70 events of this type occur in an average year, as shown in Table III-2, this would result in a loss of \$94,000 to \$187,000 per year, based on total revenues from these categories shown in Table III-9. This

This option is not open to a Minneapolis arena at this time, nor do we feel it would be in the near future, since the University has its own facility and is itself considering plans to develop a new one. Therefore, should the NBA franchise be lost, the arena would lose at least 60% of its total revenues, and would not be able to meet its operating costs. Under these circumstances, there would be insufficient demand to support the proposed facility as well as existing ones.

#### Conclusion

The revenues from event presentation will make up less than 25% of total revenues at the proposed facility. Luxury box and preferred seating rentals will account for about 50%, while health club operations will generate another 28%. The new arena will be in a very strong financial position, with a permanent tenant and outside revenue streams.

The impacts on other facilities will be to reduce earnings from particular events, chiefly family shows and concerts. The Met Center will lose an estimated 2-4% of its net revenue from events, or \$95,000-187,000 per year. Because these events make up a smaller number of the overall total at the Civic Center, ERA estimates this facility's losses at \$50,000 to \$100,000 per year.



interviews with knowledgeable spokespersons in Dallas, Indianapolis, and Houston. These cities were selected for investigation as each has a high quality, well utilized arena which is located either in a downtown location or in a major urban concentration where perceptible benefits from the arena could be captured. This task also included review of a research program completed in Seattle which provided an empirical analysis of the impacts of the Kingdome following its completion. In addition, ERA completed detailed interviews with arena managers in twelve cities, addressing their perceptions of impacts generated through the operation of their facilities from the standpoint of recognizable patron and user expenditures in the surrounding community.

#### Experience in Other Cities

##### Dallas

The Reunion Arena opened in April, 1980, on a 6.2 acre site within the 50-acre Reunion project area at the western edge of downtown Dallas. The arena is a well utilized, high quality facility which includes 15,500 permanent seats and up to 19,000 seats for center stage concerts. It does not provide luxury suites, although it is the home for the NBA Mavericks and the MISL Sidekicks soccer franchise. According to the director of the city's Convention Services Department which operates the arena, the City declined to include special seating when the building was planned as a policy decision not to provide for priority or privileged seating areas. This was felt to be in keeping with the City's principal objective of building the arena to provide a focal point in the Reunion area which could function as an activity generator and an enhancement to the quality of life in the Dallas community by offering a variety of sports and entertainment events.

The site is approximately a ten minute walk from the Dallas Convention Center complex, and it sits across a 10-acre park from the 1,000 room Hyatt Regency Hotel and Reunion theme tower. It is one block west of the Union Station specialty restaurant and office complex

### Indianapolis

Market Square Arena was built in 1974 at the eastern edge of Indianapolis' downtown area. It occupies the air rights over a five level parking garage and is adjacent to the renovated City Market, a festival marketplace which sits at the eastern periphery of Market Street, one of the city's principal commercial corridors. The arena is less than a mile from the recently completed 63,000-seat Hoosierdome Stadium and Indianapolis Convention Center which together anchor the southwestern end of downtown.

The arena includes 15,900 permanent seats and, with movable seating, accommodates 16,300 for hockey, 17,700 for basketball, and a maximum of 18,200 for concerts. It is home court to the NBA Indiana Pacers and accommodates a strong volume of concerts, family shows, and other sports and entertainment events. It is privately operated by Arena Management, Inc., under contract to the City of Indianapolis Capital Improvements Board and does not include private suites.

While downtown Indianapolis has experienced a notable recent increase in private sector investment and gives evidence of strong activity levels and vitality, it is difficult to credit the arena with spawning much of this growth. While Market Square Associates (partners in the original construction of the arena) have developed two large scale office complexes in adjacent blocks, discussions with the developer have indicated no perceived benefits to office leasing from its location near the arena. They do, however, cite the benefit of the strong identity associated with the Market Square area and the public's familiarity with that eastern end of downtown from attending events in the arena. The strongest recent growth in commercial development, however, has occurred largely at the western end of the corridor, near the newly opened Hoosierdome and expanded convention center complex. More significant new office and hotel development has been evolving here, benefitting both from the increased visitor activity at the Convention Center and from the "ego boost" following attraction of the

square foot retail mall, two thirty-story residential condominiums containing a total of 400 units, the Houston Design Center, and the Houston City Club, a private tennis and health club.

The arena opened in 1975 and is owned by the City of Houston. It is operated by a private operating company, initially a division of Century Development, developer of the overall Greenway Plaza complex. The Summit provides a total of 15,030 permanent seats and can accommodate 17,100 for concerts, 16,750 for boxing and wrestling, 15,462 for basketball, and 15,750 for tennis events. There are 20 private suites, ten on each side of the arena at the upper level. The arena is home court to the NBA Houston Rockets.

Interviews with the developers of Greenway Plaza have indicated little quantifiable economic impact on the mixed use development from the operation of the Summit, although it was instrumental in helping to establish the identity of the Greenway Plaza complex. While there has been some roomnight benefit to the adjacent hotel, this has not been specifically tracked by hotel management. The developer indicates negligible spending benefits from arena attendance for concourse outlets. To some extent this is due to the design of the project which "buried" the retail largely below grade and does nothing to encourage a flow through the retail concourse by arena patrons. While the major restaurants are located at convenient entry points for Greenway Plaza as a whole, they are largely at the periphery and least convenient for arena attendees who park in the central parking structure and flow directly into the arena.

#### Seattle/King County

In general, the economic impacts which result from operation of a domed stadium are not comparable to those resulting from an arena. This is because stadiums accommodate different types of events, largely football and baseball, which are characterized by different patron expenditure patterns. However, this discussion provides a brief review of some of the findings of a study which examines the economic impacts

- o Of total basketball attendance at the Kingdome, 29 percent was from out-of-county residents. Out-of-county residents' average per capita expenditures were roughly 30 percent higher than those of local residents.
  - o Spending associated with basketball represented 16 percent of total Kingdome operating impact in 1979.
  - o The study noted perceptions of a significant amenity value associated with the Kingdome. When surveyed:
    - 79 percent of households reported attending at least one event;
    - 57 percent stated that the facility had contributed to making King County a more attractive place to live;
    - 57 percent of respondents felt the Kingdome was worth what was paid for it and 20 percent thought it was worth more.
  - o The study included a survey of managers of businesses located in the area surrounding the Kingdome and found the following perceived impacts:
    - 56 percent stated that the facility had no effect on them;
    - 20 percent indicated beneficial effects (these were strongest from the retail sector);
    - 24 percent noted negative effects (primarily related to parking and traffic problems).
- In general, the Kingdome had both fewer positive and negative impacts in the surrounding area than had been originally predicted.
- o It is significant that the survey of event attendees found that 16 percent have increased their shopping activity in the surrounding area on non-event days as a result of attending Kingdome events.

at an average daily rate of \$60, and hotel tax revenues to the City of \$67,200 at an 8 percent rate.

- o It has been the experience of other cities that new businesses can be attracted to areas surrounding arenas, but that sports facilities do not in themselves catalyze changes in the character of an area in terms of the mix of surrounding businesses.
- o The Kingdome survey indicated the degree to which sports facilities can promote greater resident familiarity with the surrounding area, resulting in return visits to the area to patronize retail businesses.
- o ERA's discussions with arena operators around the country indicate the likelihood of greater expenditure benefits occurring when arenas are developed in proximity to the more intensive development typical of downtown areas or major urban centers. Since the area around the downtown Minneapolis site offers existing opportunities for more intensive land uses, the economic benefits of arena development are likely to be sizable.
- o Perhaps the most significant impacts resulting from arena development are those which are difficult to quantify. Among these are the facility's role in generating activity and vitality in an area, largely during evenings and weekends. This can be particularly important in downtown areas as these are the two periods when activity from other sources is at its lowest level.
- o Another important function served by operating arenas is their role in familiarizing residents with the vicinity as a result of attending events. Because arena events are likely to attract people to the area who do not visit for other reasons, the potential exists to expose new segments of the community to Minneapolis' emerging downtown if the arena were developed there.

### Probable Impacts of Existing Arenas

While the impacts of the existing facilities are probably similar to those projected, there is some variance due to differences in number of events, differences in types of events, and differences in location. For example, the Met Center, although hosting more events, probably has a lower impact due to the fact that it depends more heavily on sporting events, and that its location, away from off-site spending opportunities, precludes per-capita impacts found at downtown facilities. The St. Paul facility, although hosting fewer events, operates in conjunction with a convention facility, and hosts many consumer and trade shows. It is also in a downtown location.

Of special consideration in an economic impact assessment of an arena is the high school tournament business, which brings large numbers of players and supporters into town for several days, requiring the use of lodging facilities and purchase of meals. These events contribute to a higher impact at the St. Paul facility as well.

### Conclusion

The impacts of arenas, while significant, are not as high as those of other public assembly facilities. ERA has projected total direct impacts of \$10,527,000, of which more than half will be spending by the arena on operating costs and real estate taxes.



STATE OF MINNESOTA  
COUNTY OF RAMSEY

METROPOLITAN COUNCIL  
OF THE TWIN CITIES AREA

IN THE MATTER OF THE METROPOLITAN  
SIGNIFICANCE REVIEW OF THE PROPOSED  
NBA ARENA IN MINNEAPOLIS

AFFIDAVIT OF RICHARD GESHWILER

STATE OF MINNESOTA     )  
                              ) SS.  
COUNTY OF HENNEPIN    )

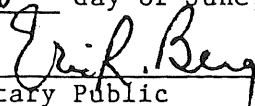
Richard Geshwiler, being first duly sworn, on oath deposes and says as follows:

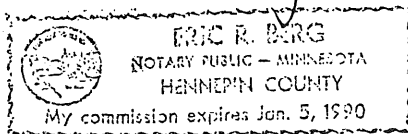
I prepared prefiled testimony dated June 9, 1987, which is to be submitted to the Metropolitan Council for its significance review of the proposed NBA arena in downtown Minneapolis. The matters contained in my prefiled testimony are true and correct to the best of my knowledge.

Further your affiant sayeth naught.

  
\_\_\_\_\_  
Richard Geshwiler

Subscribed and sworn to before me  
this 10<sup>th</sup> day of June, 1987.

  
\_\_\_\_\_  
Notary Public





6. Are you familiar with the purpose of the Metropolitan Significance Review of the proposed NBA arena in downtown Minneapolis?

Yes, I am.

7. What is your understanding of that review proceeding?

The purpose of this review proceeding is to determine whether or not the proposed facility would have an adverse affect upon metropolitan systems and an adverse affect upon existing arena facilities which are in operation in the metropolitan area today.

8. What is the zoning of the property upon which the Metropolitan Sports Center is located?

The property is zoned CX-2, it is also designated in our Comprehensive Plan as high-intensity mixed-use.

9. What types of uses are permitted under CX-2 zoning?

The CX-2 zoning is an unusual zoning district in the City. The intent section of the district specifically calls out the location of the Met Center and the Mall of America and Fantasyworld as the only site in the City to be so zoned. This zoning sets certain minimum thresholds for the intensity of development and permits the most intensive development within the City. It encourages a mix of inter-related uses that benefit by proximity to each other. The zoning district clearly calls out that the Met Center is to be a key and integrated with the mixed-use concept within the CX-2 district.

10. How is the Metropolitan Sports Center treated in the City's Comprehensive Plan?

The City's Comprehensive Plan designated that the Met Center was to be, I believe we used the word "keystone", of the redevelopment of the Metropolitan Sports Complex which, when we were doing the Plan, included the old metropolitan stadium. The interrelationship between the Met Center and the redevelopment activity was viewed as symbiotic between the two development nodes and would encourage other related development beyond that specific site.

11. What is the basis for your conclusion that there was a symbiotic relationship between the Met Sports Center and the proposed Mall of America site?

The City empanelled a group of people from the Urban Land Institute to come and study the Airport South area at the time that the decision was made to relocate the old Metropolitan Stadium to the new Metrodome. This panel spent several weeks in Bloomington interviewing local officials. They then returned to their respective locations and prepared a report. It was the conclusion of this expert panel that the very nature of the operation of the Met Center by bringing a number of people throughout the region to the Met Center facility would benefit the redevelopment activity, if the redevelopment activity would provide shopping, entertainment, restaurants, and other things that would allow people to prolong their stay in the

17. At present what types of public improvements has the City committed to that would benefit the Metropolitan Sports Center?

The City has issued bonds for the construction of roadway improvements along Trunk Highway 77 from 86th Street in the south to approximately 75th Street in the north (in Richfield). The Minnesota Department of Transportation is going through a fast-track process to get bids let for this project by August, 1987. This will add two interchanges at Killebrew Drive and 81st Street that face the Mall of America site and the Met Center site. Additionally, the City of Bloomington, as part of this project, will be building a six lane underpass of Trunk Highway 77 for the 79th Street/80th Street ring-route roadway that parallels Interstate 494. Additionally, the City has sold 80 million dollars in bonds for roadway improvements including the 24th Avenue interchange with Interstate 494, and complete reconstruction within the next two years.

18. Were the City to lose the Metropolitan Sports Center, for whatever reason, what kind of impacts would result?

One of the principal impacts would be the loss of a generator of visitors to the site. The Met Center by the very nature of its operation attracts people to Bloomington for approximately 200 events a year. Those people when they come into Bloomington use other services such as restaurants, motels and hotels, and other businesses in Bloomington. The loss of these visitors to the community on 200 days throughout the year would likely be a substantial loss to those businesses that cater to the travelers or visitors to Bloomington.

19. If the Metropolitan Sports Center were eliminated from the site, what would be the probable impact on that property and would there be a corresponding impact on redevelopment of other areas of the Airport South District?

In the Metropolitan Significance Review for the Mall of America and Fantasyworld, the Metropolitan Council requested that 1.3 million square feet of office space be taken out of the Mall of America and Fantasyworld development proposal. They also requested that other office space development in the Airport South area be limited. Given the City of Bloomington's commitment to responsible development within the constraints of the metropolitan highway system that serves the Airport South area, if the Met Center site were totally available for redevelopment it would create excess competition for the amount of development that does remain within the Airport South area under the Mall of America and Fantasyworld Environmental Impact Statement and the current Indirect Source Permit for the Airport South area. That excess competition could result in a number of things. Number one, it could result in a redevelopment of the Met Center site being uneconomical, thus being delayed many years into the future. It could also, if it were to redevelop at an appropriate intensity to pay for the land, it could take away the development potential from other privately held land within the Airport South area and have an adverse affect upon that land as well.

20. What efforts has the City made in order to assure that the Metropolitan Sports Center will operate in an efficient manner?

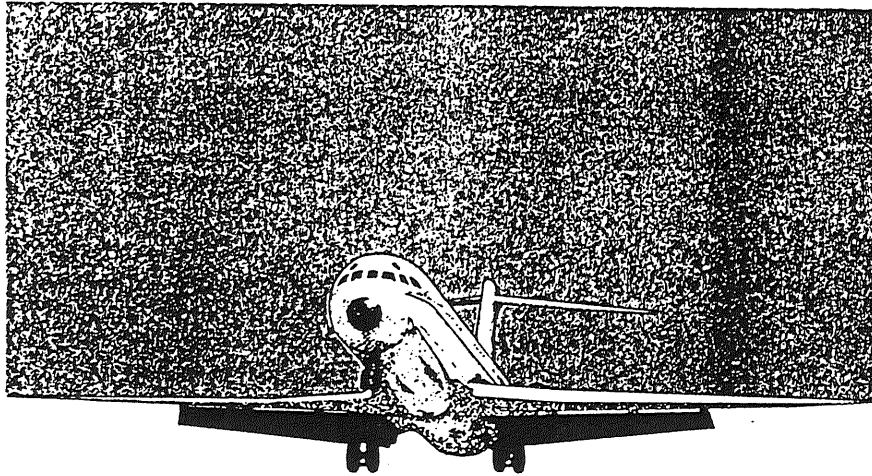
26. Have you looked at that portion that deals with the area where the proposed NBA arena is to be located?

Yes, I have.

27. In your professional opinion, is the proposed NBA arena for that location consistent with the Minneapolis Comprehensive Plan?

The Minneapolis Comprehensive Plan is very general in many respects and does have specifics in other respects. The Minneapolis Comprehensive Plan does not show a metropolitan scale facility being developed in the location of the proposed arena. When the City of Bloomington has been faced with a similar situation we have processed comprehensive plan amendments to our Comprehensive Plan to assure that proposals will be consistent with the Plan and that the Plan will be reviewed, given a thorough Metropolitan Council review, and provide opportunity for other communities to comment on our Plan amendment. The Minneapolis Comprehensive Plan lacks any clarity to show that an arena would be built on that site. However, their Comprehensive Plan does not show a new and expanded convention center either.





## A2/airport south district plan

The Airport South District Plan is a detailed physical development plan for that area of Bloomington which lies east of Cedar Avenue (TH77). The plan for the Airport South district recognizes the potential for developing a unique employment center. This employment center will be closely interrelated with Minneapolis-St. Paul International Airport and provide a variety of commercial, recreation, entertainment, residential and conservation land uses.

### 1. Background

The Airport South district encompasses approximately ten percent of Bloomington's land area. Of the nearly 2,350 acres in the district, approximately 1,450 acres are designated for conservation land use as part of the Minnesota River Valley National Wildlife Refuge

and Recreation Area. The remainder of the Airport South district is available for urban intensity development.

### Regional Role

Located adjacent to the Minneapolis-St. Paul International Airport, the Airport South district is the gateway to the Twin Cities and Minnesota for most air travelers. The Airport South district forms the anchor for the largest concentration of hotel rooms in the upper midwest--the Bloomington "strip." The district is also a headquarters center and contains the international headquarters for Control Data Corporation. In 1980, approximately 9,100 people were employed in the Airport South district and approximately 16,000 people were employed at the airport.

Figure A1.1 illustrates the location of the Airport South district with regard to the Minneapolis-St. Paul International Airport, downtown Minneapolis, downtown St. Paul and other regional centers designated by the Metropolitan Council. While it is not expected that the Airport South district will develop as a third downtown, the area should develop as a specialized regional center of significant economic importance.

Just as downtown Minneapolis has evolved primarily as a financial and corporate center and downtown St. Paul has evolved primarily as a governmental center, the Airport South district is expected to continue to develop as the regional center of hospitality and transportation (airport) related activities. Along with the specialization in hospitality and transportation activities, intensive office and residential development is anticipated during the next twenty years, due primarily to the locational and land availability advantages of the area.



Met Center will form an integral part of the mixed use center by providing activities such as professional hockey and concerts; it will also provide a large indoor space which can be used for special events serving the hotels and offices in the mixed use center.

The mixed use center is expected to develop immediately south of the Met Center and be connected to the Met Center by a second level pedestrian skyway. A transit terminal serving buses and ultimately fixed guideway transit will be developed between the Met Center and mixed use center.

The mixed use center will have an enclosed pedestrian commons as its central unifying feature, connecting offices, hotels, restaurants, shops and other uses. Other structures developed on the site should provide a means for either indoor or outdoor pedestrian connection to the mixed use center.

Since the Metropolitan Sports Facilities Commission's property is large (147 acres), the development of subsidiary centers and structures can be anticipated on the site. Subsidiary center development should only take place provided these areas can ultimately be integrated with the principal mixed use center.

The development of a foreign free-trade zone and/or international trade center would add unique economic diversity to the area. Establishing a foreign trade zone would require designation by the U.S. Department of Commerce and it would probably require warehousing and limited manufacturing activities. An international trade center would provide space for the display of goods and services and office space for commercial institutions related to international and domestic trade.

Major entertainment facilities to attract people to the site on evenings and weekends are essential to full development of restaurants, shops and other service uses. Judiciously selected and located, these attractions can animate the mixed use development, giving it life outside working hours and establishing a regional or even national identity.

Residential uses in this area may be appropriate outside the 70 dBA aircraft noise policy contour (see Figure A4.2) or inside the 70 dBA contour if special noise insulation steps are taken.

It is particularly important to develop open space amenities on the site because it is presently covered by unattractive paved parking areas. Creating a lake, ponds or canals will add a valued amenity. High impact landscaping is important to successful development, because landscaping can alter the barren quality of the site, control and direct views and ameliorate adverse environmental site conditions.

Temporary site uses should only be undertaken if it is clear that they will be temporary in nature. Temporary uses such as carnivals and festivals might be considered. Using a portion of the site as a tree nursery for future site landscaping would clearly be appropriate. Other uses which provide for sequential reuse of the site, such as the extraction of earth, sand and gravel should be given full consideration. Temporary structures for permitted, provisional or specified conditional uses should be avoided.

#### POLICY:

Designate the former metropolitan stadium site as a High Intensity Mixed Use Area and develop programs and zoning provisions which facilitate its development.

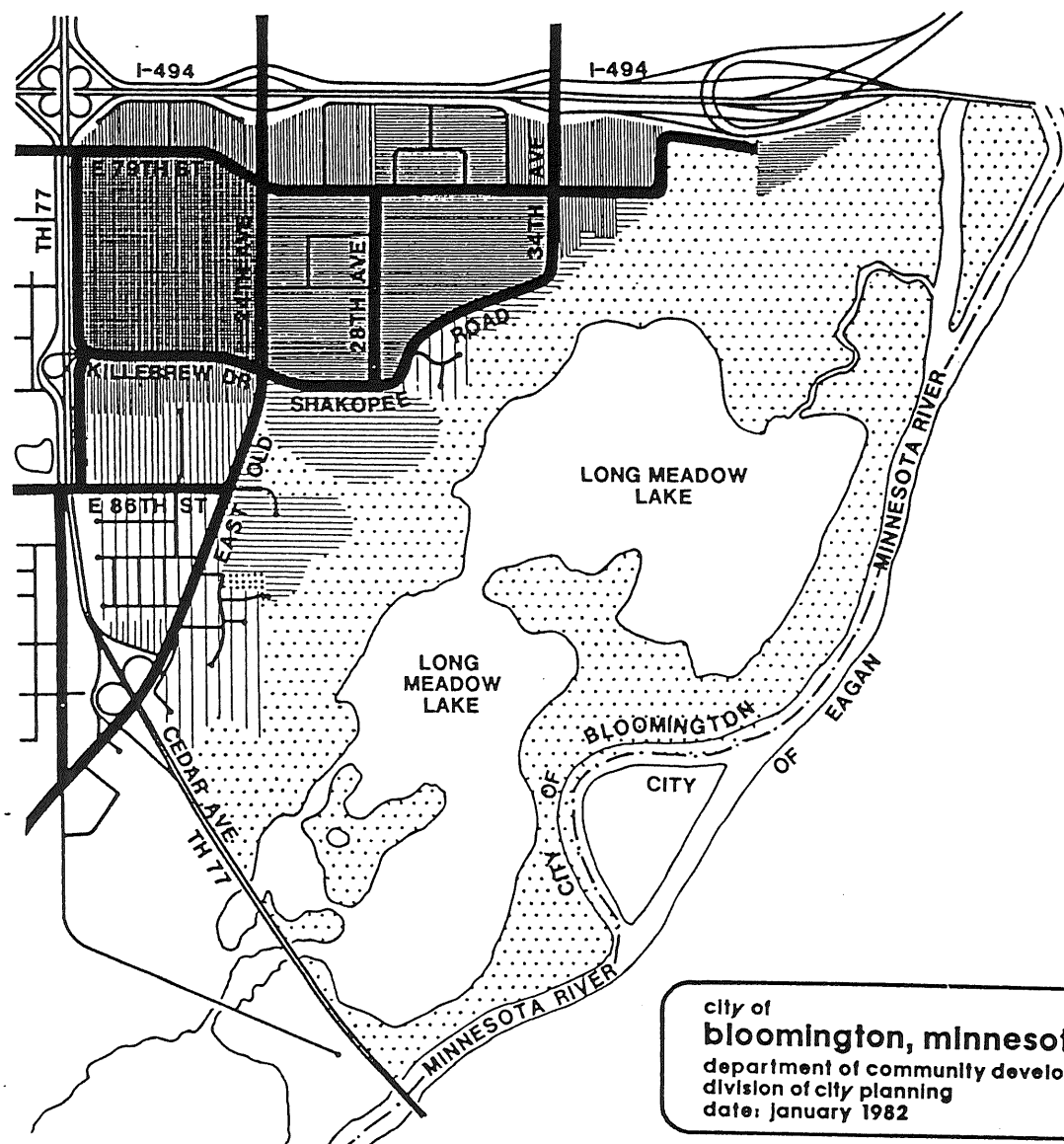








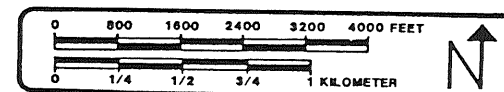


FIGURE A5.1  
LAND USE PLAN

-  HIGH INTENSITY MIXED USE
-  SERVICE ORIENTED MIXED USE
-  EMPLOYMENT ORIENTED MIXED USE
-  HIGH-DENSITY RESIDENTIAL WITH OFFICE
-  MEDIUM-DENSITY RESIDENTIAL
-  LOW-DENSITY RESIDENTIAL
-  CONSERVATION
-  PUBLIC

SOURCE: DEPARTMENT OF COMMUNITY DEVELOPMENT,  
DIVISION OF CITY PLANNING



city of  
**bloomington, minnesota**  
department of community development  
division of city planning  
date: january 1982

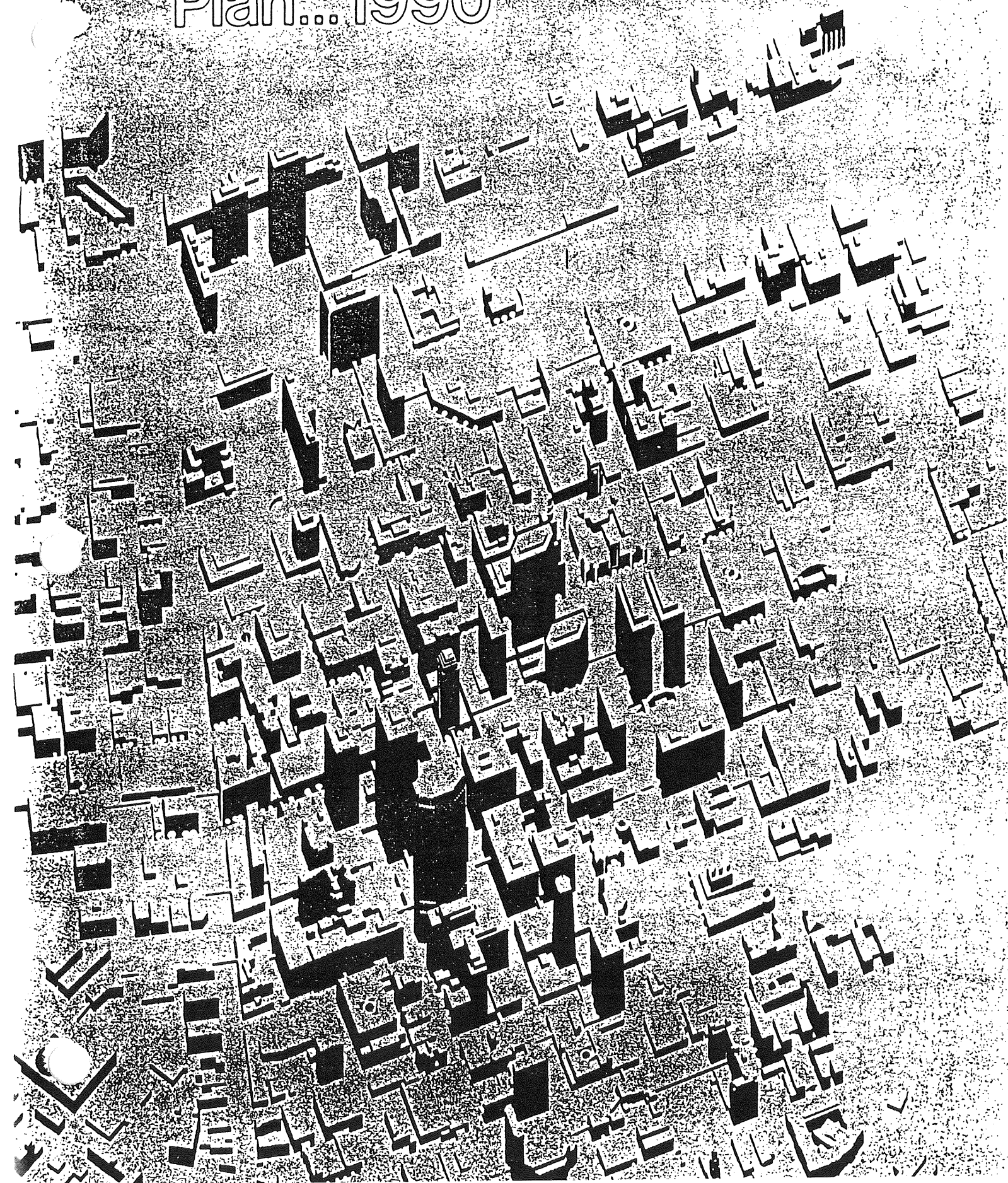






(EXCERPT)

# Minneapolis Metro Center Plan...1990



avoid locations where street activity is desirable or where housing is more environmentally suitable.

Outdoor recreational facilities will be located on the downtown's outer edges, within close proximity to downtown residents but shared by enthusiasts from the entire region. Facilities for active sports will be available at the Parade Stadium Park. Elliot Park will provide for more casual sports such as skating, tennis, frisbee and running for the near-by residents. Loring Park will do the same for a wider service area while new riverfront parks will add a regional resource for biking, boating, and skiing.

#### LEISURE

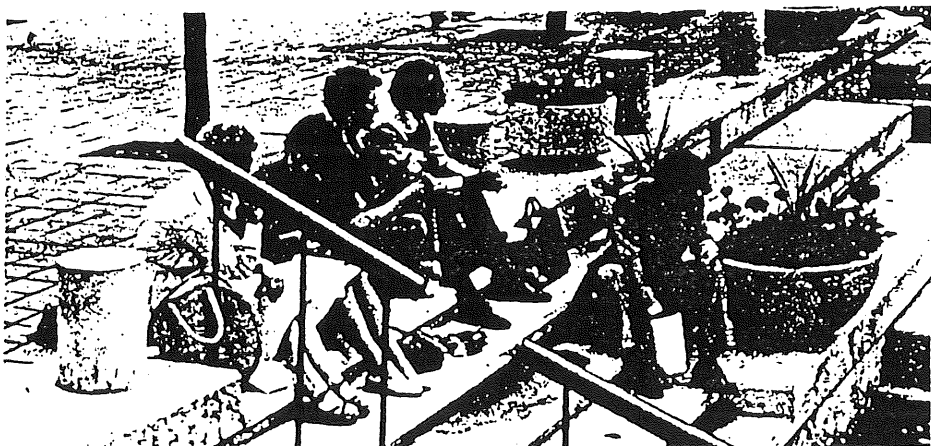
In 1990 downtown will continue to provide an ideal environment for a wide variety of leisure activities. The list might include sitting, reading, board or card games, viewing displays, parade-watching, window-shopping, skateboarding and leisure driving — the latter a particularly important function of Hennepin Avenue on Friday and Saturday nights. People-watching will probably be the number one activity. People watching requires large numbers of people from a broad spectrum, the vast majority of whom are not threatening, and a supportive physical environment including places to sit.

Small but well-designed play areas downtown would provide both an opportunity for children to play and entertainment for their audiences. After office-hours leisure activities would be reinforced by programs to encourage those already downtown to stay there. An upgraded entertainment district and increased in-town housing would both foster these activities.



*Hennepin Center (formerly Masonic Temple)*

*Peavey Plaza*







STATE OF MINNESOTA  
COUNTY OF RAMSEY

METROPOLITAN COUNCIL  
OF THE TWIN CITIES AREA

IN THE MATTER OF THE METROPOLITAN  
SIGNIFICANCE REVIEW OF THE PROPOSED  
NBA ARENA IN MINNEAPOLIS

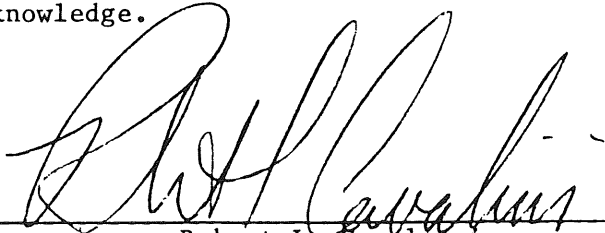
AFFIDAVIT OF ROBERT CAVALIERI

STATE OF MINNESOTA     )  
                              ) SS.  
COUNTY OF HENNEPIN    )

Robert Cavalieri, being first duly sworn, on oath deposes and says as follows:

I prepared prefiled testimony dated June 9, 1987, which is to be submitted to the Metropolitan Council for its significance review of the proposed NBA arena in downtown Minneapolis. The matters contained in my prefiled testimony are true and correct to the best of my knowledge.

Further your affiant sayeth naught.

  
Robert L. Cavalieri

Subscribed and sworn to before me  
this \_\_\_\_\_ day of June, 1987.

\_\_\_\_\_  
Notary Public

8. Any other experience in that area that you think is relevant?

My father has been in this business for the last 25 years and I kind of grew up in the business. We ran Olympia Stadium.

I'm also a member of a group of major arena managers, made up of arenas which have over 10,000 seats and are capable of raising their own capital for promoting and co-promoting arena events.

9. Are you familiar with what the purpose of the Metropolitan Significance Review hearing of the proposed NBA arena in downtown Minneapolis is?

As I understand it, there are public funds which are being used to help facilitate the building of the arena and this is a hearing to determine the availability of the funds, whether or not they should be used for that purpose.

10. Are you familiar at all with the arena situation in the Minneapolis/St. Paul Metropolitan area?

Yes, as I understand it (from my experience) I know that there are two major arenas both in excess of 15,000 seats one in St. Paul and one in Bloomington. In addition there is the Hubert H. Humphrey Metrodome, which is a teflon covered stadium similar to the Pontiac Silverdome.

11. Referring to the Detroit Metropolitan area, what is the population that you and the other arena operators draw from?

Detroit has between 3 and 4 million people, which is the relevant market area for the arenas.

12. How many multi-purpose arenas are located within that metropolitan area?

We currently have the following: We have Joe Louis Arena which can facilitate up to 21,000 people; then, we have a couple of arenas which can seat 12,000 people. The Pontiac Silverdome, which is a similar facility to the Hubert H. Humphrey Metrodome, can seat 80,000. The Silverdome has been configured in various other types of set-ups such as 40,000 or 28,000 for concerts. There are also two outdoor amphitheaters in the marketplace, Pine Knob which has a capacity of 16,000 and Meadowbrook that has a capacity of 7,500. Also affecting the marketplace is the University of Michigan's Chrisler Arena in Ann Arbor, Michigan, which is an indoor multi-purpose arena that seats 15,000.

13. Referring to the Joe Louis Arena, you indicated that it has a capacity of up to 21,000, what year was that built?

Joe Louis Arena began operation on December 12, 1979.

14. Was that built with strictly private financing, or were there public funds involved as well?

No, Joe Louis Arena was built with public funds. It was built by the City of Detroit, which eventually sold bonds to finance the arena.

There is always a lot of competition for available events. When we listed the arenas that are currently in the marketplace one was left out because it has not yet been opened. There is a new facility in suburban Detroit, Auburn Hills, under construction. This facility will be similar in size and function and will be a direct competitor.

23. Is the Silverdome a competitor to you?

Yes, the Silverdome is a competitor. The Silverdome will have at least five concerts a summer. They just completed two concerts, and as I understand it they have David Bowie and the Budweiser Superfest, a concert which the Joe Louis Arena has hosted for the last five years. They also have taken all of the major "dirt" events such as rodeos and truck pulls.

24. You indicate that there is a new arena being built in suburban Detroit, is that going to be primarily for the occupancy of the Detroit Pistons?

Yes it is, it is essentially being built by the owner of the Detroit Pistons.

25. Where are the Detroit Pistons currently playing?

They currently play at the Silverdome.

26. Where did the Pistons play prior to playing at the Silverdome?

They played at Cobo Arena, which seats 12,000.

27. When did they move to the Silverdome?

They played at the Cobo Arena during 1978-1979 season, and they moved to the Silverdome, I think, during the 1979-1980 season.

28. Did the Joe Louis Arena at any time attempt to convince the Pistons to play at their facility?

Yes, as a matter of fact, the Pistons were offered a very favorable rental arrangement to remain downtown prior to their move to the Silverdome in suburban Pontiac. Olympia Arenas have continually offered very attractive and favorable rental arrangements each time the Pistons agreement with the Silverdome was up for renewal.

29. When is the new arena which is going to hold the Pistons going to be ready for occupancy?

It is supposed to be ready for the Pistons in the fall of 1988. I expect that it will be ready for other events in the early summer of that year.

30. What impact on your facility and the other existing facilities do you foresee when the other arena opens, in terms of competition for events? The overall economic impact?

32. Is it true that the major profitable events are relatively few, there are certain types of events that arena operators typically derive their greatest profits from? And that the competition is fiercest for those relatively few events?

Absolutely. Obviously, the profitability of a particular arena is dependant on the rental arrangement the arena has. Arenas have lived on concert profits as a major revenue source for years and years. The more concerts which are profitable and provide a number of ancillary revenue sources, the better off an arena will be. The profitable concerts and your major sports franchises provide a foundation for the facility. Other events, if operated properly, are college hockey tournaments which have been a success because of ancillary income in concessions and novelties. Family shows, however, they're really tough events to put on to generate revenue because they're really very, very tight; ticket prices are generally lower and they don't generate very high concessions or novelties. Family show attendees generally don't spend as much. There is a correlation, the lower the ticket price, generally the lower ancillary revenues.

33. Would it be a fair statement to say that if you were to lose a significant number of those types of events, it would have a significant adverse impact economically on the Joe Louis Arena? Is that correct?

There is no question about it. I would say that a concert, under the current economic situation, is worth about \$50,000, to the bottom line. If I lose twenty concerts a season, that is a great deal of lost revenues and profitability.

34. Are you familiar with the type of revenue that the City of Detroit gets from Joe Louis Arena and Cobo Arena, tax-wise?

The City generally gets about \$3,000,000 a year in revenues.

35. If the Arena were to close because of the economics then the City revenues would be dried up?

Yes, and that is the relevant thing about which the City is concerned with the addition of the new Auburn Hills arena.

36. Is there any effort on the part of the City to fight the construction of this new arena?

They are currently a party to a lawsuit I believe. The only public money that was used was a subsidy based on state law that allows for a 12 year, 50% tax abatement for industrial development. The City of Pontiac, which lost the Pistons from the Silverdome, is the primary plaintiff in the suit.

Beyond that, the arena is entirely built with private funds.

37. Is the Silverdome a publicly constructed facility?

Yes, the Silverdome was constructed by the Pontiac Stadium Authority, supported by the taxpayers of Pontiac, Michigan.

43. Given the fact that the new facility proposed for downtown Minneapolis, the NBA facility, would play 41 games in that facility (basketball related), how many other days do you think they would have to fill with events in order to make it profitable if their only current arrangement is for the 41 days a year?

That would be a very difficult question to answer. It depends on the type of events.

44. Is there a downtown convention center that is hooked up with Cobo Arena and Joe Louis Arena?

Yes, Joe Louis Arena is at one side and Cobo Arena is at the other side of the convention center which will have 600,000 square feet, when completed.

45. Does it have the capacity to attract major national conventions?

Yes, when you have a 600,000 square feet you attract major national conventions. At the current time it is a little bit small and that is why it is being expanded, because throughout the nation cities have been making bigger and bigger convention facilities. The real big convention facilities must accommodate meeting space as well.

46. How does the availability of a convention center impact on your operation?

It really and truly hardly impacts on our operation at all. From time to time we have convention events in Cobo Arena, but literally the convention business is a give away business and there is no profitability whatsoever. Whenever we do a convention in Cobo Arena, it's operated at a loss.

47. So, would you say that there are any events that are attracted to your facility by virtue of having the convention center there that wouldn't otherwise be attracted without it?

No, not profitable ones.

48. Based on your experience in this business of arena management, and your knowledge of the Minneapolis market, by that I mean the Met Sports Center which has a capacity of approximately 17,000 (which is in Bloomington), the Civic Center which has a capacity of approximately 18,000 (which is in St. Paul), the Minneapolis Metrodome, which for arena purposes can seat about 36,000, and given the fact that the Metropolitan area market has a population of about 2.3 million, do you believe that this area can support another facility with a seating capacity of 17,000 or 18,000?

I believe that it is totally unnecessary to have another facility in that town, knowing what I know about that marketplace.

I think it will be very difficult for any two arenas to generate any positive profits or revenues whatsoever. The more likelihood is that the profitability, if any, of the current arenas will just be dragged down.

49. What if I were to tell you that they are also proposing a 15,000 seat amphitheater? Would this amphitheater, if built, also compete for the same type of events?





STATE OF MINNESOTA  
COUNTY OF RAMSEY

METROPOLITAN COUNCIL OF THE TWIN  
CITIES AREA

IN THE MATTER OF THE METROPOLITAN  
SIGNIFICANCE REVIEW OF THE PROPOSED  
ARENA FOR THE NATIONAL BASKETBALL  
ASSOCIATION FRANCHISE FOR MINNEAPOLIS

PREFILE TESTIMONY OF STEPHEN A.  
GROCHALA, CITY OF SAINT PAUL  
Referral File No. 14154-1

Stephen Grochala deposes and states:

I am Stephen A. Grochala. My residence is 1994 Summit Avenue, St. Paul, Minnesota. I have been senior planner in the St. Paul Department of Planning and Economic Development for ten years. I have an M.A. in Urban and Regional Planning from the University of Iowa. My work experiences have included planning and development activities in the fields of economic development, housing, land use, transit and neighborhood development. I am the author of the city's Comprehensive Plan Land Use chapter.

### Arenas are an Appropriate Land Use Issue for Review.

To evaluate that question of planning and development impacts the Metropolitan Council's Metropolitan Development Investment Framework (MDIF) clearly states that the council intends to "significantly change and expand its role in reviewing and commenting on special facilities with the potential for major impacts ... the Council defines special facilities as large, often one-of-a-kind projects with a special function or focus, such as sports ...". The Council will first determine the need for the facility and its locational and operational requirements.

St. Paul encourages this review. The proposed basketball arena is a one-of-a-kind, large special function facility with a focus on sports and large entertainment activities. It will seriously impact another existing 'one-of-a-kind' facility, the St. Paul Civic Center. It will affect existing development and land use at the Civic Center and environs. The proposed arenas impact on existing arena development should be examined.

### New Minneapolis Arena Requires all Existing Events.

The demand for arena space is essentially inelastic. It depends upon the level of discretionary income available to Twin City residents. For the demand for arena space to expand it is necessary for discretionary income to expand. For that to happen, we need more people with more incomes.

Minneapolis itself has argued the question of land use development citing its comprehensive plan, needs to change the image of Hennepin Avenue and to create an anchor for its proposed entertainment district in the downtown -- all as reasons why the Minneapolis arena is necessary and worthy of the underlying public subsidy and investment in its construction and operation.

But such laudable goals should not be at the expense of already existing facilities, performing the same role in the other Metro Center in the region. Entertainment development to further Minneapolis' downtown land use goals should not cripple action implementing the same goals in St. Paul's Metro Center.

Minneapolis Arena will Substantially Affect Civic Center Land Use.

If the arena financial statements and plan indicated little cross competition to the Civic Center, the Civic Center future would not be at risk. However, given the need for the Minneapolis Arena to have virtually all existing events. A serious disruption of the operating revenues of the Civic Center could easily occur. That would create a major vacuum in the development planning, existing land use patterns, and strength of the region's St. Paul's Metro Center.

Development objectives for this area are:

"To maintain the Civic Center Area's unique blend of mixed land uses".

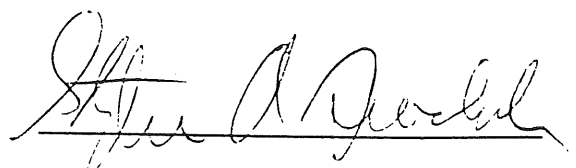
"To ensure that new development and renovation within the Civic Center area is compatible with the proposed Rice Park Historic District".

"To develop new Civic Center Exhibition and Theater facilities".

"To improve circulation to, from and within the Civic Center area".

The Civic Center has been the key element of the development potential for the Civic Center/Rice Park area of St. Paul. The center's presence creates a major facility, at the edge of downtown. Anchoring the entire southwest section of the St. Paul Metro Center. It's presence and the people it brings provides the development basis for the Ordway Theater, Landmark Center, several hotels and other commercial uses which depend on Civic Center generated events. The facilities work in tandem creating St. Paul's Arts and Entertainment Core's focus. The center presence has created an environment in which other arts organizations have flourished, such as the North American History Theater in the Landmark Center, Actors Theater in its own building, other, smaller arts organizations.

In planning for the Civic Center, the City of St. Paul has made considerable financial and infrastructure investments. Parking facilities, land use planning to permit ancillary services, traffic patterns and roadway sizing adjustments have been made to provide orderly traffic patterns and land uses surrounding the Civic Center.

A handwritten signature in cursive script, appearing to read "Stephen Grochala", written over a horizontal line.

Stephen Grochala





STATE OF MINNESOTA

COUNCIL OF RAMSEY

METROPOLITAN COUNCIL

OF THE TWIN CITIES AREA

-----  
IN THE MATTER OF THE METROPOLITAN  
SIGNIFICANCE REVIEW OF THE PROPOSED  
NBA ARENA IN MINNEAPOLIS  
-----

PREFILED STATEMENT OF  
MARLENE ANDERSON

MARLENE ANDERSON, being sworn states that she is the Managing Director of the Saint Paul Civic Center facility having been employed by the Civic Center Authority for sixteen years and as the Managing Director for the last five years. The Civic Center facility consists of three components: an 18,000 seat arena which can be converted to 73,000 square feet for exhibition use, a 5,600 seat auditorium convertible to 47,000 square feet for exhibition use, a 35,000 square foot exhibition hall and a 1,700 vehicle parking ramp. The auditorium dates to 1930 but was substantially renovated in 1982. The arena and parking ramp were opened January 1, 1973. The ramp was extensively repaired in 1983.

The arena and ramp were financed by \$19,500,000 in City of Saint Paul general obligation bonds of which \$9,990,000 remains outstanding. Annual debt service on these bonds in 1986 was \$1,316,050. In two prior years in accordance with budgets prepared by the Mayor and adopted by the City Council, \$100,000 debt service payments were made from Civic Center operating reserves.



operations are determined without deduction or offset of the general obligation debt service paid from real estate tax revenues by the City. The general obligation debt will be fully amortized in the year 2000.

The Civic Center realized an operating profit before deduction of lease payment and other general overhead costs of \$1,443,859 and a net profit of \$507,411. The operating profit was generated on 118 events and included concession and parking net revenue. However, some 45 event dates (concerts 17, MSHL Championships 9, and wrestling 13) produced \$668,685 or 46% of operating profit in 1986. The remaining 73 1986 dates produced 54% of operating profit. Another manner of looking at the revenue generating disparity is that 17 concert dates generated \$25,625.70 in net revenue on average while 20 conventions averaged \$2,513.70 in net revenue in 1986.

The Sponsors pro forma identifies 100 event dates in addition to 45 basketball dates consisting of 30 concert dates, 35 family shows and ice events, 10 wrestling matches, 10 "other sporting events" and 15 miscellaneous events. The present Twin City market for such events in sites with seating capacity in excess of 8,500 is in my experience approximately 35 concert dates annually; 35 family show and ice event dates; and 25 wrestling dates. The

25 dates shared in three existing facilities including the Minneapolis Auditorium is being over exposed on television with resultant match attendance decline. Wrestling attendance at the Civic Center in 1987 has averaged 3500 persons. The introduction of a third general arena will result in an over supply of arenas. In my experience, event promoters will play arena operators off against one another in obtaining rent and novelty percentage reductions. The prospect of a fixed rent figure substantially below the existing Twin City rate of 10% of ticket sales is likely. Promoters booking so called "major-performers" have obtained fixed rentals as low as \$7,500 in competition between the Met Center and the Civic Center.

The proposed arena cannot be carried by NBA basketball or new events generated by basketball. The number of other event dates projected as necessary to reach profitability of the proposed arena constitute the entire existing market in two major revenue producing event areas and more than one-third of the remaining market. The pro-forma estimates are based on national rather than the lessor Twin City area actual figures and result in an inaccurate pro-forma. Existing facilities can handle 45 basketball event dates. For these reasons the construction of a new publically subsidized 18,000 seat general arena for this purpose, and the

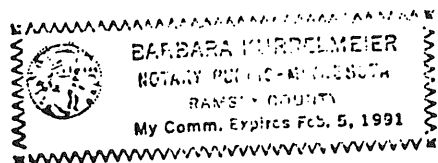
The foregoing 7 page statement constitutes the Prefiled  
Statement of Marlene Anderson.

Marlene Anderson  
MARLENE ANDERSON

State of Minnesota    )  
                              )  
County of Ramsey     )

Subscribed and sworn to before me a notary public, Ramsey  
County, this 12th day of June, 1987.

Barbara Kuerdelmeier  
Notary Public





STATE OF MINNESOTA

COUNTY OF RAMSEY

METROPOLITAN COUNCIL

OF THE TWIN CITIES AREA

-----  
IN THE MATTER OF THE METROPOLITAN

SIGNIFICANCE REVIEW OF THE PROPOSED

NBA ARENA IN MINNEAPOLIS

PREFILED STATEMENT OF

JAMES O'LEARY

-----  
JAMES O'LEARY, being sworn states that he is the Deputy Director for Downtown Development, Department of Planning and Economic Development, City of Saint Paul. I received a Bachelor of Arts Degree in International (Economic) Relations from the University of Minnesota in 1968. I have been employed by the City of Saint Paul since graduation, working first doing program analysis for Federal public health groups for the Department of Community Services Health Division and from 1978 developing economic models for various economic development activities, including 16 Urban Development Action Grants of \$55 million and some \$600 to \$700 million in public and private expenditures. For the past two and one half years I have been Deputy Director for Downtown Development.

The City of Saint Paul through the Civic Center Authority, undertook an ambitious capital improvement effort of its Civic Center complex in 1983, including a total rehabilitation of the outdated Auditorium into the Roy Wilkins Auditorium and Exhibition Hall, a substantial renovation of the parking ramp and improvements to the Civic Center arena itself. The project costs

were \$11,000,000.

While the Civic Center arena markets to and relies upon a variety of events, the two most crucial in terms of net income per event day are concerts and state high school athletic tournaments. Neither of these events are expected to grow substantially in the future. The advent of videos, cable television and other technology, coupled with the popularity of smaller performing spaces as well as outdoor concerts, have softened the demand for large audience concert spaces. The metro area currently hosts approximately 35 large concerts each year. The introduction of a new arena in downtown Minneapolis will result in a loss of revenue to the Civic Center through both a reduction in the number of performance dates and in lowered bid prices on those events awarded. The high school tournaments have matured to point a where additional revenue generating events are not likely.

Conventions, trade shows, meetings, festivals, and other sports, while generating somewhat lesser amounts of net revenue per event day, do contribute to the overall profit picture of the operation. More importantly, these events are crucial to downtown's overall economic health with visitors staying in downtown hotels, eating in restaurants, and shopping in the retail core. The average convention visitor, for example, spends an average of \$120 per day in downtown Saint Paul.

The attached Table I outlines the current situation with respect to arena usage. The underlying assumptions are that:

1. Arenas are defined as the Civic Center, Minneapolis Auditorium, Met Sports Center, and the Metrodome.
2. Categories are defined as being under either family shows, music concerts, consumer and trade shows, community shows, professional sports, high school sports, college sports, and others. The table further defines which events fall within the above categories.
3. Information from 1985 and 1986 were averaged in determining frequency of events, attendance, market share, and prices.
4. An event day is counted each time a separate event in a category occurs.

Table I indicates a demand universe of 801 events. The most frequent event types are consumer and trade shows followed by professional sports and community shows. While the Table further indicates that the Civic Center hosts the fewest number of events of the four cited arenas, its average attendance is second only to the Metrodome and is substantially ahead of the Met Sports Center and the Minneapolis Auditorium.

Table II projects the impact of a new arena on Civic Center financial operations. The assumptions used for this analysis are that:

1. The market is relatively inelastic for events and that there will be a proportional loss based on current market share.
2. Civic Center loss due to increased bidding competition

is 30%.

3. Concerts will yield only \$7,500 in rental income per event.
4. The impact of the Minneapolis Convention Center on the Civic Center/Wilkins Auditorium is ignored.

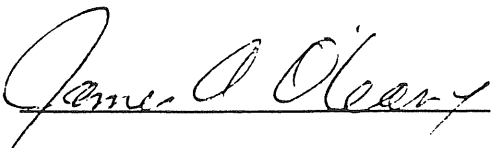
Given the above assumptions, Table II indicates a projected net revenue decrease of over \$550,000 each year resulting from a new facility. Such a loss in revenue will place the Civic Center into a negative financial position and will eventually jeopardize their ability to operate in the future without substantial on-going public subsidy.

There appear to be several discrepancies with respect to the NBA arena proposal. The sponsors assume securing contracts at 12% of gross receipts, while the current metro area standard is only 10% with a cap at approximately \$100,000. It is also suggested that a 57% concession income split and a \$3.00 per capita average can be realized. This is highly unlikely based on our experience in the industry. Concerts generate between \$2.25 and \$2.75 excluding novelties, family shows and ice events between \$1.25 and \$1.75, and other sporting events at \$1.69. Wrestling per capita is higher at \$2.75, but attendance has fallen so rapidly because of over exposure that it is relatively insignificant. Their projections assumed a hosting of 10 wrestling events with an average attendance of 11,000; our wrestling average for 1986 was 5715 and declining. I did not find any reference in the arena proforma to the problem of no-

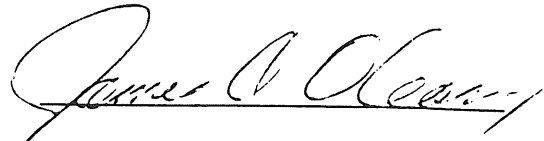


shows and the impact this has on concession income.

The submission by Minneapolis of approval material does not include data on financing the new arena. The proformas submitted, adjusted by the above corrections, indicate that the proposed arena would not be financially feasible without the personal guarantees of the construction borrowing by the sponsors, which is not likely in view of their outlay for the franchise and the need to capitalize a significant operating reserve, or without significant commitment by the City of Minneapolis to secure debt service on the arena capital cost. Under the Development Agreement terms, the sponsors will not advise the City of their feasibility determination until November of 1987 and thereafter financing would be finalized with construction commencement in the spring of 1988. This timeframe will permit an in depth feasibility study including the interpretation of new components such as University of Minnesota basketball and student activities, which might bring about a positive feasibility determination and which would permit a specialized basketball and student activity facility to house the Timberwolves and the University without waste of public resources and without bringing about a significant adverse economic impaction on the Civic Center of a severity likely to compel the closing of that facility.

  
James O'Leary

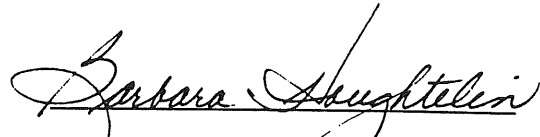
The foregoing 5 page statement constitutes the Prefiled  
Statement of James O'Leary.

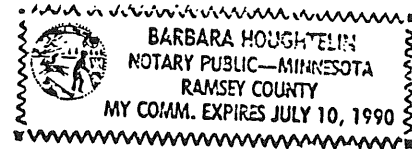
  
James O'Leary

State of Minnesota

County of Ramsey      ss

Subscribed and sworn to before me a notary public, Ramsey  
County, this 10th day of June 1987.

  
Notary Public



City of Saint Paul - PED  
Date: June 8, 1987

- Assumptions:
- 1) Each event day is counted each time a separate event in a category happens.  
(This means it's possible for total event days to be greater than 365 days in one year)
  - 2) Professional sports include hockey, boxing, wrestling, basketball, and karate.
  - 3) Family shows include circuses, ice shows, tractor pulls, rodeos, motorcycle sports, etc.
  - 4) Community shows include religious meetings, garden shows, dog and cat shows, professional exams, swap meetings, dances and festivals, graduations, political meetings, etc.

Table I - Current Market Share before NBA Arena

	1985			1986			<----- Last Two Year Average ----->			
	Event Days	Attendance	Avg. Price	Event Day	Attendance	Avg. Price	Event Days	Attendance	Avg. Price	Market Share
(Rounded to nearest whole number)										
Grand Totals										
Civic Center	124	1,085,679		118	1,276,259		121	1,180,969	0.00	9,760
Met Center	195	1,424,992		195	1,507,871		195	1,466,432		7,520
Metrodome	152	3,300,160		151	2,693,842		152	2,997,001		19,782
Mpls. Auditorium	330	1,153,323		326	1,148,156		328	1,150,740		3,508
	-----			-----			-----			-----
	801	6,964,154		790	6,626,128		796	6,795,141		8,542
Professional Sports										
Civic Center	12	77,706	9.00	13	57,155	10.00	13	67,431	9.50	5,394
Met Center	98	786,939		98	863,903		98	825,421		8,423
Metrodome	93	2,364,409		91	1,860,906		92	2,112,658		22,964
Mpls. Auditorium	6	14,980		4	7,800		5	11,390		0
	-----			-----			-----			-----
	209	3,244,034		206	2,789,764		208	3,016,899		14,539
College Sports										
Civic Center	0	0	0.00	0	0	0.00	0	0	0.00	0
Met Center	0	0		0	0		0	0		0
Metrodome	10	438,440		11	339,055		11	388,748		37,024
Mpls. Auditorium	0	0		0	0		0	0		0
	-----			-----			-----			-----
	10	438,440		11	339,055		11	388,748		37,024
High School Sports										
Civic Center	9	233,669	4.00	9	227,364	4.50	9	230,517	4.25	25,613
Met Center	14	109,633		14	109,649		14	109,641		7,832
Metrodome	7	413,407		6	324,736		7	369,072		56,780
Mpls. Auditorium	10	79,550		10	32,550		10	56,050		5,605
	-----			-----			-----			-----
	40	836,259		39	694,299		40	765,279		19,374

City of Saint Paul - PED  
Date: June 8, 1987

Definitions:

- 1) event day is counted each time a separate event in a category happens.  
(This means it's possible for total event days to be greater than 365 days in one year)
- 2) Professional sports include hockey, boxing, wrestling, basketball, and karate.
- 3) Family shows include circuses, ice shows, tractor pulls, rodeos, motorcycle sports, etc.
- 4) Community shows include religious meetings, garden shows, dog and cat shows, professional exams, swap meetings, dances and festivals, graduations, political meetings, etc.

Table I - Current Market Share before NBA Arena

	1985			1986			<----- Last Two Year Average ----->				
	Event Days	Attendance	Avg. Price	Event Day	Attendance	Avg. Price	Event Days	Attendance	Avg. Price	Attendance	Market Share
Family Shows											
Civic Center	28	161,632	7.50	9	109,668	7.50	19	135,650	7.50	7,332	32%
Met Center	29	249,300		29	274,738		29	262,019		9,035	50%
Metrodome	2	43,911		2	57,922		2	50,917		25,458	3%
Mpls. Auditorium	9	54,051		9	104,785		9	79,418		0	15%
	68	508,894		49	547,113		59	528,004		9,026	100%
Music Concerts											
Civic Center	16	179,440	13.00	17	220,123	15.00	17	199,782	14.00	12,108	47%
Met Center	17	183,697		17	160,149		17	171,923		10,113	49%
Metrodome	0	0		1	50,000		1	25,000		50,000	1%
Mpls. Auditorium	1	8,600		1	8,000		1	8,300		8,300	3%
	34	371,737		36	438,272		35	405,005		11,572	100%
Consumer and Trade Shows											
Civic Center	28	231,347	3.50	37	397,620	4.25	33	314,484	3.88	9,676	13%
Met Center	22	71,223		29	75,357		26	73,290		2,874	11%
Metrodome	0	0		0	0		0	0		0	0%
Mpls. Auditorium	192	773,697		175	678,107		184	725,902		3,956	76%
	242	1,076,267		241	1,151,084		242	1,113,676		4,611	100%
Community Shows											
Civic Center	28	186,308	4.00	24	212,884	4.25	26	199,596	4.13	7,677	24%
Met Center	15	24,200		8	24,075		12	24,138		2,099	11%
Metrodome	0	0		0	0		0	0		0	0%
Mpls. Auditorium	59	149,605		81	244,805		70	197,205		0	65%
	102	360,113		113	481,764		108	420,939		3,916	100%
Other											
Civic Center	3	15,577	0.00	9	51,445	0.00	6	33,511	0.00	5,585	6%
Met Center	0	0		0	0		0	0		0	0%
Metrodome	40	39,993		40	61,223		40	50,608		1,265	42%
Mpls. Auditorium	53	72,840		46	72,109		50	72,475		0	52%
	96	128,410		95	184,777		96	156,594		1,640	100%

Table II - Estimated Market Share after NBA Arena for Effected Categories

Cy of Saint Paul - PED  
D June 8, 1987

- Assumptions:
- Market is inelastic for events and their will be a proportional lost based upon current market share
  - Civic Center loss due to increased competition among arenas is estimated to be 30% for professional sports, high school tournaments, and family shows.
  - Concerts calculation after NBA arena is based on \$7500 gross income rental rate per event.
  - Analysis ignores the effects of Minneapolis Convention Center development on the Civic Center and Wilken's Auditorium

	<----- Before NBA Arena ----->			<---- After NBA Arena ---->		<---- Gain/Loss ----->		<----- Effect on Civic Center ----->		
	Event days	Current Market Share	Net P/L Per Event Day	Event days	Market Share	Event Days	Market Share	Market Loss	Competition Loss	Total Estimated Loss
Professional Sports										
Civic Center	13	6.0%	\$8,556	12	5.7%	(1)	-0.3%	(\$8,556)	(\$20,789)	(\$29,345)
Met Center	98	47.2%		94	45.0%	(4)	-2.3%			
Metrodome	92	44.3%		88	42.2%	(4)	-2.1%			
Mpls. Auditorium	5	2.4%		5	2.3%	(0)	-0.1%			
New NBA arena	0	0.0%		10	4.8%	10	4.8%			
	208	100%		208	100%					
Family Shows										
Civic Center	19	31.6%	\$4,138	6	10.2%	(12)	-21.4%	(\$53,794)	(\$3,830)	(\$57,624)
Met Center	29	49.6%		9	16.0%	(20)	-33.6%			
Metrodome	2	3.4%		1	1.1%	(1)	-2.3%			
Mpls. Auditorium	9	15.4%		3	5.0%	(6)	-10.4%			
New NBA arena	0	0.0%		40	67.8%	40	67.8%			
	59	100.0%		59	100.0%					
Music Concerts										
Civic Center	17	48.5%	\$25,629	2	5.7%	(15)	-42.8%	(\$384,435)	(\$21,802)	(\$406,237)
Met Center	17	48.5%		2	5.7%	(15)	-42.8%			
Metrodome	1	3.0%		1	2.9%	0	-0.1%			
Mpls. Auditorium	0	0.0%		0	0.0%	0	0.0%			
NBA arena	0	0.0%		30	85.7%	30	85.7%			
	35	100.0%		35	100.0%					
High School Sports										
Civic Center	9	22.8%	\$21,290	7	17.1%	(2)	-5.7%	(\$42,580)	(\$20,385)	(\$62,965)
Met Center	14	35.4%		11	26.6%	(3)	-8.9%			
Metrodome	7	16.5%		5	12.3%	(2)	-4.1%			
Mpls. Auditorium	10	25.3%		8	19.0%	(2)	-6.3%			
New NBA arena	0	0.0%		10	25.0%	10	25.0%			
	40	100.0%		40	100.0%			(\$489,365)	(\$66,805)	(\$556,170)

Conclusion: Civic Center is projected to lose over 1/2 million dollars each year after the inclusion of the NBA Arena.  
It will no longer be a profitable arena.

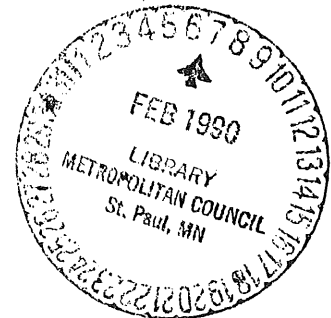


An Analysis of the Impact  
Stadiums and Professional Sports Have on  
Metropolitan Area Development

Robert A. Baade  
Department of Economics  
Lake Forest College

and

Richard F. Dye  
Department of Economics  
Lake Forest College



Running head:

"Sports Stadiums and Development"

Correspondence to:

Richard F. Dye  
Department of Economics  
Lake Forest College  
Lake Forest, IL 60045

June 1, 1989

Revisions (statistically <sup>sophisticated</sup> version of the Heartland  
Study) 1

An Analysis of the Impact  
Stadiums and Professional Sports Have on  
Metropolitan Area Development

Stadium mania is sweeping the United States. City officials from Tampa Bay to San Francisco have embraced the idea that stadiums and commercial sport are essential in projecting a "world-class" image. Furthermore, it is widely held that the image of respectability imparted by sport is fortified by economic substance. Simply put, the argument is that stadiums and sports provide tangible economic benefits for the local economy and the resulting prosperity further enhances the city's reputation. Does the image of what stadiums and sports contribute to a municipality's economy conform to reality? The purpose of this paper is to examine two questions bearing on this issue. First, does the construction or renovation of a stadium or the adoption of a professional sports franchise correlate with an increase in a city's economic activity? Second, does a new or refurbished stadium or a pro football or baseball team increase the municipality's share of regional economic activity?

Before describing the empirical approach and evidence appropriate for addressing these two questions, it is logical to describe first the economic benefits claimed by stadium proponents, and the municipal response to that economic promise. As more cities build stadiums in response to the economic promise described by advocates, it becomes less likely it is that stadiums will deliver the economic goods to the individual



advocates argue that the sale or rental of premium seating promises to revolutionize stadium economics. However, not all markets will support New York prices for luxury seats, evidence suggests demand for tickets is elastic (Noll [5]), and the new tax laws promise to erode further the attractiveness of such seating to businesses. Still new stadium revenue sources are being tapped, and improved stadium profitability appears destined to attract new private interest in stadiums.

However, while there is good news about some aspects of stadium revenue, this good news does not necessarily brighten the stadium outlook for cities. If a stadium is publicly owned, the city rents the facility back to the teams the city hosts. The rent that cities can command is jeopardized by several things relating to changing market conditions for stadiums and the teams they host. First, professional sports teams have provided evidence on shrinking profits. A study released by the Seattle Mariners Baseball Club, indicated that in 1984, only eight professional baseball teams were profitable (cited in O'Grady [6]). The Mariners argued that on average professional baseball teams lost \$2.2 million in 1984. Even with revenue sharing in the National Football League and their \$2 billion plus television contract, some teams are claiming their operations are slipping into the red. Reduced profits for teams translate into reduced rents for municipalities. In some cities, the rent the team pays the city is contingent upon team profits. For example, the agreement between the American Baseball League Orioles and the

have increased, so have stadium costs. In Table 1, information is provided for six stadiums with regard to their roof structures, original costs of production, equivalent 1986 costs of production (based on a construction cost index), costs per seat when the stadiums were built, and costs per seat if the stadiums were built in 1986. As the figures indicate, current stadium construction costs are enormous. Furthermore, the rate of increase in construction costs exceeds the overall rate of inflation. Increases in the construction cost index have been approximately 70% and 90% greater than increases for the consumer and wholesale price indices respectively for the 1965 to 1986 period.

In addition, domes are the fashion in stadium design, and domes increase stadium costs substantially. Furthermore, all domed stadiums have been built with public funds.

As the data in Table 1 indicate, the high cost of rigid-roof domed facilities has led municipalities to consider stadiums with flexible roofs. The 1986 cost of air-support, teflon-roof domes identified in Table 1 ranged from 23 to 64 percent of the cost of the structures with rigid roofs. Lack of durability and energy inefficiency have been cited as disadvantages of the flexible-roof domes, but it seems unlikely that those disadvantages would be enough to favor building rigid-roof stadiums. Nonetheless, the stadium planned for New York will have a hard roof, will cost \$286 million, and will not be ready for play until the 1989 football season.

the country. For example, in Cleveland and in Addison, Illinois taxpayers have voted down proposals that would have cleared the way for public financial involvement. In attempting to elicit taxpayer support stadium proponents have emphasized the indirect economic benefit that stadiums create. In fact, much of the current debate on stadium economics is focused on the scope of indirect economic benefits.

## II. Indirect Benefits as the Key Justification for Public Stadium Subsidies.

If public financial support for stadiums is to be economically justified, the paucity of direct economic benefit for the city suggests that substantial indirect benefits are perceived. Indeed, in most stadium feasibility studies, the indirect benefits (including multiplier effects) identified by stadium advocates greatly exceed direct benefits. For instance, a recent study by the City of Chicago [2] indicated that the indirect and multiplier effects of a major league baseball team to the Illinois economy were approximately twice the direct impact. Indirect city benefits can be broadly or narrowly defined. They could include any increased economic activity in the area attributable to the stadium, or only the tax and other revenues to the local government collected from those activities. Indirect economic activity generally includes the sales outside the stadium, attributable to stadium events, and the multiplier benefits from the respending of stadium incomes on local services. The existence of substantial indirect economic benefit

is open to criticism. The fundamental issue is the extent to which the stadium causes a net increase in area activity rather than an mere reallocation or redistribution of the same level of activity--but with different beneficiaries of that activity. Indeed, any time there is a reallocation of economic activity, there exists the possibility that there will be a net decline in overall activity.

Professional sports are just one kind of entertainment activity and as such compete for the local consumer's scarce disposable income and leisure time. Twenty dollars spent on football tickets may be merely twenty less dollars spent on theater tickets elsewhere in the city. The "new" restaurant across from the stadium may be offset by putting an old restaurant out of business in another neighborhood.

In the standard development models, local growth comes from increased export sales, net inflows of spending from outside the area. The multiplier then follows the new spending with expansion of locally produced secondary activities. The other way for a local area to grow is through import substitution--if the twenty dollars spent by a local resident on a sports ticket would have been used to buy goods outside the area, then net local spending will increase.

The size of the multiplier following any net increase in area spending depends similarly on the locus of the responding. If all of the new income is respent on locally produced goods, then the multiplier will be substantial. If, however, the highly

after the Colts had bolted for the greener pastures of Indianapolis. But even where the researcher's motives are not suspect, the assumptions as to the locus of spending may be wrong. The usual new industry development impact study methodology is to assume new demand, at least at the first round.

Without direct knowledge of the locus of the spending, we prefer not to follow others in compelling the result by making assumptions. Instead, we present indirect, empirical evidence on the impact of stadiums on area income.

Since the issue is government subsidy of sports stadiums, substitutions at the policy level are also relevant. The question should not be whether a new stadium would have any net impact on area development, but rather if it has the largest impact on the area from a set of alternative development subsidy projects. The local development authority has limited time and budget: tax exempt industrial development bonds are now rationed; the "political capital" to sell projects to those who pay the taxes or lose from the redistribution of economic activity is limited. Scarce development subsidy resources might better be targeted to industries which are more clearly engaged in export sales or import substitution. The attention of those who allocate development resources should also be devoted to the types of jobs which are being created in alternative development products (more on this later).

It may well be true that public support for high-visibility development products like stadiums does come easier than for some

$e_i$  = stochastic error.

$$Y_i/YR_i = b_0 + b_1 (POP_i/POPR_i) + b_2 STAD_i + b_3 FOOT_i + b_4 BASE_i + b_5 TREND + e_i \quad (2)$$

where,

$Y_i/YR_i$  = the fraction of real aggregate personal income in the appropriate multi-state region represented by the  $i^{th}$  SMSA [12, 13];

$POP_i/POPR_i$  = the fraction of regional population represented by the  $i^{th}$  SMSA [11].

The FOOTball and BASEball variables are, of course, omitted from the individual SMSA equations when a pro team is either present or absent for the entire time period.

The population (POP or POP/POPR) and time trend (TREND) variables are included as controls for general influences acting on metropolitan area personal income. Population can explain a large fraction of changes in income and has the advantage of being less colinear with the other explanatory variables than would say employment. The other problem with employment (or unemployment) measures is that they might be argued to be dependent on the outcome of the development strategies and thus determined simultaneously with income. The time trend variable is included as a proxy for omitted variables which exert a systematic influence on area income.

We choose not to include some other variables (such as race, education, percent poor or median income) which have been

employed in studies of cross-city differences in income growth (see for example Burns [1]). There is too little year to year variation in these measures for individual city regressions in the current study. Also, in the pooled regressions the separate shift variable for each individual area should capture these effects.

#### IV. Results

Table 3 presents the regression results for the impact of stadiums and professional football or baseball on the level of personal income for each of the nine metropolitan areas studied. (Cincinnati, Denver, Detroit, Kansas City, New Orleans, Pittsburgh, San Diego, Seattle, and Tampa Bay). After controlling for the effect of population and time trend, the presence of a new or renovated stadium has an insignificant impact on area income for all but one of the cities. The exception is Seattle, which shows a highly significant positive impact of a new stadium (combined with the contemporaneous effect of a new NFL franchise).

The impact of gaining a football franchise (Cincinnati or New Orleans) or a baseball franchise (Kansas City, Seattle, or San Diego) also shows up as insignificant.

The last row of Table 3 pools the data from all nine of the individual metropolitan areas. The specification is the same as equation (1) with the addition of dummy variables for (eight of the nine) individual SMSA's to control for differences in the scale of income across the areas. Here the impact of a stadium

development. For four of the cities analyzed (Cincinnati, Detroit, Kansas City, and Tampa Bay) stadium construction or renovation is significantly correlated with a reduction of that city's share of regional income. For two of the metropolitan areas (New Orleans and Seattle) there was a significantly positive association. However, in the case of New Orleans, the positive effect of a stadium was offset by a significantly negative effect of professional football on share of income.

The last row of Table 4 is a pooled regression of all nine cities for the 1965 to 1983 period. Again, separate area dummy variables are included to scale for differences across the SMSA's. The impact of stadium construction or renovation on the metropolitan area's share of regional income is negative and significant. This result is consistent with the kind of economic activity that stadiums and professional sports spawn. Professional sports and stadiums divert economic development toward labor-intensive, relatively unskilled labor (low-wage) activities. To the extent that this developmental path diverges from less labor-intensive, more highly skilled labor (high-wage) activities characteristic of other economies within the region, it would be expected that the sports-minded city would experience a falling share of regional income.

Table 5 presents results for the relationship between the sports variables and retail sales, a measure of economic activity often hypothesized to be significantly influenced by stadium and team activity. Among other things, retail sales include revenues



V. Conclusion:

More and more cities are being encouraged to subsidize sports stadiums as an economic development tool. Previous attempts to estimate the impact of stadiums and pro sports on metropolitan area development have used trade multiplier models, but those models are assumption driven and based on the past structure of the local economy. Such models are not suitable for cases where long run structural change is present. We, therefore, seek a different kind of empirical evidence on the effectiveness of sports-based development. The evidence presented here is that the presence of a new or renovated stadium has an uncertain impact on the levels of economic activity and possibly a negative impact on local development relative to the region. This result is consistent with the possibility that stadium subsidies might bias local development toward low wage jobs. This should also serve as a strong caution to those who assume or assert a large positive stadium impact. We do not deny the possibility of "intangibles" or external benefits from "civic pride" or psychological identification with big time sports, but stadium construction is often justified to the taxpaying public on economic grounds. Therefore, we prefer to leave that as residual explanation after direct or indirect economic activities have been explored.

TABLE 2  
Stadium Plans for <sup>the</sup> Largest  
Metropolitan Areas in the U.S.

(See p. 11 the Heartland Study)

TABLE 4

The Impact of Stadiums and Professional Football and Baseball  
on SMSA Personal Income  
Relative to Regional Personal Income 1965-1983  
(see equation (2))

Var SMSA	POP/POPR	STAD	FOOT	BASE	TREND	$\bar{R}^2$	D.W.
CIN.	.125 (.16)	-.0009 (-1.77)	-.0004 (-.71)		.00009 (2.62)	.778	2.69a
DEN.	.432 (.60)	.0030 (.46)			.0004 (.69)	.775	1.56a
DET.	1.14 (2.04)	-.0060 (-2.05)			.0002 (-.83)	.753	1.22a
K. C.	.537 (2.21)	-.0057 (-2.82)		-.0005 (-.25)	.0004 (1.74)	.462	2.02
N. O.	2.30 (9.16)	.0017 (2.72)	-.0012 (-2.03)		-.0002 (-3.45)	.915	1.90
PITT.	-.546 (-5.09)	-.0008 (-.98)			-.00005 (-.97)	.878	1.68a
S.D.	-.162 (-.63)	.0004 (.24)		.0023 (1.48)	.0004 (2.02)	.917	1.89a
SEA.	-.284 (-1.11)	.0094 (4.71)	b	.0004 (.26)	-.0003 (-2.05)	.812	1.59a
T.B.	1.27 (3.73)	-.0026 (-4.44)	b		.0004 (1.53)	.986	2.10a
<u>ALL</u>	.551 (9.07)	-.0026 (-2.29)	.0009 (.74)	.0022 (1.71)	.0002 (2.04)	.998	-

(t-statistics in parentheses)

<sup>a</sup>After adjustment for serial correlation using the Durbin method.

<sup>b</sup>Stadium contemporaneous with NFL franchise.

## REFERENCES

1. L. S. Burns, Metropolitan Growth in Transition, J. Urban Econom., 11, 112-129 (1982).
2. City of Chicago, "The Economic Impact of a Major League Baseball Team on the Local Economy," mimeograph, Chicago Department of Economic Development (April 1986).
3. Cuyahoga County (Ohio), "Proposed Dome Stadium," Office of Internal Audit (February 10, 1984).
4. H. Lancaster, Tale of Two Cities: Why Football Mesmerizes Baltimore and Indianapolis, Wall Street Journal, (January 21, 1986).
5. R. G. Noll, Attendance and Price Setting in "Government and the Sports Business" (R. G. Noll, Ed.), Brookings Inst., Washington, DC (1974).
6. P. O'Grady, "Testimony Before the Select Senate Committee on Sports and Meeting Facilities," Illinois General Assembly, Legislative Research Unit, Research Response, Springfield (April 27, 1987).
7. B. A. Okner, Subsidies of Stadiums and Arenas, in "Government and the Sports Business" (R. G. Noll, Ed.), Brookings Inst., Washington, DC (1974).
8. J. P. Quirk, The Quirk Study: A Close Look at the Two Proposals, St. Louis Post Dispatch, 5i-8i (January 18, 1987).



STATE OF MINNESOTA

COUNTY OF RAMSEY

METROPOLITAN COUNCIL

OF THE TWIN CITIES AREA

In The Matter Of The  
Metropolitan Significance  
Of The Proposed NBA  
Arena In Minneapolis

AFFIDAVIT OF  
ROBERT A. BAADE

STATE OF MINNESOTA )  
                              ) ss.  
COUNTY OF RAMSEY )

Robert A. Baade, being duly sworn, on oath deposes and says as follows:

I prepared prefiled testimony dated June 9, 1987, which is to be submitted to the Metropolitan Council for its significance review of the proposed NBA arena in downtown Minneapolis. The matters contained in my prefiled testimony are true and correct to the best of my knowledge.

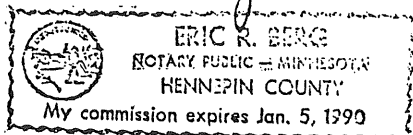
Further, affiant sayeth naught.

Robert A. Baade  
Robert A. Baade

Subscribed and sworn to before me  
this 9th day of June, 1987.

Eric R. Berg

Notary Public



7. Do you attend any professional conferences that deal with stadium arenas?

Yes, I will be participating this year in two professional conferences dealing with stadiums. I have been invited to speak at the International City Managers' Association meeting in Cincinnati on September 29, 1987. In addition, I have been asked to speak by the Commissioner of the Canadian Department of Parks and Recreation at the Canadian Park/Recreation Association meetings in August.

8. What is your understanding of the purpose of the Metropolitan Significance Review of the proposed National Basketball Association Arena in downtown Minneapolis?

It is my understanding that the legal opinion on that is varied. It seems to me that there is some question as to whether or not there will be a significant negative economic impact on facilities that currently exist as a result of the development of the new Minneapolis arena. And my input in this particular project, I think, concerns whether or not there is a likely negative impact on currently existing facilities.

9. Were you furnished with materials to be reviewed in conjunction with the Metropolitan Significance Review?

Yes.

10. Could you identify which materials you looked at?

I looked at the preliminary statement of the Minnesota Timberwolves. I looked at the City of Bloomington, Minnesota's statement. I looked at the preliminary statement that was published by the City of Minneapolis. And, I also looked at the City of St. Paul's position on the proposed arena.

11. As you consequently reviewed those materials have you become familiar with the number and types of sports facilities currently existing in the Minneapolis/St. Paul Metropolitan area?

Yes.

12. Based on your experience in this area and based on your review of the materials, are you familiar with the proposed financing of the arena in downtown Minneapolis?

Not completely. The reports do not deal with all the financial details, but I do know that there is some question as to whether or not there is some public subsidy for the new arena, and it is my understanding that the public subsidy would take the form of a very generous rental agreement with the City of Minneapolis for land and tax increment financing.

18. Based on your experience, what types of events would the downtown arena be seeking in order to fill the other days when the NBA team isn't using the facility?

There are a variety of events. Circuses, evangelical meetings, rock concerts, wrestling cards, boxing cards, etc., there really are quite a number of events from which to choose from. However, the number of capacity events or near-capacity events are scarce. And, generally speaking the problem that most arenas and stadiums have is not necessarily identifying events that they might be able to bring to a stadium, but identifying events that attract large crowds - near-capacity crowds - and it is difficult to find a great number of events capable of doing that.

19. Is it true that there are relatively few numbers of events that generate most of the big profits for these multi-purpose arenas?

That's true and again, professional sports are capable of consistently drawing large crowds. Thus, the most important economic interest for this particular arena would be the NBA franchise.

20. Based on your knowledge of this area and other areas that have competing multi-purpose facilities, would it be likely that the new arena would compete with the existing facilities, by that I mean the Bloomington Metropolitan Sports Center, the St. Paul Civic Center, and the downtown Metrodome for the high-profit type of events that are known to bring in big crowds?

There is no question about that. As I noted before there are only so many events that will attract near-capacity crowds. You have national competition for these events. In the case of Minneapolis, St. Paul, and Bloomington inter-city competition for these events will intensify. I imagine that St. Paul's facility and Bloomington's facility compete for some of the same events. And, I would imagine that if you look at statistics you would probably find that it has an impact on the rents that Bloomington or St. Paul can charge for any event that they do manage to attract. Introducing another facility into this already competitive situation certainly will exercise impact on the rents cities can demand. So, given the scarcity of near-capacity events, you'll find greater competition for those events and that clouds the financial picture for the competing cities.

21. So you mean that the rental amounts from these events will go down because of increased competition?

Yes, I think that as you increase the supply of anything and demand stays essentially the same, the price of that thing will go down, and so that the rent that a city can demand for a facility, and for an event, will likely drop as a result of introducing a greater supply.



26. You are the author of the Heartland Policy Study entitled "Is There A Rationale For Subsidizing Sports Stadiums". Could you briefly describe the focus of that study?

The focus and the inspiration for the study came from my work in my capacity as Chairman of the Cost Benefits Committee of the Chicago Metropolitan Planning Council for Chicago's stadium task force. I wanted to find out if there really was an economic rationale for stadiums. Too often the consultant reports that I had access to were shaped by assumptions that were made about what happens when people spend money on sporting events. In particular the assumption that drives most of these studies is the idea that if you spend a dollar on sports spectating, that dollar represents an additional dollar spent on that city's goods and services and does not detract from anything. If you spend a dollar on sports spectating, it could very well be the case that there will be a dollar less spent somewhere else. This idea seemed eminently reasonable in light of the fact that families have limited leisure budgets both in terms of time and money. If you spend a couple of hours on sports spectating it necessarily precludes spending those hours doing something else. Perhaps a male head of household could do something with his family that involves more spending than his attendance at a sporting event. So I thought the better empirical approach would be to look at the city's economy before and after the stadium is built or the team is adopted and ask a very simple question, "Is there any statistically significant change in economic activity before and after?" Thus, one part of the study focused on whether or not there was any statistically significant change in nine major metropolitan areas in the country, after building a stadium or adopting a team. What I found, generally speaking, is that the economic impact that professional sports and stadiums generate in an urban economy is negligible. There was another issue that intrigued me, and that was the question of whether or not professional sports (meaning a professional sports team or stadium) could necessarily contribute to urban economic growth. We often think if we build a stadium we attract dollars from outside the city. While that may be true to a degree, what you find is that the kind of jobs that sports promote are generally seasonal, unskilled and low-wage in nature. Thus, when you observe what is happening to a sports minded city's development relative to the region you often find its share of regional income, rather than going up as many people expect, declines. If other cities within the region adopt a developmental strategy that focuses more on non-seasonal, high skilled, high-wage jobs, their share of regional income actually increases while the sports-minded city's share of regional income falls. This result shows up so consistently in the cities that I studied that it is not coincidental. It appears that any city that opts for development through sports should understand that its promoting jobs and the kind of development that may not be in its long term interest.

27. The claim has been made that the construction of the downtown Minneapolis NBA arena will contribute to eradicating blight in the surrounding area. In your experience, is this claim valid?

sporting event and a convention or a trade show all at the same time. And so the idea was nixed simply because we didn't have facilities to accommodate all of those things. So in some sense the facilities can compete with one another.

32. In the metropolitan area, there are approximately 2.3 million people, the arena in St. Paul with a capacity of approximately 18,000 and Bloomington's Met Center capacity is over 17,000 and the Minneapolis Metrodome which has a capacity of approximately 36,000. Given those facts, based on your experience, do you have an opinion on whether another facility in downtown Minneapolis with a capacity of approximately 20,000 would have an economic impact on the metropolitan area?

I can't imagine that after the construction phase, the new stadium will generate additional economic activity. It will only realign economic activity within the Twin Cities. It is going to detract from activity in the sporting facilities that you have. I just can't imagine that this area needs another facility at this point. The accommodations are more than adequate, and to me it's just not economically rational to build another arena or stadium in Minneapolis.

33. What if an outdoor amphitheater seating between 12,000 and 15,000 people were added to the scenario, and this amphitheater was located within the metropolitan area. What impact, if any, would that have on this market?

Again, you're taking dollars away from one facility and giving dollars to a new facility. You're talking about realignment within the metro area rather than the generation of any real new economic activity.

34. Does Chicago have a major amphitheater?

We have several in the City of Chicago.

35. Are your facilities normally busy in the summertime?

Yes, I think that they do quite a good business.

36. Are you familiar with any major urban areas in this country that currently have four major multi-purpose facilities with a seating capacity approximating the arenas existing and planned for the Twin Cities area?

No.

37. Where are the most successful sports facilities located?

The most successful sports complexes are located in Houston, in East Rutherford, New Jersey, (the Meadowlands complex) the Kingdome in Seattle. But, there are identifiable reasons for their success. In the case of the Meadowlands, it's a successful complex because it is an integrated complex. There is a stadium for football, there's an arena that accommodates basketball and hockey and there is a horseracing facility. In the case of





# Heartland Policy Study

No. 13 -- February 23, 1987

Contact: Diane Carol Bast  
312/855-1440  
ISSN #0889-8014

## IS THERE AN ECONOMIC RATIONALE FOR SUBSIDIZING SPORTS STADIUMS?

by Robert A. Baade

### I. Introduction

Controversy shadows sports in the United States. Sports are so deeply woven into the fabric of our culture that disputations about them are inevitable. Sports are leisure; sports are business; sports are religion.

The multiple personalities of sports are nowhere more visible than in the many municipal stadium debates taking place throughout the country. City leaders from Miami to San Francisco have summoned sound economic management as their star witness in defending plans to subsidize the renovation or construction of stadiums. Can this witness stand up to a stiff cross-examination? The purpose of this paper is to determine if subsidizing sports facilities makes economic sense for municipalities.

This analysis begins with an assessment of the history and future prospects for privately financed and managed sports facilities. Can private interests derive from a sports facility benefits sufficient to cover their costs? What does recent history tell us about private ownership of these facilities? What do current plans for new stadiums and arenas imply about the likelihood of private ownership in the future? Part II of this paper provides some answers to these questions.

In Part III, the author challenges the prevailing notion that sports produce significant economic benefits for municipalities, and offers instead two alternative hypotheses to explain how sports affect an economy. He first proposes that, in the short term, local spending by sports fans and visiting personnel does not represent an increase in spending on leisure activity, but rather may be merely a diversion of leisure dollars from other activities.



THE  
HEARTLAND  
INSTITUTE

During the 1960s and 1970s, the public sector was the key player in stadium construction, a situation that developed for two reasons. First, it was difficult for the private sector to secure the large amounts of capital necessary in the early stages of stadium construction. Second, it was easy for the private owners of sports teams to secure public funding for stadiums, using as leverage a city's fear of losing the sports franchise or its desire to adopt one.

#### 8. The rise of private financing in the 1970s and 1980s.

In the late 1970s and early 1980s, public sector financial backing for stadiums became less reliable. The urban fiscal crisis beginning in the 1970s is in large part responsible for this development. The public sector has tightened its purse strings and, perhaps not coincidentally, has witnessed an increase in private financial involvement. A growing number of private and public partnerships have been formed to build and operate stadiums.

The Meadowlands Complex in East Rutherford, New Jersey, and Texas Stadium in Irving, Texas, are two among many facilities built in the 1970s with funds secured in part through private bond issues. Private financing early in the history of Texas Stadium was secured through a rather novel means: season ticket-holders were required to purchase bonds to get their seats. For example, a \$1,000 bond purchase would guarantee a season ticket-holder a seat somewhere between the 35-yard-lines. <4>

In the 1980s, the public-private partnership has become more commonplace, and the private sector is emerging as the star player on the team. Baltimore might still have the Colts if not for the public-private economic alliance that built the Indianapolis Hoosier Dome to corral them. A substantial portion of the \$82 million that built the Hoosier Dome came from private sources, including a \$25 million grant from Indianapolis' Lilly Endowment.

Nowhere have public and private forces been more integrated in the stadium quest than in New York. "I don't think there's another deal like this in the country," noted Vincent Tese, the chairman of New York's State Urban Development Corporation. In a December 4, 1985, proclamation, New York State and New York City authorized Donald J. Trump to build a \$286 million domed stadium in New York. <5> The private and public developers in this project will be roughly equal partners until 2011, when the city and state share of operating income will fall to twenty-five percent of net operating income.

What makes the New York project so intriguing is the private developer's plan for recouping his initial financial outlay. Trump intends to sell 23,000 seats for an average of \$12,000; to lease 15,000 seats for an average of \$2,400; and to lease 221 luxury boxes on an annual basis for \$60,000 each. <6> If expectations are met, the sale of seats alone will generate \$276 million--only \$10 million less than the stadium's projected cost of \$286 million.

#### D. The public sector's record.

Experience indicates that it is difficult for the public sector to efficiently build and operate stadiums. The mismanagement of stadium projects in public hands--the New Orleans Superdome and Pontiac Silverdome are noteworthy examples--has galvanized taxpayer resistance to such projects. Louisiana taxpayers have been enlisted to finance Superdome deficits of \$3 to \$5 million annually, and the Silverdome has similarly drained government treasuries. Taxpayers in Pontiac and across the state of Michigan have paid more than \$11 million since 1976 for stadium operating deficits. <9>

Why has the public sector faced these problems? Any answer to this question must consider construction costs as influenced by both industry conditions and civic ambition. Furthermore, it must take into account what impact the rush of municipalities to the sports-dollar lure has had on overall market conditions for sports facilities and teams.

In Table 1, information is provided for six stadiums with regard to their roof structures, original costs of production, equivalent February 1986 costs of production (based on a construction cost index), costs per seat when the stadiums were built, and costs per seat if the stadiums were built in February 1986. As the figures indicate, current stadium construction costs are enormous. Furthermore, the rate of increase in construction costs exceeds the overall rate of inflation. Increases in the construction cost index have been approximately 70% and 90% greater than increases for the consumer and wholesale price indices respectively for the 1965 to February 1986 period.

In addition, the type of facility currently in vogue has contributed significantly to stadium financing problems. Today, the fashion in stadiums comes domed, and domes increase stadium costs substantially. Consider this tale of two stadiums built in 1965. Atlanta's open-air stadium took \$18 million and one year to construct; it cost approximately forty percent of what the Houston Astrodome cost and took half as long to build. <10> The absolute dollar differential between the Atlanta and Houston stadiums would be far greater today. Despite the cost advantages of open-air stadiums, the new generation of stadiums being planned or built since the mid-1970s is primarily domed.

As the data in Table 1 indicate, the high cost of rigid-roof domed facilities has led municipalities to consider stadiums with flexible roofs. The 1986 cost of air-support, teflon-roof domes identified in Table 1 ranged from 23 to 64 percent of the cost of the structures with rigid roofs. Lack of durability and energy inefficiency have been cited as disadvantages of the flexible-roof domes, but it seems unlikely that those disadvantages would be enough to favor building rigid-roof stadiums. Nonetheless, the stadium planned for New York will have a hard roof, will cost \$286 million, and will not be ready for play until the 1989 football season.

In the nation's third largest city, all the early plans submitted for a new, multi-purpose Chicago stadium included hard-roof domes, and all had cost estimates of over \$200 million. Chicago developers have since tempered their plans, but it could be argued that the new generation of stadium builders has generally emphasized the elaborate over the cost efficient precisely at a time when most municipalities are financially strapped.

Climate is, of course, more easily controlled in a domed stadium, and for that reason domed facilities may be likely to attract more frequent near-capacity crowds than do open-air stadiums. In addition, domed stadiums can host conventions and exhibitions, while open-air stadiums are less likely to attract such nonsport events. Yet, while purveyors of domed stadiums offer these and other arguments in support of their elaborate plans, the significance of ego in building the new generation of domed stadiums cannot be overlooked. Perhaps no one has offered a more honest assessment of the New Orleans Superdome than did Moon Landrieu, the Mayor of New Orleans, during its construction. Landrieu noted, "The Superdome is an exercise of optimism. A statement of faith. It is the very building of it that is important, not how much it is used or its economics." <11>

Not all political officials are as forthright as Landrieu, whose honesty was forced in part by mounting evidence that the Superdome was not grounded in economic rationality. Taxpayers are becoming more skeptical about stadium economics, and market conditions are changing in a way that even further diminishes their economic justification.

Like cats chasing their tails, cities unable to resist the stadium promise of prestige and money are rushing to secure the sports team they hope will provide the economic justification they seek. Today there are more sports stadiums than teams. Nearly a dozen cities in the United States and Canada are urging the major baseball leagues to expand. In addition, Buffalo, Denver, Indianapolis, Nashville, New Orleans, Phoenix, St. Petersburg, Tampa, Washington, Vancouver, and many other cities are putting pressure on cities that are engaged in lease negotiations with current major league tenants. It is not a market that favors the buyers of professional sports teams.

As the competition for teams intensifies, cities are embarking on ever-riskier financial courses. Again, a city's image of itself appears to be a primary motivating force. For example, Minnesota Governor Rudy Perpich is making professional sports a centerpiece in his efforts to revitalize the state's economy. The head of Perpich's task force on revitalization, Merlin E. Dewing, reflected on the prospect of losing the Minnesota Twins baseball team, noting: "It's almost worse for a city's image to lose a major league team than to have never had one at all." <12>

In the current climate, it would be difficult to imagine a riskier strategy than building a stadium to attract professional sports teams. Yet municipalities believe that a stadium is necessary to secure a professional sports franchise. This belief has been reinforced by the commissioners of professional sports leagues who, seeking to maximize incomes for the teams

(1) New Orleans: The Louisiana state government voted to turn over to the NFL Saints all Superdome revenues related to Saints football except for a five percent rental fee based on gate receipts. The Saints estimate this arrangement, coupled with the abolition of the state's four percent amusement tax, will add \$2-1/2 million annually to the team's treasury. <16>

(2) Toronto: Mayor Eggleton indicated that a secret clause in the deal that brought the Blue Jays baseball team to Toronto specifies that if plans for a domed stadium fall through, the city is pledged to build a second tier of at least 10,000 seats on the present ballpark. The cost of the addition is estimated at \$50 million, and taxpayers will assume that burden. If Toronto does not comply, they risk losing their baseball team. <17>

(3) Philadelphia (National League baseball Phillies): The city has agreed to phase out by 1992 the current per-ticket use charge, which is thirty cents per ticket; has committed to give the Phillies \$1 million for a new outfield scoreboard; has agreed to take over the Phillies' debt service payments (\$745,000 annually through 1992) on the Panavision scoreboard and to pay the Phillies back \$1.5 million in past payments the team has made on the board; and will permit the Phillies to build twenty-three "baseball only" suites in the stadium, with the team retaining sixty percent of the related revenues. The Phillies estimate that the lease revisions will result in a \$2.5 million revenue reallocation from the city to the Phillies. <18>

(4) Philadelphia (NFL Eagles): To get the Eagles to sign a ten-year lease, the city has agreed to construct fifty to eighty skyboxes at no cost to the Eagles, and the team will retain all revenues from the lease of these boxes. The city also will be spending \$500,000 to construct and furnish additional field boxes, the revenue from which is appropriated by the Eagles. Other provisions of the new city agreement with the Eagles relate to practice and training facilities, deferral of Eagles' rent payments until September 1994, and city responsibilities for game-day security. The total cost to the City of Philadelphia has been estimated at \$30 million. <19>

(5) Seattle: The city has agreed to give the American League baseball Mariners free rent and will pick up all game-day expenses for the 1985-87 period. In addition, the Mariners will be entitled to forty percent of the revenue on all new baseball suites beginning in 1990. The Mariners estimate that these provisions and others will result in an increase in net revenues of \$20 million over the next twelve years. The Mariners have secured the right to cancel the lease in the event they do not draw at least 1.4 million fans per year during the 1986-88 period. <20> There have been unconfirmed reports that Indianapolis, in an attempt to induce the Mariners to move, is offering a more attractive package that would include a guaranteed attendance of two million.

(6) Baltimore: The American League baseball Orioles and the city have structured a rental fee based on a 50-50 profit-sharing plan. If the Orioles make a profit, the city and team share the profits on a 50-50 basis. If the Orioles do not make a profit, then no rent is due the city. <21>



TABLE 2  
STADIUM PLANS FOR LARGEST METROPOLITAN AREAS IN THE UNITED STATES

<u>Cities in Top 60 SMSAs with Stadium Plans</u>	<u>SMSA Rank</u>	<u>Do stadium plans call for Dome?</u>	<u>Seating Capacity</u>	<u>Sport(s) stadium is designed to Retain/Attract/Serve</u>	<u>Financing</u>
New York, NY	1	Yes	82,000	Football	Combination: 1/2 private; 1/2 public
Chicago, IL	3	No Uncertain	45,000 75,000	Baseball Football	Combination Combination
San Francisco, CA	5	No	35,000 to 42,000	Baseball	Combination
Cleveland, OH	11	Yes	70,000 50,000	Football Baseball	Combination: 2/3 private; 1/3 public
Miami, FL	12	No	70,000	Football	Combination
St. Louis, MO	14	Yes	70,000	Football	Combination
Atlanta, GA	16	No Yes	73,000 Uncertain	Football Baseball	Combination Combination
Tampa Bay/ St. Petersburg, FL	22	Yes	46,000	Baseball	Private
Milwaukee, WI	23	Arena	under 20,000	Basketball/Hockey	Private
Phoenix, AZ	24	Yes	Uncertain	Football	Private
Columbus, OH	28	Yes	Uncertain	Football	Public
Buffalo, NY	29	Yes	under 20,000	Baseball	Public
Indianapolis, IN	30	No	Uncertain	Baseball	Combination
Sacramento, CA	32	Yes	55,000	Football/Baseball	Private
Charlotte, NC	36	Arena	25,000	Uncertain	Public
Oklahoma City, OK	43	Yes	75,000	Football	Combination
Albany, NY	46	Arena	15,000	Hockey/Basketball	Combination
Scranton, NY	49	Arena	8,000 to 10,000	Baseball (minor league)	Public
Orlando, FL	51	Arena	14,000 to 17,000	Hockey/Basketball	Public
Knoxville, TN	60	Arena	25,000	College Basketball	Combination

\*according to population as of 1980.

contain meaningfully different perspectives on how economies work. Because the public statements of city officials and stadium proponents appear to rely so heavily on economic rationales, it is particularly important to consider the shortcomings of studies that purport to find such justifications for investment in sports.

Edward Shils' Philadelphia study is, for two reasons, overly optimistic in its portrayal of the economic impact of sports. First, Shils assumes that spending on sports franchises reflects an increase in aggregate consumer demand; presumably, such spending would not have occurred in the absence of sports. That assumption, however, is questionable. The statistical analysis summarized in Part IV lends strong support to a different hypothesis: that sports spending simply diverts dollars from other leisure activities.

It is not difficult to understand why such diversion might occur. The leisure budget of a family or an individual is limited, in terms of both money and time. It seems likely, then, that a dollar spent at the Spectrum in Philadelphia may well be a dollar less spent at a movie theatre in Bucks County. Indeed, it is entirely plausible that sports spending may produce more than a dollar-for-dollar reduction in spending on other leisure activities. A father's attendance at a sports event (or his merely watching that event on the home television set) consumes several hours of his personal leisure time budget. When the head of the household is a sports buff, the time and money spent on family leisure activities may decline.

The second reason for Shils' false optimism is his failure to systematically consider the long-term impact of stadiums and professional sports on a city's economy. The establishment of stadiums and professional sports in a city alters its economic landscape. An emphasis on sports will encourage a development character in a city different than that identified for the larger region of which that city is a part. This different economic character needs to be identified and evaluated. It cannot be assumed that a city's long-term interest is served by economic development influenced by sports.

In Part V below, the author again finds support for a hypothesis different from that offered by city officials and stadium proponents: that any long-term economic development prompted by sports will be in the service sector of the economy. Much of this development may merely reflect a diversion from manufacturing or from the service sector in other parts of the region, rather than true growth. Stadium construction or renovation may create construction (manufacturing sector) employment in the short term, but in the long term the employment associated with sports events is clearly in the service sector: food, beverage, and souvenir vendors, security personnel, neighborhood restaurants and hotels. While the nation's economy as a whole may be moving in the direction of the service sector, a city that affirmatively pursues that developmental trend may find that its economy compares poorly to the rest of its region.

as the dependent variable--produced a consistently surprising result. In seven of the nine cities analyzed, stadium renovation or construction, or a city's adoption of a professional football or baseball team, was followed by a reduction in that city's share of regional income.

The importance of considering the impact of stadiums and sports teams from a regional perspective cannot be overstated. The construction or renovation of a stadium, or the presence of a professional sports franchise, might well have a positive effect on the economy in the stadium's immediate neighborhood. But at what cost to the rest of the city or to the region as a whole? Perhaps a new restaurant will open up in the vicinity of a new sports stadium; it is, however, just as likely that an established restaurant fifteen blocks away will close its doors as a result. Is this what stadium proponents consider "economic growth"?

The skeptic may argue that the stadium and/or professional sports variables inadvertently capture the effect of general urban malaise on urban incomes. A population variable was, however, included in each regression in an effort to capture the impact of urban economic contraction on city income. In this respect, the results of a third regression offer even stronger support for the hypothesis that stadiums and professional sports have a negative impact on SMSA economic development relative to the region.

One would expect that a city's income as a fraction of regional income (the "income variable") would be significantly and directly correlated with changes in the city's population as a fraction of regional population (the "population variable"). In the regressions performed here, the stadium and/or professional sports variables remained significantly correlated with the income variable even in the presence of the population variable. Such a result lends strength to the argument that professional sports and stadiums exert an impact on city incomes independent of urban malaise.

The results of this third regression confirm the thesis that stadiums and professional sports induce a reduction in SMSA income as a percent of regional income. In five of the nine cities, stadiums and professional sports had a significant negative impact; in the remaining four cities, the stadium and professional sports variables failed to exert a significant impact, positive or negative, on city incomes. In no instance did a positive, significant correlation surface among stadiums, professional sports, and city income as a fraction of regional income.

If individual SMSA statistics are pooled ("aggregated"), do stadiums and professional sports in general affect city income? Aggregated regressions were performed based on the three regressions discussed above. In addition, retail sales statistics in total and as a percentage of regional retail sales were considered as dependent variables in the new, aggregated regressions.

The set of SMSAs analyzed in the aggregated regressions includes Atlanta, Buffalo, Cincinnati, Denver, Miami, New Orleans, San Diego, Seattle, and Tampa Bay. This set differs from that analyzed above. In Detroit, Kansas City, and Pittsburgh (those cities appearing in the first data set but

But the impact of stadiums and professional sports is thought by some to go beyond the immediate impact already analyzed; they are seen as magnets for other businesses. A recent New York Times article noted the potential benefits stadium enthusiasts define. "Supporters of a domed stadium in downtown (Buffalo) say that in addition to promoting civic pride and tourism, it would also create construction jobs and attract many other jobs to the area, which has the state's highest unemployment rate." <27> Do stadiums function as economic catalysts? In this section of the paper, the author finds statistical support for his hypothesis that stadiums and sports facilities merely divert economic development from the manufacturing sector to the service sector of a city's economy.

Eight cities--Buffalo, Cincinnati, Denver, Miami, New Orleans, San Diego, Seattle, and Tampa Bay--were selected for analysis in this part of the study. Cities in the data set were selected on the basis of data availability and the timing of stadium construction or team adoption. Data for the years 1965 through 1978 were used, and construction or adoption had to occur between those years for meaningful statistical analysis. For each SMSA an attempt was made to determine if the presence of a renovated or new stadium or a professional sports franchise had a statistically significant impact on one of three dependent variables: (1) SMSA manufacturing employment as a percentage of the region; (2) manufacturing value added as a percentage of the region; or (3) capital formation in the manufacturing sector as a percentage of regional capital formation. Again, statistical support for the conclusions outlined below is presented in the Appendix.

The results of the statistical analysis lend strong support to the author's second hypothesis, that stadiums and professional sports tend to divert economic development toward the service sector. Only in a region where several cities are pursuing similar developmental paths did the stadium and professional sports variables have a significant positive impact.

Many West Coast cities built stadiums and attracted teams in the 1960s, suggesting that the region as a whole was moving toward a service economy. In the regressions performed here, only in the cases of San Diego and Seattle was there a significant positive correlation between any of the independent variables representing manufacturing activity and the stadium and sports variables. San Diego's renovation of its stadium and its marriage to the baseball Padres both appeared to induce capital formation and increase the city's share of regional employment in the manufacturing sector. In Seattle, the presence of the baseball Mariners appeared to contribute positively to the city's share of regional manufacturing value added.

The only other significant correlation occurred in New Orleans, where employment and value added as a percentage of the region declined after the Superdome was built and after the football Saints took up residence. It is possible that the completion of the nation's largest, most expensive domed stadium eliminated a significant number of construction jobs, and activity it diverted from the manufacturing sector. In the case of Saints football, it could be that activity has been diverted from the manufacturing sector to the service sector. This result conforms to findings presented earlier.

### End Notes

- <1> Dean Baim, "Comparison of Privately and Publicly Owned Sports Stadiums and Arenas," Heartland Policy Study, No. 6 (Chicago: Heartland Institute, August 19, 1985), p. 2.
- <2> Ibid., p. 6.
- <3> Roger Lowenstein, "Miami Dolphins' Owner Builds a Stadium With Private Financing and Fancy Seating," Wall Street Journal, November 15, 1985, p. 25.
- <4> "Sports Stadiums: How They're Built, How They're Faring," Chicago Tribune, January 22, 1978, Section 3, p. 2.
- <5> Martin Gottlieb, "Trump Cleared to Build Domed Sports Stadium," New York Times, December 5, 1985.
- <6> Ibid.
- <7> Lowenstein, op. cit.
- <8> Ibid.
- <9> John Helgar, "More Cities Plan Domed Stadiums, But Returns May Prove to be Small," The Wall Street Journal, May 17, 1984, p. 33.
- <10> "Sports Stadiums: How They're Built, How They're Faring," op. cit.
- <11> J.D. Reed, "Louisiana Purchase: Superdome in New Orleans," Sports Illustrated, July 22, 1974, 41 pp. 66-72.
- <12> "Stadium Mania," Business Week, May 14, 1984, 2828, p. 142.
- <13> "Development: Super Headache," Newsweek, April 29, 1974, pp. 82-84.
- <14> Baim, op. cit., pp. 4 and 6.
- <15> "Time to Weigh Private Operation of Kingdome," Seattle Times, December 8, 1985.
- <16> "New Relationships Between Other Sports Teams and Their Respective Cities," Chicago Metropolitan Planning Council Stadium Task Force Supplement, January/February 1986, p. S-1.
- <17> Robert Billings, "In Toronto, the Costs Have Gone Up But a Stadium Has Not," Chicago Sun-Times, January 5, 1986, p. 9.
- <18> Chicago Metropolitan Planning Council Stadium Task Force Supplement, op. cit., p. S-3.

## APPENDIX

Equations (1), (2), and (3) below, by considering the impact of stadiums and sports teams on aggregate income, spending, and development, provide a framework suitable for an analysis of the "short-term" impact of stadiums and sports teams on an SMSA's economy.

---

$$(1) \quad Y_i = B_0 + B_1 X_{1i} + B_2 X_{2i} + B_3 X_{3i} + B_4 X_{4i} + E_i,$$

where,

$Y_i$  = the  $i^{\text{th}}$  SMSA's income;

$X_{1i}$  = the  $i^{\text{th}}$  SMSA's population;

$X_{2i}$  = a dummy variable that assumes a 0 value if the  $i^{\text{th}}$  SMSA does not renovate or build a new stadium in a given period; the value 1 is assigned if it does;

$X_{3i}$  = a dummy variable that assumes a 0 value if the  $i^{\text{th}}$  SMSA does not have a professional football team in a given period; the value 1 is assigned if it does;

$X_{4i}$  = a dummy variable that assumes a 0 value if the  $i^{\text{th}}$  SMSA does not have a professional baseball team in a given period; the value 1 is assigned if it does;

$E_i$  = stochastic error.

$$(2) \quad Y_i/YR_i = B_0 + B_1 X_{1i} + B_2 X_{2i} + B_3 X_{3i} + B_4 X_{4i} + E_i,$$

where,

$Y_i/YR_i$  = the fraction of regional income represented by the  $i^{\text{th}}$  SMSA.

$$(3) \quad Y_i/YR_i = B_0 + B_1 (X_{1i}/XR_{1i}) + B_2 X_{2i} + B_3 X_{3i} + B_4 X_{4i} + E_i,$$

where,

$(X_{1i}/XR_{1i})$  = the fraction of regional population represented by the  $i^{\text{th}}$  SMSA.

---

TABLE A-1  
THE IMPACT OF STADIUMS AND PROFESSIONAL FOOTBALL AND BASEBALL  
ON SMSA TOTAL PERSONAL INCOME AND AS A FRACTION OF REGIONAL INCOME  
(1965 TO 1983)

SMSA	EQUATION	B <sub>1</sub>	B <sub>2</sub>	B <sub>3</sub>	B <sub>4</sub>	R <sup>2</sup>
CINCINNATI	(1)	233.70 (5.67)**	2784.60 (2.23)	-4127.10 (-2.37)	*	.84
	(2)	.00003 (3.06)	-.00148 (-4.98)			.68
	(3)	.38 (.89)	-.0006 (.92)			.50
DENVER	(1)	23.80 (4.99)	6085.80 (4.50)			.90
	(2)	.00006 (3.06)	-.023 (-3.95)			.50
	(3)	.78 (2.64)	.008 (.93)			.44
DETROIT	(1)	25.80 (2.04)	20157.00 (6.14)			.79
	(2)	.00001 (2.88)	-.0085 (-6.73)			.74
	(3)	1.35 (3.37)	-.005 (-3.68)			.77
KANSAS CITY	(1)	50.20 (4.76)	2661.00 (-1.89)		-1464.50 (-.60)	.81
	(2)	.00004 (4.23)	-.0048 (-3.17)		.00041 (.22)	.55
	(3)	.78 (3.70)	-.003 (-2.16)		-.00005 (-.02)	.49
NEW ORLEANS	(1)	41.30 (15.27)	-83.80 (-.16)	-587.80 (-1.14)		.98
	(2)	-.0000 (-.33)	-.001 (-.71)	-.0042 (-3.03)		.47
	(3)	2.32 (7.05)	-.0002 (-.38)	-.0023 (-3.28)		.88
PITTSBURG	(1)	-91.50 (-10.68)	-1581.50 (-1.31)			.94
	(2)	-.00002 (-5.26)	-.00272 (-4.43)			.67
	(3)	-.93 (-3.48)	-.003 (-3.27)			.47
SAN DIEGO	(1)	26.20 (15.56)	-942.40 (-.61)		-1491.60 (-1.13)	.96
	(2)	.00001 (7.56)	.000245 (2.41)		.00364 (4.18)	.95
	(3)	.50 (5.77)	.002 (1.93)		.004 (4.10)	.92
SEATTLE	(1)	27.90 (5.85)	5640.90*** (4.39)			.92
	(2)	-.00000 (-.17)	.00075 (.42)			.01
	(3)	.75 (2.20)	.002 (1.69)			.24
TAMPA BAY	(1)	17.90 (6.48)		823.30 (.53)		.92
	(2)	.00002 (6.48)		-.0025 (-6.11)		.99
	(3)	1.30 (18.83)		-.0018 (-3.93)		.98

\* While Cincinnati does host the NFL Bengals, the team's adoption occurred prior to 1965, the first year for which sufficient data for meaningful analysis are available. Blanks elsewhere in this table and in Table A-3 reflect similar situations.

\*\* t-statistic.

\*\*\* Kingdome and professional football were established in Seattle in 1976, so this coefficient represents the impact of the new stadium and football.

#### Sources\*

(1) 1967 Income: U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business (Washington, D.C.: U.S. Government Printing Office, May 1972), Vol. 52, No. 5, pp. 30-36.

(2) 1972 Income: U.S. Department of Commerce, Bureau of Economic Analysis, Local Area Personal Income (Washington, D.C.: U.S. Government Printing Office, June 1976), Vol. 1, pp. 73-287.

(3) 1977 Income: U.S. Department of Commerce, Bureau of Economic Analysis, Local Area Personal Income 1976-81

TABLE A-2

THE IMPACT OF STADIUMS AND PROFESSIONAL FOOTBALL AND BASEBALL  
SMSA PERSONAL INCOME AND RETAIL SALES - AGGREGATED

EQUATION	<u>B<sub>1</sub></u>	<u>B<sub>2</sub></u>	<u>B<sub>3</sub></u>	<u>B<sub>4</sub></u>	<u>B<sub>5</sub></u>	<u>R<sup>2</sup></u>
(1)*	18.77 <sup>a</sup> (6.44)	2703.50 <sup>d</sup> (1.53)	1167.40 (.52)	-3104.60 <sup>c</sup> (-1.78)	157.40 (1.14)	.68
(2)*	.00006 (1.04)	-.022 (-.61)	.054 (1.19)	-.052 <sup>d</sup> (-1.47)	.006 <sup>b</sup> (2.24)	.21
(3)*	1.26 <sup>a</sup> (73.64)	-.0009 (-.33)	.001 (.31)	-.0014 (-.58)	-.0007 <sup>a</sup> (-3.25)	.996
(4)	8.25 <sup>a</sup> (6.79)	979.33 <sup>d</sup> (1.33)	550.00 (.59)	-1514.38 <sup>b</sup> (-2.08)	43.98 (.77)	.69
(5)	.00004 <sup>d</sup> (1.47)	-.015 (.95)	.031 <sup>d</sup> (1.52)	-.026 <sup>d</sup> (1.64)	.0029 <sup>b</sup> (2.27)	.25
(6)	.56 <sup>a</sup> (20.33)	-.006 (-1.27)	.009 <sup>d</sup> (1.59)	-.00027 (-.07)	-.0003 (-.86)	.95

\* aggregated version of equation identified in Table A-1.

- a significant at the 1% level.  
b significant at the 5% level.  
c significant at the 10% level.  
d significant at the 20% level.

Sources

- (1) 1967 Income: U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business (Washington, D.C.: U.S. Government Printing Office, May 1972), Vol. 52, No. 5, pp. 30-36.
- (2) 1972 Income: U.S. Department of Commerce, Bureau of Economic Analysis, Local Area Personal Income (Washington, D.C.: U.S. Government Printing Office, June 1976), Vol. 1, pp. 73-287.
- (3) 1977 Income: U.S. Department of Commerce, Bureau of Economic Analysis, Local Area Personal Income 1976-81 (Washington, D.C.: U.S. Government Printing Office, June 1983), pp. 21-97.
- (4) 1982 Income: U.S. Department of Commerce, Bureau of Economic Analysis, Local Area Personal Income 1978-83 (Washington, D.C.: U.S. Government Printing Office, June 1985), pp. 30-108.
- (5) Retail Sales: U.S. Department of Commerce, Bureau of the Census, Census of Retail Trade, Geographic Area Series, United States (Washington, D.C.: U.S. Government Printing Office), 1973-83.



TABLE A-3

THE IMPACT OF STADIUMS AND PROFESSIONAL FOOTBALL AND BASEBALL  
ON MANUFACTURING ACTIVITY  
(1965 TO 1978)

SMSA	EQUATION	$B_1$	$B_2$	$B_3$	$B_4$	$R^2$
BUFFALO	(7)	128.34 (3.66)	.003 (.35)			.55
	(8)	-2.17 (-.04)	.015 (1.10)			.10
	(9)	-371.47 (-.96)	-.078 (-.80)			.11
CINCINNATI	(7)	-182.62 (-.62)	-.047 (-.14)	-.006 (.47)		.17
	(8)	-182.10 (-.73)	-.11 (.40)	.11 (.47)		.27
	(9)	12.75 (.07)	-.074 (-.35)	.17 (.98)		.13
DENVER	(7)	.08 (.00)	-.47 (-.98)			.11
	(8)	-.012* (-3.44)	.62 (.49)			.55
	(9)	-.009 (-1.32)	1.92 (.82)			.14
MIAMI	(7)	246.13* (2.70)		.146 (.48)		.57
	(8)	.001** (2.11)		.29 (1.19)		.48
	(9)	271.02* (1.75)		.15 (.30)		.35
NEW ORLEANS	(7)	385.21* (2.47)	-.67* (-2.87)	-1.09* (-3.76)		.88
	(8)	358.52* (1.95)	-.752* (-2.73)	-1.09 (-3.19)		.84
	(9)	664.70 (2.51)	.21 (.52)	-.47 (-.95)		.57
SAN DIEGO	(7)	23.72 (1.36)	.38* (2.33)		.30** (2.15)	.82
	(8)	28.90 (1.39)	.122 (.62)		.225 (1.36)	.59
	(9)	-9.72 (-.22)	.95* (2.22)		.81 (2.26)	.75
SEATTLE	(7)	148.37 (1.06)	-.69 (-.80)		.56 (.77)	.28
	(8)	270.25* (2.37)	-.72 (-1.03)		1.18* (2.00)	.59
	(9)	198.27 (.41)	-.80 (-.27)		-.04 (-.016)	.061
TAMPA BAY	(7)	113.34* (2.35)		-.23 (-.76)		.38
	(8)	137.06* (3.17)		-.37 (-1.36)		.50
	(9)	209.41* (2.45)		-.86 (-1.61)		.35

\* significant at the 5% level.

\*\* significant at the 10% level.

Source: U.S. Department of Commerce, Bureau of the Census, Annual Survey of Manufacturers (Washington, D.C.: U.S. Government Printing Office), 1973, 1975, 1977, and 1979.



**STATE OF MINNESOTA  
BEFORE THE  
METROPOLITAN COUNCIL**



**In the Matter of the  
Significance Review of  
The NBA Arena/Health Club  
in Minneapolis**

---

**PREFILED DIRECT TESTIMONY OF THE CITY OF MINNEAPOLIS**

---

**June 10, 1987**

## 1. INTRODUCTION

The Metropolitan Council significance review for the NBA Arena/Health Club was initiated on April 23, 1987. The "exclusive standards" for determining whether this matter is of metropolitan significance are limited to the consideration of "substantial effects" on metropolitan systems (sewer, parks, airports and transportation facilities) and "substantial effects" on existing or planned "land use or development" within other local units of government. The City of Minneapolis has consistently stated that the NBA Arena/Health Club development project will not exceed the threshold impacts or substantial effects which underlie a possible finding of metropolitan significance. The Council staff has agreed that there are no substantial metropolitan system impacts posed by the Arena development.

The sole remaining issue in this proceeding is whether development of the NBA Arena/Health Club in downtown Minneapolis will have a substantial adverse effect on land use or development in other local units of government, specifically St. Paul and Bloomington. The term "land use or development" pertains to the type of use and its consistency with zoning and similar legal requirements rather than to details or competitive effects of a business operation. In this basic respect, the land use of the NBA Arena site is consistent with the City's local comprehensive plan which was approved by the Metropolitan Council under the

Center will not include a separate indoor arena. The proposed NBA Arena/Health Club, however, will provide an 18,000 seat facility to complement the new Convention Center. Moreover, the NBA Arena/Health Club will spur urban renewal and redevelopment of a blighted area in the downtown core. The project will further provide employment, taxes and spin-off industries which will benefit the entire metropolitan area. In all respects, the NBA Arena/Health Club will be a positive and important addition to the landscape and fabric of the City.

The NBA Arena/Health Club is similarly consistent with the policies and guidance provided by the Metropolitan Council's Metropolitan Development and Investment Framework (MDIF). That document emphasizes that developments requiring a central location, high accessibility, high service levels and high density are most appropriate for the downtown metropolitan centers. We have included a discussion of the MDIF in our direct testimony in response to the Metropolitan Council staff's inquiry. Although consideration of the MDIF policies is included in this proceeding as part of the Council's economic review of the project, the Significance Review Committee must not confuse consideration of the policies and guidelines of the MDIF with the exclusive standards for determination of metropolitan significance. The Committee, in reviewing the sole metropolitan significance issue of land use impact on St. Paul and Bloomington, should keep in mind that the evidence relating to the Council's advisory economic review is not relevant to the metropolitan significance issue.

(5) There will be synergistic effect between the Arena and the downtown core; there is ample public transportation, public parking, skyway connections, restaurants, hotel accommodations and other entertainment.

Accordingly, the Significance Review Committee should recommend to the Metropolitan Council a finding of no metropolitan significance for the NBA Arena/Health Club because it will not cause any of the effects set forth in Parts 5700.0300 to 5700.0500 of the Council's regulations.

Arena/Health Club development; discussing the project's relationship to downtown planning goals; and describing the City's acquisition of property for the project through the use of tax increment financing.

Q: WHERE WILL THE NBA ARENA/HEALTH CLUB BE LOCATED?

A: The development will be located on the two blocks bounded by 6th Street North, Glenwood Avenue, 1st Avenue North and 2nd Avenue North in downtown Minneapolis. This location is roughly two blocks from the retail core of the City and immediately adjacent to the 5th Street and 7th Street parking garages which will contain 4,800 spaces. The NBA Arena/Health Club will be linked to the garages and the downtown core via skyways.

Q: WHAT ARE THE MAJOR COMPONENTS OF THE ARENA/HEALTH CLUB COMPLEX?

A: The Arena will have a seating capacity of 18,000 seats. There will be 20 private 10-seat suites as well as 1,000 "preferred" seats. A convertible floor will accommodate a variety of sports, ice and entertainment events. The Health Club will accommodate 6,000+ members as part of the Norwest Racquet Swim and Health Club organization. The Health Club is expected to provide full health and fitness services, exclusive of tennis. The Arena/Health Club will not include retail space beyond souvenir shops and concession stands. There will be limited office space for Arena management, the NBA franchise and the Health Club facility.



surrounding improvements will mean the elimination of substantially blighted structures in the area. This redevelopment will serve as a major gateway to the downtown core. The Arena/Health Club will be a positive and important addition to the landscape and fabric of downtown Minneapolis. It is a perfect fit for establishment and support of retail and entertainment uses in the area.

Further, the Arena/Health Club will be a "destination development." Its prominence, including skyway linkage and adjacent parking facilities, will stimulate additional growth and development in the area. Basketball fans and other Arena patrons will help bring life back to the Hennepin Avenue area, especially during evening hours and weekends when almost all Arena events will be scheduled. This infusion of people will provide an economic boost to nightclubs, restaurants, bars and the existing retail core. New developments, particularly on Block E which borders the Arena site to the east, will occur.

Q: IS THE ARENA LOCATED IN THE WAREHOUSE PRESERVATION DISTRICT?

A: No. The Arena is located adjacent to the Warehouse Preservation District. The developers' architects, however, are cognizant of the historic flavor in the area and they are working closely to design a facility which complements this setting.

Q: HOW WILL THE ARENA INTERFACE WITH THE NEW CONVENTION CENTER TO BE BUILT IN MINNEAPOLIS?

A: I believe the Arena project will have a synergistic effect with the new Convention Center. I say this because the



The NBA Arena/Health Club and the NBA team will be privately financed by the developers. The developers have agreed to provide specific guarantees, such as letters of credit, to assure full bond repayment.

Q: WHAT IS THE CITY'S GENERAL POLICY FOR USE OF TAX INCREMENT FINANCING (TIF) FOR THE NBA ARENA/HEALTH CLUB?

A: The City has determined that the use of tax increment financing for land assembly supports an important public purpose. The NBA Arena/Health Club represents a major redevelopment project and will be a catalyst for future development in the Hennepin Avenue area.

The ultimate objective of tax increment financing is to finance certain development costs of a project through tax increments generated by the completed development. The City of Minneapolis has determined that the NBA Arena/Health Club development project would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary to achieve City objectives in this redevelopment area.

It should be noted that the developers will pay full property taxes on the Arena site. The increased taxes generated by the development (i.e., tax increments) will be used to pay off the tax increment bonds. Thus, the City's "investment" in the

Q: DID THE MCDA CONSIDER CONDITIONS OF DEFAULT IN NEGOTIATIONS WITH THE NBA ARENA/HEALTH CLUB DEVELOPERS?

A. Yes. Events of default are noted in the development agreement, the ground lease and the second mortgage signed by the developers. Such events include, for example, default in payments due; default concerning warranties and representations; failure to perform or comply with the terms of the development agreement; and petitions in bankruptcy.

In the unlikely event of default, the MCDA can take one or more of the following actions: (1) suspend its performance under the agreement or cancel the development agreement; (2) draw upon insurance policies if destruction of the arena and improvements occur; or (3) exercise its remedies under the ground lease and the second mortgage, which include repossession of the leased premises, foreclosure, sale or demands on the developers' guarantees and letters of credit.

Q: IN YOUR PRELIMINARY DISCUSSIONS WITH THE DEVELOPERS, WHAT OPTIONS, IF ANY, WERE AVAILABLE FOR THE NBA TEAM TO PLAY AT AN EXISTING ARENA IN THE METROPOLITAN AREA?

A: It is my understanding that when the developers were first interested in obtaining an NBA franchise, they approached the operators of the St. Paul Civic Center and the Met Center. The developers were apparently unable to reach agreements with the operators of these facilities for the following reasons:

1. The Civic Center could not accommodate a full-time schedule for the basketball team. This fact was underscored by George Latimer in an editorial in the St. Paul Pioneer Press &

and its construction would not fit the timetable set forth by the NBA. Finally, the University area does not possess adequate parking or entertainment facilities for arena patrons and the vehicular access to the campus is inadequate.

Q: ARE THERE FRANCHISE RESTRICTIONS WHICH SET FORTH THE DEVELOPERS' RESPONSIBILITIES IN BUILDING A NEW ARENA IN DOWNTOWN MINNEAPOLIS?

A: Yes. In awarding an NBA franchise to the developers, the League set forth several relevant restrictions: (1) the franchise would be awarded for the 1989-90 season; (2) the team could play up to 1 season in the Metrodome, but could not play there on a long-term basis; (3) a new arena would have to be under construction by September 1, 1988; and (4) if the team is to be housed at a facility outside downtown Minneapolis, the developers would be in breach of their agreement with the NBA and would have to reapply for a franchise based on the new set of facts. Acceptance of this new application would be at the sole discretion of the NBA Board of Governors.

The developers have made a commitment to bring NBA professional basketball back to Minnesota. They want the best possible arena to house their team. They don't want a facility that is barely adequate, a shared facility arrangement which would jeopardize the team's long-term success, or a facility that would not be completed within the NBA's parameters.

comprehensive plan and does not substantially affect metropolitan systems. The Metropolitan Council staff has similarly concluded and recommended that the Significance Review Committee find in its final report that the proposed NBA Arena/Health Club has no impact on regional systems. (See, Memorandum from Barbara Senness to the Metropolitan Significance Committee dated May 13, 1987). I agree with this analysis. The NBA Arena/Health Club development will not have a substantial effect on metropolitan systems for the following reasons:

a. The Arena Does Not Violate Any Condition Relating to the Discharge of Sewer Effluent. The Arena will not generate sewage effluent in violation of standards established by the MPCA, nor will it require an NPDES permit.

b. The Arena Will Not Have a Substantial Effect on a Metropolitan Transportation Facility. The effects of the Arena on local transportation and parking will be minimal. The vast majority of events will take place on weekends or during off-peak hours, meaning that Arena use will not conflict with business travelers to and from downtown Minneapolis. Event scheduling and management policies can control the few daytime events that may occur. Additionally, downtown Minneapolis is accessible by more than 46 different routes from virtually all cardinal directions. Minneapolis is served by Highway 55 to the west, Highway 94 to the east, and Highway 35 to the north and south. The completion of I-94 just three blocks west of the Arena site has greatly

a. Almost all events will take place in the evenings or on weekends, when the demand for parking is minimal;

b. A share of Arena patrons, especially for evening events, will remain downtown after the work day and will not require additional parking facilities;

c. Some patrons will arrive by mass transit; and

d. Assuming a conservative auto occupancy rate of 2.0, the maximum number of parking spaces needed to service a sold-out Arena event is 9,000 spaces.

Q: IS THE NBA ARENA/HEALTH CLUB DEVELOPMENT CONSISTENT WITH THE METROPOLITAN DEVELOPMENT AND INVESTMENT FRAMEWORK?

A: Yes. The Metropolitan Development and Investment Framework (MDIF) is a document that sets forth policies for regional development in the metropolitan area and establishes "guidelines" for making decisions about regional facilities, like sewers and highways, that are needed to support commercial, industrial and residential development of the area. The MDIF supports new developments in the downtown metro centers that require high density, good accessibility via major highways and good levels of public services. The NBA Arena/Health Club is fully consistent with the policies set forth in the MDIF.

It should be noted and emphasized that the MDIF is a guidance document which focuses "almost exclusively on the legislatively defined metropolitan systems (highways, transit, sewer, airports and regional parks) and the solid waste

encourages development in fringe and depressed areas of the downtown core. (See, MDIF at pages 13-15.)

Q: IS THE NBA ARENA/HEALTH CLUB DEVELOPMENT IN DOWNTOWN MINNEAPOLIS CONSISTENT WITH MDIF POLICY FOR THE DOWNTOWN CORE?

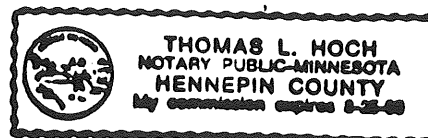
A: Yes. The City is fully served by regional metropolitan systems. The downtown core has the highest level of accessibility by road and transit in the region. In addition, internal circulation is facilitated by adequate parking facilities, sidewalk systems and a network of skyways. The NBA Arena/Health Club will tap into the existing services and facilities and will expand the downtown core through development in distressed and fringe areas. The Metro 1990 and Metro 2000 plans for downtown call for the Hennepin Avenue area to be the City's entertainment district. This land use is also part of the City's comprehensive plan. New or planned developments should be destination developments which complement the retail core. The Arena is such a use. It will provide an infusion of customers to the retail district, resulting in a vibrant downtown core, which is entirely consistent with the Metropolitan Council's long-standing support for the growth of metro centers.

FURTHER AFFIANT SAYETH NOT.

Charles Lutz  
Charles Lutz

Subscribed and sworn to before me  
this 9 day of June, 1987

Thomas L. Hoch  
Notary Public



For our purposes, an event is defined as one performance or round of admissions. For example, if there are two performances of the Circus on one particular day, that would count as two events. On the other hand, if admission tickets are collected once for a two game session of a high school basketball tournament, that would be only one event.

Q: IF THE NBA ARENA ATTRACTS 100 EVENTS, WILL THAT SUBSTANTIALLY ALTER THE NUMBER OF EVENTS AVAILABLE TO THE CIVIC CENTER IN ST. PAUL OR THE MET CENTER IN BLOOMINGTON?

A: No. It appears that events expected to take place at the NBA Arena in downtown Minneapolis will not substantially change the number of events available to the other two arenas. The 100 events that the NBA Arena hopes to attract will not significantly alter the number of events held at the other arenas because the events are expected to come from other sources. These other sources include transfer events that were formerly held in the Minneapolis Auditorium, spin-off events from the new Minnesota Convention Center, and new events coming into the Twin Cities event market.

There are approximately 61 events previously hosted annually by the old Minneapolis Auditorium (using 1986 as a sample) that will not be suitable for the new Convention Center (See, Exhibit 2). Some are simply too large for the Convention Center's 6,000 seat capacity. The loss of exhibit space and the cost of setting up mass seating also make the new Convention Center less suitable for these events. These 61 events are

competition between the arenas for new events, the existing base of events at the Met Center and the Civic Center would not be threatened.

Q. IF THESE SOURCES OF EVENTS DO NOT GENERATE THE 100 EVENTS EXPECTED TO BE ATTRACTED TO THE ARENA, WHERE WOULD THE REST OF THE EVENTS COME FROM?

A: First, it is unlikely that these sources of events would not provide the 100 events expected to take place in the NBA Arena. If, however, these sources did not provide the total 100 events, they would certainly provide most of them. Hence, there would only be very few events for which the NBA Arena would be forced to compete, and the competition would occur in the general marketplace, not solely with the Met Center and the Civic Center arenas.

The market universe for arena-type events in the Twin Cities area is much larger than just those events that take place in the Minneapolis Auditorium, the Civic Center, and the Met Center. There are many other theaters and auditoriums in the Twin Cities with seating for a significant audience (Exhibit 3). All of these arenas host events of varying sizes that could feasibly be held in the NBA Arena. Thus, even if the NBA Arena were forced to go into the marketplace and compete with existing facilities, the impact of that competition would be spread over many facilities, and not confined to the Met Center and Civic Center Arena alone. The spread of this impact would lessen its effect on any one facility. The wide variety of events in the



## 2. MDIF Economic Issues

Q: WHAT PUBLIC REVENUE SOURCES WILL BE USED TO ASSIST IN FINANCING THE NBA ARENA?

A: As described further in the direct testimony submitted by Chuck Lutz of the MCDA, the City of Minneapolis will provide tax increment financing to assist in the acquisition, demolition, and assembly of the NBA Arena site. The costs involved in preparing the site are estimated at \$15.4 million.

Q: IS IT TRUE THAT THE NBA ARENA WOULD NOT BE FEASIBLE BUT FOR THE USE OF LONG-TERM TAX INCREMENT FINANCING?

A: The base rent paid by the developers of the Arena is sufficient to support the land cost at another location. Tax increment financing is necessary to cover the additional costs associated with acquiring and clearing blighted urban land parcels. But for the use of tax increment financing, the Arena could not be built on the proposed redevelopment site.

The developers are paying a portion of the land cost by supplementing the tax increment collected each year with annual base rent payments. Over the 23 year bond term, \$45.6 million in revenue must be provided to meet the principal and interest payments on the bonds. The tax increments collected will total \$28.9 million or 63 percent of the revenues available to pay off the tax increment bonds while the base rent payments will total approximately \$16.7 million or 37 percent of the available revenues. The portion of the project land costs supported by the base rent payments will total approximately \$5.7 million (\$15.4 million x 37 percent).

a suburban location at the same cost or less to the developers, and without tax increment financing. However, the beneficial effects of the Arena on urban blight would be lost.

Q: HOW WILL THE USE OF TAX INCREMENT FINANCING FOR THE NBA ARENA AFFECT OTHER TAXING JURISDICTIONS IN THE METROPOLITAN REGION?

A: All tax increment districts in the metropolitan area capture the increase in property taxes resulting from a TIF development to repay the tax increment bonds rather than sharing this tax increment with a county, school district, and other local taxing entities. The justification for capturing the new taxes is that but for the assistance provided in land assembly, financed by the increased taxes, the development project would not be constructed.

The NBA Arena tax increment district follows this general plan but will have less of an effect on other taxing entities than most tax increment districts. A portion of the new taxes generated by the Arena (20%) will be set aside for a contribution to the fiscal disparities pool. This sharing of Arena tax resources substantially eliminates the burden on the rest of the tax base. In contrast, the Bloomington Megamall proposal requested a statutory exemption from the fiscal disparities pool. Such an exemption would have impacted the distribution from the pool to all the taxing jurisdictions in the metropolitan region.

The hard construction costs for the facility total \$21,000,000. These funds will be used to pay construction workers and to buy materials for the project. This spending activity will benefit the workers and suppliers of materials directly, and it will also have a ripple effect through the economy that is measured in terms of multipliers. The respending multiplier for the NBA Arena project is estimated at 2.1, meaning that for every \$1 spend locally, another \$1.1 will accrue to the local economy through successive rounds of respending. Hence, the economic impact of construction alone, also called the total output of the project, is estimated at \$44,100,000. Total tax collections as a result of this activity are estimated at \$1,933,057.

Q: HOW WILL THE OPERATIONS OF THE NBA TEAM, THE ARENA, AND THE HEALTH CLUB IMPACT THE LOCAL AREA ECONOMY?

A: The operations of the NBA team, Arena, and Health Club will have a dramatic positive effect on the local economy of Minneapolis. The methodology used by the developer in determining the construction economic impact was used in calculating impact of the annual operations of the NBA Arena/Health Club. Direct employment in these operations, excluding team members, will amount to 175 person-years (or full time equivalents). Average salaries will range between \$14,000 and \$38,000, with a total of \$3.2 million in paid wages annually. This direct economic activity will result in over \$195,000 in state income

Direct NBA/Event Sales Tax Revenues

	<u>Tickets</u>	<u>Concessions</u>	<u>Totals</u>
Amounts of sales	\$8,043,300	\$525,700	\$8,569,000
State sales tax (6%)	\$ 482,598	\$ 31,542	\$ 514,140
Minneapolis sales tax (0.5%)	40,217	2,629	42,846
Amusement or food and Liquor Tax (3%)	251,300	15,771	257,071
Total sales tax revenue	\$ 774,115	\$ 49,942	\$ 824,057

Q: WILL THE NBA TEAM ATTRACT VISITORS FROM OUTSIDE THE METROPOLITAN AREA, AND IF SO, WHAT WILL THEIR ECONOMIC IMPACT ON THE AREA BE?

A: The best measure of outstate attendance for the proposed NBA team is the experience of other professional sporting events. The Minnesota Twins draw from 15 to 25 percent of their total attendance from outside the seven county Metro Area. Because the Twins season covers the summer months when a larger number of families are willing to travel for such events, this estimate would be somewhat high in comparison to NBA events. The Northstars, whose playing season closely follows the NBA season, typically draw from 5 to 7 percent of their attendance from outside the eleven county Standard Metropolitan Statistical Area (SMSA).

If we conservatively assume that the NBA team could also attract at least 5 percent of the attendees from outside the

events and games and third party rentals. For the first five years of the agreement, the rental payments by Northstar to the Sports Facilities Commission are equal to one percent (1%) of gross receipts. In years six through ten, the rent increase to two percent (2%) of gross receipts, and from years 11 on, the rent is equal to three percent (3%) of the gross receipts. Gross receipts under the agreement are calculated only in the base years of 1986, 1991, and 1996, with interim years rent based upon increases in the consumer price index. Thus, a reduction in gross revenues in the years 1988 through 1990 or the years 1992 through 1996 would not automatically effect a reduction in base rent revenue received by the Sports Commission.

Q: WHAT WILL BE THE FINANCIAL IMPACT OF THE PROPOSED NBA ARENA ON THE MET CENTER?

A: As previously indicated, the number of events that would be transferred from the Met Center to the NBA Arena would be minimal. It is impossible to determine, however, what the absolute effect would be on the Met Center since the operators of the Facility have provided no operating or financial information on the Center. We can only assume that if the Northstar Financial Corporation felt that they would be substantially affected by the competition from the NBA Arena, they would have been more willing to document that effect through providing the necessary operating data.

increments from a 17 block district in downtown St. Paul. Thus, even in the worst case where the market for new events suffers a setback and some events presently at the Civic Center are lost, the impact on the Civic Center would still be negligible.

FURTHER AFFIANT SAYETH NOT.



Rebecca D. Yanisch

Rebecca D. Yanisch

Subscribed and sworn to before me  
this 9 day of June, 1987

Trudy R. Gasteazoro  
Notary Public

### Exhibit 1. Comparison of Events

	Mpls./NBA (Proj)	Mpls. Auditorium (1986)*	Civic Center (1986)**	Met Center (1986)
NBA	45	---	---	---
NHL	---	---	---	48
Strikers	---	---	---	32
Wrest/fight	10	---	13	12
College Spts	---	---	---	---
High School	---	11	27	20
Family Shows	40	20	10	50
Concerts	30	7	17	17
Conv & Trade	---	---	117	26
Community	---	18	38	11
Other Spts	10	5	1	6
Other	<u>10</u>	<u>---</u>	<u>---</u>	<u>---</u>
Totals	145	61	223	222
Total (Excludes NBA)	100	61	223	222
Total (Excluding events transferred from Mpls. Auditorium)	39	0	223	222

\* Listed here are only those events identified by the Minneapolis Auditorium as events that the new Convention Center will not handle. (See, Direct Testimony of Gary Dorrian).

\*\* Data on the Civic Center events were obtained from information submitted to the Significance Review Committee by Marlene Anderson, Managing Director of the St. Paul Civic Center. The title of the reference table is "P/L Event Statement - Civic Center Arena."

**Exhibit 4. Civic Center Net Operating Income, 1976-1986.**

<u>Year</u>	<u>Income</u>
1976	\$ 82,260
1977	138,097
1978	211,153
1979	(106,746)
1980	(28,102)
1981 (New Management)	286,871
1982	558,817
1983	908,848
1984	1,189,425
1985	1,111,225
1986	1,443,859



seats. However, there are disadvantages to using convention center space for a large seating area. First, such a use will foreclose about 100,000 square feet of exhibit space which would otherwise be available for convention exhibits. Secondly, the convention center seating area will be created with risers and seats which must be set up and taken down for each use at a cost of about \$20,000. For many organizations, the ability to sell exhibit space is a source of revenue for the organization, so the availability of the NBA Arena as a large gathering place provides an alternative which will not cut into exhibit space, nor require substantial costs for set-up and take-down.

Q: WHAT EFFECT WILL THE NBA ARENA HAVE ON THE NEW CONVENTION CENTER?

A: I expect a strong positive impact from the NBA Arena in helping to attract major conventions to Minnesota. The amenity of a large assembly space in close proximity to the new Convention Center will be very attractive to a number of national and international organizations in selecting a convention city, and I expect a number of such organizations to utilize the NBA Arena as a part of their convention program. Also, organizations which already come to Minneapolis for their conventions are likely to use the NBA Arena for a single large gathering or show during their convention.

The NBA Arena would be a major factor helping to attract these very desirable conventions to Minneapolis.

### 3. National Service Organizations

Minneapolis has been the host city for such national service organizations as the Kiwanis Club and the Rotary Club. Such organizations need a large assembly area for the plenary sessions of their national conventions. As with veterans organizations, major political figures typically address these groups and will require a large arena space.

### 4. Major Political Events

It is likely that the NBA Arena would be the site for political gatherings such as rallies for campaigning presidential candidates. In addition, the NBA Arena would give Minneapolis the ability to compete for national political conventions, which need exhibit space of at least 300,000 square feet, numerous meeting rooms and a large assembly hall.

### 5. Industry Conventions

Industry-wide conventions will typically require expansive exhibit space, such as that provided by the Convention Center, as well as a large assembly hall which could be provided by the NBA Arena. Arena space would be used for special presentations of general interest to the industry. An excellent example is the Special Interest Group for Computer Graphics ("SIGGRAPH"), which presents a spectacular evening computer

## V. DIRECT TESTIMONY OF GARY S. DORRIAN

STATE OF MINNESOTA) ) ss.  
COUNTY OF HENNEPIN)

Gary S. Dorrian, being first duly sworn upon oath,  
deposes and states as follows:

Q: STATE YOUR NAME AND PRESENT POSITION.

A: My name is Gary Dorrian, and I am the Manager of the Minneapolis Auditorium and Convention Hall. I have held this position since 1979. Prior to 1979 I was employed at the Minneapolis Auditorium Convention Hall since 1970 as a management assistant.

Q: PLEASE DESCRIBE THE CAPACITY OF THE AUDITORIUM ARENA AND THE EXTENT OF THE USES WHICH HAVE BEEN MADE OF THE AUDITORIUM ARENA FOR THE PAST FIVE AND ONE HALF YEARS, BEGINNING WITH JANUARY, 1982.

A: The existing Minneapolis Auditorium Arena, which we refer to as "the Arena," can handle mass seating with a maximum of 8,600 seats. The Arena has seen a great variety of uses including ice hockey, basketball, boxing, wrestling, concerts, family shows, religious services and many different types of large meetings requiring seating from 1,500 to 8,600 people. The Arena will be demolished as the new Convention Center is built.

Exhibit A is a summary of the uses of the Minneapolis Auditorium and the Convention Hall for the years 1982 through 1986. The Arena was in use during the following number of event days, which include set-up days, as follows:

convention. Second, it is costly to set-up and take down the seating for the mass seating area and the expense may be in the neighborhood of \$20,000 for that purpose. Finally, the Convention Center seating area will be limited in size and will not be able to accommodate some of the events which previously utilized the Auditorium Arena.

Q: WHAT ARE THE TYPES OF EVENTS WHICH HAVE USED THE AUDITORIUM ARENA IN THE PAST AND WHICH YOU WOULD EXPECT TO TRANSFER TO THE NEW NBA ARENA IN MINNEAPOLIS?

A: Of course, not every event which now uses the Auditorium Arena will be likely to use the NBA Arena, but a number of events and uses presently in the Auditorium Arena could be reasonably expected to transfer to the new NBA Arena. Since the new NBA Arena is expected to have the capacity to be divided by a large curtain or divider, it would also attract events which need only a fraction of its seating capacity.

Exhibits B, C and D show the events which were held at the Minneapolis Auditorium and Convention Hall in 1985, 1986 and the first half of 1987. I have reviewed in detail those events and have compiled a list of those events which I believe would likely have been held in the NBA Arena if it had then existed and the new Minneapolis Convention Center had been completed as planned. I find approximately 62 such events in 1985, 61 events in 1986, and 33 in the first half of 1987. Where more than one event is present for a particular use, that fact is indicated. An "event" is a separate performance or a separate admission charge. The events which are likely to transfer are tabulated as follows:

Diamond National Karate Championships  
Concert: 2nd Chapter of Acts  
United Methodist Church  
Minneapolis High School Basketball Preview  
Limited Warranty Christmas Concert  
Christmas with Krush Grove (Satelite Concert)  
85-86 ALCATHON

1986

Teamsters Local 1145 (2 events)  
Minnesota Association of Dance Lines Competition  
Minnesota State High School Girls' Gymnastics Meet  
(4 events)  
Zurah Temple Shrine Circus (20 events)  
Minnesota State High School Boys' Basketball Region IV  
(2 events)  
Concert: Bash & the Code; Myron LeFevere & Broker  
Minnesota State High School Girls' Basketball Class A  
(2 events)  
Minnesota State High School Boys' Basketball Region V  
(2 events)  
Upper Midwest Golden Gloves Competition (3 events)  
Southwest High School Graduation  
Hennepin County Independent Republican Convention  
Zurah Temple Shrine Cerimonial  
Peter Popoff Campaign (Evangelist)  
Minnetonka High School Graduation  
Presbyterian Church (USA) General Assembly

Golden Gloves (3 events)

Region IV Basketball Tournament (2 events)

Girls' Class AA State High School Basketball Tournament  
(2 events)

Boys' Region V AA State High School Basketball  
Tournament (2 events)

Boys' Region IV State High School Basketball Tournament  
(2 events)

KQRS 19th Birthday Party Featuring Allen Lee

Professional Wrestling (6 events)

Billy Idol Concert

K-102 Concert - Nitty Gritty Dirt Band

United Way Youth Concert

IBM & Minnesota Twins Student Pennant Race

Minnetonka High School Graduation

Hopkins High School Graduation

National Association of Pastoral Musicians

Q: WHY DO YOU LIST JUST ONE "EVENT" FOR SOME ORGANIZATIONS THAT  
USE THE MINNEAPOLIS AUDITORIUM ARENA FOR MULTIPLE DAYS?

A: In several cases, even though some organizations hold  
multiple day events in our arena, I have listed only one  
"event." In my judgment, those organizations would probably use  
the NBA Arena for only one large gathering, even though their  
conventions may last from four to seven days. In this category,  
I include:

Evangelical Covenant Church (6 days)

International Lutheran Conference on the Holy Spirit  
(4 days)

Minnesota Funeral Directors Annual Meeting

American Feed Manufacturers Annual Meeting

Q: IN ADDITION TO THOSE EVENTS WHICH HAVE JUST BEEN LISTED FOR THE YEARS 1985-86 AND THE FIRST HALF OF 1987, WHAT OTHER TYPES OF EVENTS WOULD YOU EXPECT TO UTILIZE THE NEW NBA ARENA IN MINNEAPOLIS?

A: Much of our scheduling has been dependent upon the availability of dates. Because of the limited number of dates, particularly in the winter months, there are often more events or functions that would like to use the Arena than there is time available. I would expect the new NBA Arena to be utilized for an additional five or six concerts each year which would not otherwise have come to Minnesota.

College basketball tournaments might well be attracted to the new Arena. It would seem ideal for the small college NCAA tournament.

The National Golden Gloves tournament would be a good possibility in addition to the regional matches now held here. Professional boxing and closed-circuit T.V. coverage of professional boxing is also a likely possibility.

Full contact karate is a sport which I expect to see scheduled for one to two additional events a years.

Specialty touring shows have been held at the Arena in the past such as Moscow Circus on Ice. The new Arena would be an appropriate location for such shows. Family shows like Sesame Street Live seem to be developing every few years, and new attractions are developed as entertainers come up with new ideas.





MINNEAPOLIS AUDITORIUM & CONVENTION HALL

EVENT DAYS - 1983

Conferences - Conventions - Dealer Trade Shows	134
Public Trade Shows	94
Sporting Events	58
Religious	17
Miscellaneous Events	77
Entertainment - Concerts, etc.	<u>4</u>
Total Event Days	384
Move-in/Move-out	<u>232</u>
Total	616

AREAS USED FOR ABOVE EVENTS

Arena	196
Convention Hall	266
Exhibit Hall	185
Plaza Room	123
Hiawatha Room	163
Miscellaneous Rooms	<u>198</u>
Total	1,131

MINNEAPOLIS AUDITORIUM & CONVENTION HALL

EVENT DAYS - 1985

Conferences - Conventions - Dealer Trade Shows	117
Public Trade Shows	99
Sporting Events	74
Religious	25
Miscellaneous Events	88
Entertainment - Concerts, etc.	<u>13</u>
Total Event Days	416
Move-in/Move-out	<u>186</u>
Total	602

AREAS USED FOR ABOVE EVENTS

Arena	182
Convention Hall	325
Exhibit Hall	183
Plaza Room	171
Hiawatha Room	192
Miscellaneous Rooms	<u>219</u>
Total	1,272



JANUARY						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

# minneapolis

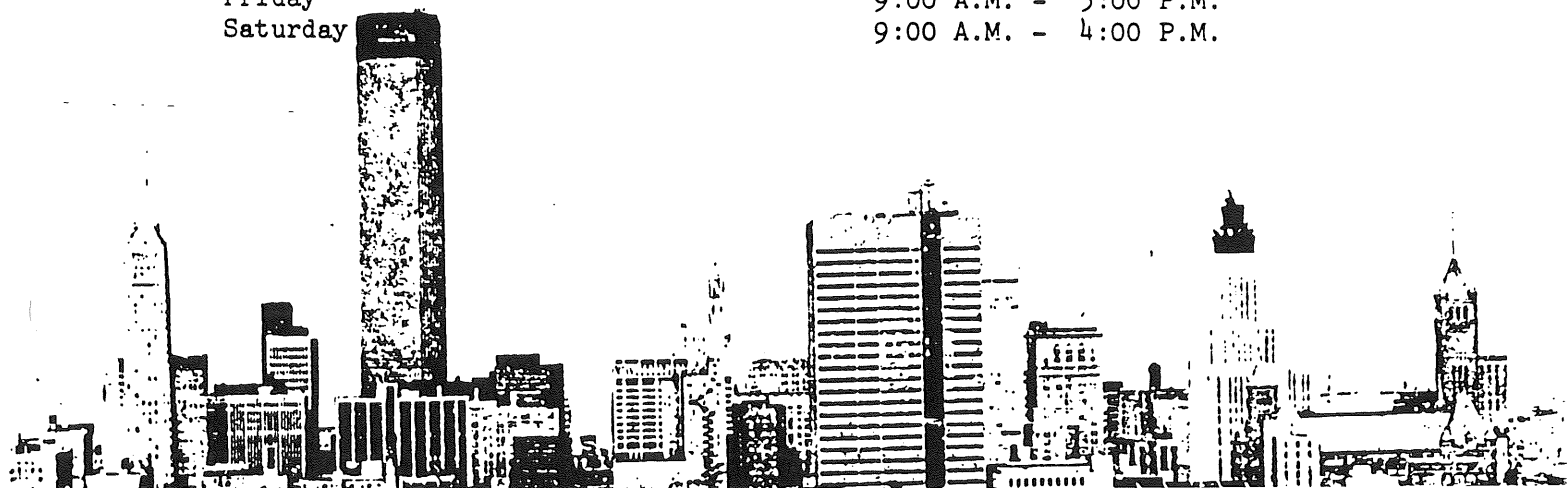
## city of lakes

### MINNEAPOLIS AUDITORIUM AND CONVENTION HALL

1403 STEVENS AVENUE 612 / 870-4436  
MINNEAPOLIS, MINNESOTA 55403

JANUARY 1985

*1	Bob Ryan Used Car Sale	9:00 A.M. - 5:00 P.M.	CC
3-5	Move-in Coast to Coast	8:00 A.M. -	C
6-8	Coast to Coast		A-C-P-H-CR
	Sunday	7:00 A.M. - 9:00 P.M.	
	Monday	8:00 A.M. - 6:00 P.M.	
	Tuesday	8:00 A.M. - 1:30 P.M.	
9	Move-in Mid-States Distributing Clothing	8:00 A.M.	E
9-11	Mid-States Distributing Clothing Show		E
	Wednesday	1:00 P.M. - 5:00 P.M.	
	Thursday	8:30 A.M. - 5:00 P.M.	
	Friday	8:30 A.M. - 1:30 P.M.	
11-13	Move-in MN School Boards Assn.	8:00 A.M.	C
12	Hockey Practice	7:00 A.M. - 3:30 P.M.	A
*12	High School Hockey Games	4:00 P.M. - 10:00 P.M.	A
12	Move-in Motorcycle Swap Meet	Noon - 5:00 P.M.	E
*12	World Wide Dream Builders	2:00 P.M. - 5:00 P.M.	H
		8:00 P.M. - Midnight	
*13	Enduro Riders Motorcycle Swap Meet	9:00 A.M. - 6:00 P.M.	E
*13	World Wide Dream Builders	1:00 P.M. - 5:00 P.M.	H
13	Hockey Practice	7:00 A.M. - 9:45 P.M.	A
14	Hockey Practice	3:00 P.M. - 10:15 P.M.	A
14-15	MN School Boards Assn.		C-H-CR
	Monday	8:00 A.M. - 5:00 P.M.	
	Tuesday	8:00 A.M. - 4:30 P.M.	
15	Hockey Practice	3:00 P.M. - 10:15 P.M.	A
*16	High School Hockey Games	4:00 P.M. - 10:00 P.M.	A
16	Move-in Farm Equipment Assn.	8:00 A.M.	C-E-P
17	Hockey Practice	3:00 P.M. - 10:15 P.M.	A
17-19	Farm Equipment Assn.		A-C-E-P-H
	Thursday	8:45 A.M. - 5:00 P.M.	
	Friday	9:00 A.M. - 5:00 P.M.	
	Saturday	9:00 A.M. - 4:00 P.M.	



F E B R U A R Y						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

minneapolis

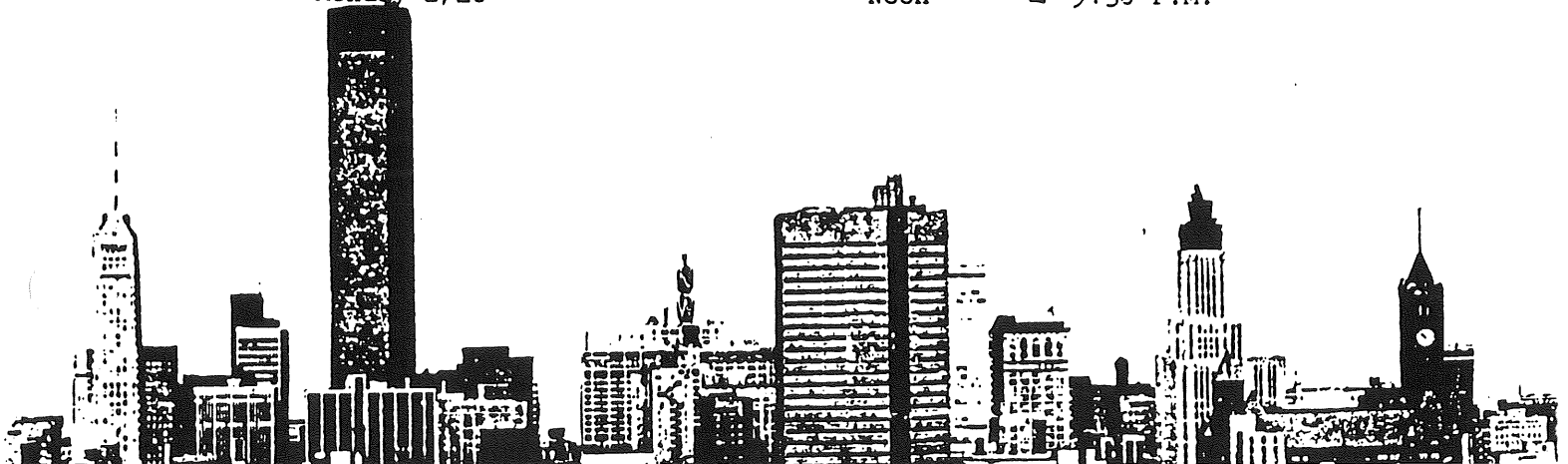
city of lakes

# MINNEAPOLIS AUDITORIUM AND CONVENTION HALL

1403 STEVENS AVENUE 612/870-4436  
MINNEAPOLIS, MINNESOTA 55403

FEBRUARY 1985

*1-6	Home and Garden Show			
	Friday 2/1	10:00 A.M. - 10:00 P.M.		C-E-P-H-CR
	Saturday 2/2	10:00 A.M. - 10:00 P.M.		
	Sunday 2/3	10:00 A.M. - 8:00 P.M.		
	Monday 2/4 and Tuesday 2/5	1:00 P.M. - 10:00 P.M.		
	Wednesday 2/6	1:00 P.M. - 9:00 P.M.		
1 Friday	Hockey Practice	3:00 P.M. - 10:15 P.M.		A
2 Saturday	Hockey Practice	7:00 A.M. - 3:30 P.M.		A
*2 Saturday	High School Hockey Games	4:00 P.M. - 10:00 P.M.		A
3 Sunday	Hockey Practice	7:00 A.M. - 9:45 P.M.		A
4 Monday	Hockey Practice	3:00 P.M. - 10:15 P.M.		A
5 Tuesday	Hockey Practice	3:00 P.M. - 10:15 P.M.		A
*6 Wednesday	High School Hockey Games	4:00 P.M. - 10:00 P.M.		A
7 Thursday	Hockey Practice	3:00 P.M. - 10:15 P.M.		A
8-9	Move-In Upper Midwest Hospitality Assn	8:00 A.M.		C-E-P-H-CR
	Friday	3:00 P.M. - 10:15 P.M.		A
9 Saturday	Hockey Practice	7:00 A.M. - 3:30 P.M.		A
*9 Saturday	High School Hockey Games	4:00 P.M. - 10:00 P.M.		A
10-12	Upper Midwest Hospitality Assn			C-E-P-H-CR
	Sunday 2/10	10:30 A.M. - 6:00 P.M.		
	Monday 2/11	8:30 A.M. - 8:00 P.M.		
	Tuesday 2/12	7:30 A.M. - 5:00 P.M.		
10 Sunday	Hockey Practice	7:00 A.M. - 11:00 P.M.		A
11 Monday	Hockey Practice	3:00 P.M. - 10:15 P.M.		A
*12 Tuesday	High School Hockey Games	4:00 P.M. - 10:00 P.M.		A
13 Wednesday	Move-in Camping Show	8:00 A.M.		A-C-E-P-H-CR
*14-18	Greater NW Vacation, Camping & Touring Show			A-C-E-P-H-CR
	Thursday 2/14	6:00 P.M. - 11:00 P.M.		
	Friday 2/15	1:00 P.M. - 11:00 P.M.		
	Saturday 2/16	Noon - 11:00 P.M.		
	Sunday 2/17	Noon - 7:00 P.M.		
	Monday 2/18	Noon - 9:30 P.M.		



MARCH						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

minneapolis

city of lakes

# MINNEAPOLIS AUDITORIUM AND CONVENTION HALL

1403 STEVENS AVENUE 612 / 870-4436  
MINNEAPOLIS, MINNESOTA 55403

MARCH 1985

1	Move-in Zuhrah Temple Shrine Circus	8:00 A.M.	C-H-CF
*1-2	MN State High School Girls Gymnastics Meet		A
	Fri & Sat.	11:00 A.M. - 2:30 P.M. 6:00 P.M. - 9:30 P.M.	
*2-10	Zuhrah Temple Shrine Circus		C-H-CF
	Mon - Thurs	1:30 P.M. & 7:30 P.M.	
	Fridays	11:00 A.M. & 7:30 P.M.	
	Saturdays	10:00 A.M. & 2:00 P.M. & 7:30 P.M.	
	Sundays	1:30 P.M. & 5:30 P.M.	
*9	Catholic F.I.R.E. Rally	9:00 A.M. & 6:00 P.M.	A
*12	Boys High School Basketball Tournament (Region IVAA)		A
		6:00 P.M. & 8:00 P.M.	
13-15	Move-in Auto Show	8:00 A.M.	C-E-P-H-CR
14	Pontiac Breakfast	7:30 A.M. - 9:30 A.M.	H
*14	Girls State High School Basketball Tournament (Class AA)		A
		1:00 P.M. & 3:00 P.M. 7:00 P.M. & 9:00 P.M.	
15	1985 Auto Show Dealer Night	6:00 P.M. - 11:00 P.M.	C-E-P-H
*15	Boys High School Basketball Tournament (Region VAA)		A
		6:00 P.M. & 8:00 P.M.	
*16	Boys High School Basketball Tournament (Region IVAA)		A
		2:00 P.M. & 4:00 P.M.	
*16	Boys High School Basketball Tournament (Region VAA)		A
		6:00 P.M. & 8:00 P.M.	
*16-24	1985 Greater St. Paul & Minneapolis Auto Show		C-E-P
	Saturdays	Noon - 11:00 P.M.	
	Sundays	Noon - 9:00 P.M.	
	Monday - Friday	5:00 P.M. - 11:00 P.M.	
*19	U-2 Con	7:30 P.M. - 11:00 P.M.	A



# minneapolis

## city of lakes

MINNEAPOLIS AUDITORIUM AND CONVENTION HALL  
1403 STEVENS AVENUE 612 / 870-4436  
MINNEAPOLIS, MINNESOTA 55403

April, 1985

*1-7	Northwest Boat, Sports, and Travel Show		A-C-E-P-H-CR
	Saturdays	11:00 A.M. - 11:00 P.M.	
	Sundays	12:00 P.M. - 7:00 P.M.	
	Monday - Friday	1:00 P.M. - 11:00 P.M.	
*9 Tuesday	Minneapolis Police Auction	5:00 P.M. - 11:00 P.M.	EC
9	Move-in Fairway Foods	8:00 A.M.	E
10-Wednesday	Fairway Foods	8:00 A.M. - 5:00 P.M.	E
*12-Friday	National SuperStar Tour	1:00 P.M. - 11:00 P.M.	H
12	Move-in Mn Horse Expo	8:00 A.M.	E-P
12-13	Move-in Mn State Dental Association	8:00 A.M.	C-H-CR
*13	Herbalife (tentative)	10:00 A.M. - 4:00 P.M.	A
*13-14	Mn Horse Expo		E-P
	Saturday	10:00 A.M. - 7:00 P.M.	
	Sunday	10:00 A.M. - 6:00 P.M.	
14-16	Mn State Dental Association		C-P-H-CR
	Sunday	10:00 A.M. - 5:30 P.M.	
	Monday	8:15 A.M. - 5:30 P.M.	
	Tuesday	8:15 A.M. - 5:30 P.M.	
14-19	Honeywell "Up With People" Concerts		A
	Sunday	6:00 P.M. - 8:00 P.M.	
	Monday - Friday	7:30 P.M. - 9:30 P.M.	
18-Thursday	Move-in Mn Deer Classic	8:00 A.M.	E-P-H
18	Move-in Wheatley Antique Show	8:00 A.M.	C
19-27	T.G.I. Fridays	8:00 A.M. - 6:00 P.M.	CR
	(Event closed Sunday, 4-21)		
*19-21	Mn Deer Classic		E-P-H-CR
	Friday	2:00 P.M. - 9:00 P.M.	
	Saturday	10:00 A.M. - 6:00 P.M.	
	Sunday	10:00 A.M. - 6:00 P.M.	
*19-21	Wheatley Antique Show		C
	Friday and Saturday	12:00 P.M. - 10:00 P.M.	
	Sunday	12:00 P.M. - 6:00 P.M.	
*20-Saturday	Lions "Night to Remember" Drug Awareness Concert		A
		6:00 P.M. - 10:00 P.M.	
23-23	Move-in Twin City Purchasing Management Assoc		
		8:00 A.M.	C-E-P-H
24-25	Twin City Purchasing Management Assoc.		C-E-P-H
	Wednesday	8:00 A.M. - 8:00 P.M.	
	Thursday	8:00 A.M. - 7:00 P.M.	
*27-Saturday	Miss Minnesota U.S. Teen	8:00 A.M. - 10:00 P.M.	H

MAY						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

minneapolis

city of lakes

MINNEAPOLIS AUDITORIUM AND CONVENTION HALL  
1403 STEVENS AVENUE 612 / 870-4436  
MINNEAPOLIS, MINNESOTA 55403

MAY 1985

2	Move-in Zuhrah Shrine Ceremonial	8:00 A.M.	A-E-P-H-CR
2-3	Move-in United Hardware	8:00 A.M.	C
3-Friday	Zuhrah Shrine Ceremonial	8:30 A.M. - 1:00 A.M.	A-E-P-H-CR
4-6	United Hardware		A-C-E-P-CR
	Saturday 5/4	7:00 A.M. - 5:00 P.M.	
	Sunday 5/5	7:00 A.M. - 5:00 P.M.	
	Monday 5/6	8:00 A.M. - 1:00 P.M.	
7-Tuesday	Move-in Upper Midwest Health Conf	8:00 A.M.	C-P-H-CR
7	1AAM District III Operations Workshop	8:30 A.M. - 11:30 A.M.	CR
7	Move-in Mn Mailers Association	8:00 A.M.	E
8-9	Mn Mailers Association		E
	Wednesday 5/8	9:00 A.M. - 6:00 P.M.	
	Thursday 5/9	9:00 A.M. - 3:00 P.M.	
8-10	Upper Midwest Health Conference		C-P-H-CR
	Wednesday 5/8	8:00 A.M. - 5:00 P.M.	
	Thursday 5/9	8:00 A.M. - 5:00 P.M.	
	Friday 5/10	8:00 A.M. - 12:30 P.M.	
10-Friday	Bloomington Tri-High Prom	9:00 P.M. - Midnight	E-P
*11-Saturday	Mpls DFL Convention	9:00 A.M. - 5:00 P.M.	A-CR
11	Hubert H. Humphrey Day Dinner	5:00 P.M. - 10:30 P.M.	C-E
11	Cornwall/Campbell Wedding Reception	4:00 P.M. - 7:00 P.M.	CR
*11-12	World Wide Dreambuilders		H
	Saturday 5/11	2:00 P.M. - 5:00 P.M. &	
	Sunday 5/12	8:00 P.M. - Midnight	
		Noon - 5:00 P.M.	
*12-Sunday	Professional Wrestling	8:00 P.M. - 11:00 P.M.	A
12-14	Move-in American Feed Manufacturers Assoc	8:00 A.M.	C
*13-Monday	Mary Kay Costmetics	7:00 P.M. - 11:00 P.M.	A
13-17	American Feed Manufacturer's Assn		A-C-P-H-CR
	Monday 5/13	Noon - 6:00 P.M.	(registration on
	Tuesday 5/14	8:00 A.M. - 8:00 P.M.	
	Wednesday 5/15	7:00 A.M. - 5:30 P.M.	
	Thursday 5/16	7:00 A.M. - 5:00 P.M.	
	Friday 5/17	6:45 A.M. - 1:15 P.M.	
15-Wednesday	Move-in Northwest Travelers Assn Expo '85	8:00 A.M.	E
16-17	Northwest Travelers Assn Expo '85		E
	Thursday 5/16	10:00 A.M. - 5:30 P.M.	
	Friday 5/17	10:00 A.M. - 5:30 P.M.	
*18-Saturday	Evie and Pelle Karlsson Concert	7:00 P.M. - 10:30 P.M.	A
18	Marron/Conlin Wedding Reception	7:30 P.M. - 1:00 A.M.	H



JUNE						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

minneapolis

city of lakes

MINNEAPOLIS AUDITORIUM AND CONVENTION HALL  
1403 STEVENS AVENUE 612 / 870-4436  
MINNEAPOLIS, MINNESOTA 55403

JUNE 1985

1-4	Our Own Hardware		
	Sat 6/1	7:15 A.M. - 5:00 P.M.	A-C-E-P-H-CR
	Sun 6/2	7:15 A.M. - 5:00 P.M.	
	Mon 6/3	7:30 A.M. - 5:00 P.M.	
	Tues 6/4	7:30 A.M. - 12:00 P.M.	
5-7	Mpls Community Development Agency	8:30 A.M. - 5:00 P.M.	CR
6-Thurs	Hopkins High School Graduation	7:30 P.M. - 10:00 P.M.	A
6-8	Move-in Gambles	8:00 A.M.	C
9-11	Gambles June Buying Market		A-C-P-H-CR
	Sun 6/9	7:30 A.M. - 6:00 P.M.	
	Mon 6/10	7:00 A.M. - 6:00 P.M.	
	Tues 6/11	8:00 A.M. - 5:00 P.M.	
*13-Thurs	Mpls Police Auction	5:00 P.M. - 11:00 P.M.	E
13-17	Move-in Evangelical Covenant Church	8:00 A.M.	A-C-E-P-H-CR
18-23	Evangelical Covenant Church Centennial Celebration		A-C-E-P-H-CR
	Tues 6/18	8:00 A.M. - 10:30 P.M.	
	Wed 6/19	7:30 A.M. - 10:30 P.M.	
	Thur 6/20	8:00 A.M. - 10:30 P.M.	
	Fri 6/21	8:00 A.M. - 10:30 P.M.	
	Sat 6/22	8:00 A.M. - 11:30 P.M.	
	Sun 6/23	8:00 A.M. - 6:00 P.M.	
24-26	Move-in Midwest Graphics		C
26-28	Mpls Community Development Agency	8:30 A.M. - 5:00 P.M.	CR
27-29	Midwest Graphics Impact 85		C-P-H-CR
	Thur 6/27	10:00 A.M. - 7:00 P.M.	
	Fri 6/28	10:00 A.M. - 5:00 P.M.	
	Sat 6/29	10:00 A.M. - 5:00 P.M.	

A-Auditorium Arena  
C-Convention Hall  
CR-Comittee Rooms  
E-Exhibit Hall  
H-Hiawatha Room  
P-Plaza Room  
\*-Open to the Public

AUGUST						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

minneapolis

city of lakes

MINNEAPOLIS AUDITORIUM AND CONVENTION HALL  
1403 STEVENS AVENUE 612 / 870-4436  
MINNEAPOLIS, MINNESOTA 55403

AUGUST 1985

5-Mon	Move-in Int'l Lutheran Conference on the Holy Spirit	8:00 A.M.	A-EC-P-H-CR
*6-9	Int'l Lutheran Conference on the Holy Spirit		A-EC-P-H-CR
	Tuesday 8/6	1:00 P.M. - 10:30 P.M.	
	Wednesday 8/7	8:00 A.M. - 10:30 P.M.	
	Thursday 8/8	8:00 A.M. - 10:30 P.M.	
	Friday 8/9	8:00 A.M. - 10:30 P.M.	
9-Fri	Move-in Mn Weapons Collectors Ass'n	4:00 P.M.	CC
*10-Sat	Sports Spectacular (Raindate)	2:00 P.M. - 6:00 P.M.	A
10	MTC Awards Banquet	6:30 P.M. - 11:00 P.M.	H
*10-11	Mn Weapons Collectors Ass'n		CC
	Saturday 8/10	8:00 A.M. - 6:00 P.M.	
	Sunday 8/11	9:00 A.M. - 3:00 P.M.	
12-Mon	Move-in Super Valu	10:00 A.M.	C
*13-14	Super Valu		C
	Tuesday 8/13	8:00 A.M. - 5:00 P.M.	
	Wednesday 8/14	8:00 A.M. - 4:00 P.M.	
-Sun	Toro Corporation (Raindate)	12:00 P.M. - 5:00 P.M.	E
19-Mon	Move-in Catholic Education Congress	12:00 P.M. - 5:00 P.M.	A-C-P-H-CR
20-21	Upper Midwest Catholic Education Congress		A-C-P-H-CR
	Tuesday 8/20	8:00 A.M. - 10:00 P.M.	
	Wednesday 8/21	8:00 A.M. - 5:00 P.M.	
23-Fri	Move-in Twin Cities Largest Singles Conv.	12:00 P.M. - 6:00 P.M.	C-P
*23-24	National Superstars		H
	Friday 8/23	9:00 A.M. - 11:00 P.M.	
	Saturday 8/24	8:00 A.M. - 8:00 P.M.	
24-25	Twin Cities Largest Singles Convention		C-P
	Saturday 8/24	10:00 A.M. - 1:00 A.M.	
	Sunday 8/25	8:00 A.M. - 5:00 P.M.	
*26-Mon	Tom Hopkins Seminar	1:00 P.M. - 6:00 P.M.	A
26	Move-in Chevrolet	8:00 A.M. - 5:00 P.M.	C
27-28	Chevrolet New Car Showing		C
	Tuesday 8/27	4:00 P.M. - 10:00 P.M.	
	Wednesday 8/28	8:00 A.M. - 5:00 P.M.	
30-Fri	Move-in Wheatley Antique Show	7:00 A.M. - 8:00 P.M.	C
*31-Sept 2	Wheatley Antique Show		C
	Saturday 8/31	12:00 P.M. - 10:00 P.M.	
	Sunday 9/1	12:00 P.M. - 10:00 P.M.	
	Monday 9/2	12:00 P.M. - 6:00 P.M.	

A - Arena  
EC - East Convention Hall  
E - Exhibit Hall  
P - Plaza Room  
CR- Committee Rooms

C - Convention Hall  
CC - Center Convention Hall  
H - Hiawatha Room  
\* - Open to the Public

minneapolis

city of lakes

OCTOBER

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

DATE	EVENT	TIME	LOCATION
1-2	25th Interscience Conference on Antimicrobial Agents & Chemotherapy		A-C-P-H
	Tuesday 10/1	8:00 AM - 6:00 PM	
	Wednesday 10/2	8:00 AM - 5:00 PM	
1-Fri	Mpls Auditorium Client Apprec Brunch	9:00 AM - 11:00 AM	P
1-Fri	Move-in United Hardware	8:00 AM	C-E-H-CH
1-7	United Hardware		C-E-H-CH
	Saturday 10/5	7:30 AM - 5:00 PM	
	Sunday 10/6	7:30 AM - 4:00 PM	
	Monday 10/7	8:00 AM - 1:00 PM	
1-8	Move-in Midwest Engineers Conference	8:00 AM	E-H-CH-CH
1-10	Midwest Engineers Conference		
	Wednesday 10/9	6:45 AM - 8:00 PM	
	Thursday 10/10	7:00 AM - 8:00 PM	
1-11	Move-in Our Own Hardware		C-E-P-H
1-Fri	2nd Chapter of Acts Concert	7:30 PM - 10:00 PM	A
2-15	Our Own Hardware		
	Saturday 10/12	7:15 AM - 6:00 PM	
	Sunday 10/13	7:15 AM - 5:00 PM	
	Monday 10/14	7:30 AM - 5:00 PM	
	Tuesday 10/15	7:30 AM - 12:00 PM	
1-16-Wed	Move-in Mn Education Ass'n	12:00 PM	A-C-P-H-CH
1-7-Thurs	Mn Education Ass'n	7:00 AM - 6:00 PM	A-C-P-H-CH
1-7-Thurs	Move-in MMPC-MEDA Corporate Minority Business Exchange	8:00 AM	P
1-8-Fri	MMPC-MEDA Corporate Minority Business Exchange	7:45 AM - 6:00 PM	E-P-H
18-19	United Methodist Church		A-CH
	Friday 10/18	7:00 PM - 9:30 PM	
	Saturday 10/19	9:00 AM - 3:00 PM	
1-19-20	Art Sale	10:00 AM - 5:00 PM	P
19-Sat	Move-in Mpls Kennel Club Dog Show	8:00 AM	C
20-Sun	Mpls Kennel Club Dog Show	7:00 AM - 6:00 PM	C
21-22	Senior Options Exposition	9:00 AM - 11:00 PM	A-C-P-H-
22-Tues	Emergency Communications Meeting	9:00 AM - 5:00 PM	CH
23-25	Amway	8:00 AM - 10:00 PM	H-CH

TTY/VOICE (612) 348-9398



MINNEAPOLIS AUDITORIUM AND CONVENTION HALL  
1403 STEVENS AVENUE 612/870-4436  
MINNEAPOLIS, MINNESOTA 55403

minneapolis

city of lakes

NOVEMBER						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

NOVEMBER 1985

*2-3	Starving Artist Sale	10:00 AM - 5:00 PM	P
*2-3	World Wide Dream Builders		H
	Saturday 11/2	2:00 PM - 5:00 PM	
	Sunday 11/3	8:00 PM - Midnight	
5-6	Move-in Mpls/St. Paul Ski Show and Winter Sports	Noon - 5:00 PM	
7-8	Mpls Community Development Agency	8:00 AM	A-C-E-P-E
*7-10	Mpls/St. Paul Ski Show and Winter Sports	8:00 AM - 5:00 PM	CR
	Thursday 11/7		A-C-E-P-E
	Friday 11/8	6:00 PM - 10:30 PM	
	Saturday 11/9	5:00 PM - 10:30 PM	
	Sunday 11/10	Noon - 11:00 PM	
1-Mon	Move-in Snyder's	Noon - 6:00 PM	
12-Tues	Move-in Architects	Noon	E
12-13	Snyder's Spring/Summer Buying Show	8:00 AM	C
	Tuesday 11/12		E-H-CR
	Wednesday 11/13	8:00 AM - 9:00 PM	
13-15	MN Society American Institute of Architects	8:00 AM - 6:00 PM	
	Wednesday 11/13		C-P-H-CR
	Thursday 11/14	4:00 PM - Midnight	
	Friday 11/15	8:00 AM - 8:30 PM	
14-Thurs	Telephone Pioneers of America	7:30 AM - 3:30 PM	
14	Move-in Data Facts	8:00 AM - Noon	CR
14-18	Data Facts	8:00 AM	E CR
	Thursday 11/14		E CR
	Friday 11/15	6:00 PM - 10:00 PM	
	Saturday 11/16	4:00 PM - 10:00 PM	
	Sunday 11/17	9:00 AM - 8:00 PM	
	Monday 11/18	9:00 AM - 8:00 PM	
16-17	Arnold's Winter Hair Spectacular	4:00 PM - 10:00 PM	
	Saturday 11/16		H-CR
	Sunday 11/17	4:00 PM - 9:00 PM	
19-Tues	Move-in Mpls District Dental	8:00 AM - 5:00 PM	
20-Wed	Mpls District Dental Society	8:00 AM	E-H-P-CR
20	Move-in CPA's	7:15 AM - 4:00 PM	E-H-P-CR
		8:00 AM	C

AFFIRMATIVE ACTION EMPLOYER

TTY/VOICE (612) 348-2157



MINNEAPOLIS AUDITORIUM AND CONVENTION HALL  
1403 STEVENS AVENUE 612 / 870-4436  
MINNEAPOLIS, MINNESOTA 55403

minneapolis

city of lakes

DECEMBER						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

DECEMBER 1985

2-3	Move-in Farmers Union Cenex Showcase	8:00 AM	C
3-5	Farmers Union Cenex Showcase '86		A-C-P-H-
	Tuesday 12/3	7:30 AM - 5:00 PM	
	Wednesday 12/4	8:30 AM - 5:00 PM	
	Thursday 12/5	8:30 AM - 2:00 PM	
6	Move-in MN Weapons Collectors Assn	4:00 PM	CC
*7-Sat	Basketball North vs St. Paul Central	6:00 PM - 10:00 PM	A
7	Thomas/Peterson Wedding Reception	7:30 PM - Midnight	P
7-Fri	Move-in Encore National Talent Competition	8:00 AM	H
*7-8	MN Weapons Collectors Association		CC
	Saturday 12/7	8:00 AM - 6:00 PM	
	Sunday 12/8	9:00 AM - 3:00 PM	
*7-8	Encore National Talent Competition		H
	Saturday 12/7	1:00 PM - 5:00 PM (Tentative)	
	Sunday 12/8	8:00 AM - 11:00 PM	
9-Mon	Move-in MN Plant Food Association		C-H
10-11	MN Plant Food Association		C-H
	Tuesday 12/10	8:00 AM - 5:00 PM	
	Wednesday 12/11	8:00 AM - 4:00 PM	
12-13	Move-in The Lift Ski Sale	5:00 PM	EC
*14-18	The Lift Ski Sale		EC
	Saturday 12/14	10:00 AM - 9:00 PM	
	Sunday 12/15	11:00 AM - 6:00 PM	
	Mon-Wed 12/16-18	10:00 AM - 9:00 PM	
19-Thurs	Ski Liquidation brought to Mpls by Colorado Ski Liquidators	8:00 AM	EC
*20-Fri	Limited Warranty Christmas Concert	7:30 PM	A
*20-29	Ski Liquidation brought to Mpls by Colorado Ski Liquidators		EC
	Saturdays 12/21 & 12/28	9:00 AM - 6:00 PM	
	Sundays 12/22 & 12/29	10:00 AM - 6:00 PM	
	Monday - Friday	10:00 AM - 9:00 PM	
	Tuesday 12/24 (Xmas eve)	9:00 AM - 5:00 PM	
	CLOSED CHRISTMAS DAY 12/25		

AFFIRMATIVE ACTION EMPLOYER

MINNEAPOLIS 612/870-4436



EXHIBIT C

24-25	Move-in Cenex Stockholders	8:00 AM		A
26-Sun	Teamsters Local 1145	Noon	- 2:00 PM	A
27-Mon	Move-in Cenex Stockholders	8:00 AM		A-C-P-H-(
28-Tues	Move-in Home and Garden Show	8:00 AM		E
28-29	Cenex Stockholders Meeting			A-C-P-H-(
	Tuesday 1/28	8:00 AM	- 3:30 PM	
	Wednesday 1/29	7:30 AM	- 4:30 PM	
30-31	Move-in Home and Garden Show	8:00 AM		A-C-E-P-H
*31-	Home and Garden Show			A-C-E-P-H
Feb 4	Friday 1/31	Noon	- 10:00 PM	
	Saturday 2/1	10:00 AM	- 10:00 PM	
	Sunday 2/2	10:00 AM	- 8:00 PM	
	Monday 2/3	1:00 PM	- 10:00 PM	
	Tuesday 2/4	1:00 PM	- 9:00 PM	

A - Auditorium Arena  
 C - Convention Hall  
 E - Exhibit Hall  
 H - Hiawatha Room  
 P - Plaza Room  
 CR - Committee Rooms  
 \* Open to the Public

23-24	Move-in Land O'Lakes	8:00 AM	A-E-P-H-CR
25-27	Land O'Lakes Annual Stockholders Mtg		A-E-P-H-CR
	Tuesday 2/25	8:00 AM - 4:30 PM	
	Wednesday 2/26	8:00 AM - 12:30 AM	
	Thursday 2/27	8:00 AM - Noon	
25-28	Move-in Zurah Temple Shrine Circus	8:00 AM	C
27-Thurs	Move-in MN State HS Girls Gymnastics	5:00 PM	A
*28-	Minnesota State High School		
Mar 1	Girls Gymnastics Tournament		A
	Friday 2/28	11:00 AM - 2:30 PM	
		& 6:00 PM - 9:30 PM	
	Saturday 3/1	11:00 AM - 2:30 PM	
		& 6:00 PM - 9:30 PM	
*Mar 1-	Zurah Temple Shrine Circus		C-H-CR
Mar 9			
	Saturdays	10:00 AM & 2:00 PM & 7:00 PM	
	Sundays	1:30 PM & 5:30 PM	
	Weekdays	1:30 PM & 7:00 PM	
	Fridays	11:00 AM & 7:00 PM	

A - Auditorium Arena  
 C - Convention Hall  
 E - Exhibit Hall  
 H - Hiawatha Room  
 P - Plaza Room  
 CR - Committee Rooms  
 \* Open to the Public



8- Northwest Boat, Sports and  
April 6 Travel Show

Friday 3/28

Saturdays

Sundays

Monday - Friday

6:00 PM - 11:00 PM

11:00 AM - 11:00 PM

Noon - 7:00 PM

1:00 PM - 11:00 PM

A-C-E-P-H-

A - Auditorium Arena  
C - Convention Hall  
CR - Committee Rooms  
E - Exhibit Hall  
H - Hiawatha Room  
P - Plaza Room  
\* Open to the Public

18-19	MN Dental Lab Association			A-H-CR
	Friday 4/18	2:30pm - 11:30pm		
	Saturday 4/19	7:30am - 4:30pm		
19-Sat	Move-in MN State Dental Assn.	8:00am		A-C-P-H-CR
*19-20	MN Horse Expo			E-P
	Saturday 4/19	10:00am - 7:00pm		
	Sunday 4/20	10:00am - 6:00pm		
20-22	MN State Dental Assn Convention			A-C-P-H-CR
	Sunday 4/20	Noon - 5:30pm		
	Monday 4/21	8:00am - 1:00am		
	Tuesday 4/22	8:00am - 5:30pm		
22-Tues	Move-in Fairway Foods	8:00am		E
23-Wed	Fairway Foods Spring Buyer's Fair	8:00am - 5:00pm		E
23-24	Archdiocesan Council of Catholic Women			A-P-H-CR
	Wednesday 4/23	5:00pm - 9:00pm		
	Thursday 4/24	8:30am - 3:00pm		
24-Thurs	Minneapolis Police Auction	5:00pm - 11:00pm		EC
26-Sat	Hennepin County			
	Independent Republican Convention	8:30am - 5:00pm		A-CR
26	Move-in Mid-States Distributing	8:00am		C-E-H-CR
*27-28	Oriental Rug Liquidation Sale			P
	Saturday 4/26	10:00am - 7:00pm		
	Sunday 4/27	11:00am - 6:00pm		
	Monday 4/28	10:00am - 7:00pm		
27-29	Mid-States Distributing			C-E-H-CR
	Sunday 4/27	8:30am - 5:00pm		
	Monday 4/28	8:30am - 5:00pm		
	Tuesday 4/29	8:30am - 1:30pm		
30-Wed	MN Accounting Aid Society Reception	5:00pm - 6:30pm		P
*30-Wed	Joe Maas Real Estate Auction			H-CR
	Wednesday 4/30	4:00pm - 11:00pm		

A - Auditorium Arena  
 C - Convention Hall  
 EC - East Convention Hall  
 CR - Committee Rooms  
 E - Exhibit Hall  
 H - Hiawatha Room  
 P - Plaza Room  
 \* Open to the Public

*15-16	W.V. Grant Ministries			
	Thursday and Friday	10:00am - 1:30pm and		A
	5/16 and 5/16	7:00pm - 10:30pm		
*16-18	The Garage Sale			C
	Friday 5/16	4:00pm - 10:00pm		
	Saturday 5/17	10:00am - 10:00pm		
	Sunday 5/18	10:00am - 6:00pm		
*18-Sun	Kodak Liberty Ride Festival	11:30am - 8:00pm		WC-A
21-Wed	Selfpsych, Inc.	10:00am - 10:00pm		CR
22-Thurs	Move-in Wheatley Antiques	8:00am		C
*23-25	Wheatley Antique Show			C
	Friday 5/23	Noon - 10:00pm		
	Saturday 5/24	Noon - 10:00pm		
	Sunday 5/25	Noon - 6:00pm		
27-Tues	Move-in NSP Annual			
	Shareholder's Meeting	8:00am		A-H-CR
28-Wed	NSP Annual Shareholder's Meeting	10:00am - 1:00pm		A-H-CR
'9-30	Move-in Our Own Hardware			A-C-E-P-H-
June 3	Our Own Hardware			A-C-E-P-H-
	Saturday 6/31	7:15am - 5:00pm		
	Sunday 6/1	7:15am - 5:00pm		
	Monday 6/2	7:30am - 5:00pm		
	Tuesday 6/3	7:30am - Noon		

A - Auditorium Arena  
 C - Convention Hall  
 WC - West Convention Hall  
 CR - Committee Rooms  
 E - Exhibit Hall  
 H - Hiawatha Room  
 P - Plaza Room  
 \* Open to the Public

MINNEAPOLIS AUDITORIUM AND CONVENTION HALL  
1403 STEVENS AVENUE  
MINNEAPOLIS, MINNESOTA 55403

612/870-4436

minneapolis

JULY, 1986

city of lakes

22-Tues	Move-in Data Facts	8:00 am - 7:00 pm	E-CR
23-28	Data Facts		E-CR
	Wed - Fri 7/23-7/25	4:00 pm - 8:00 pm	
	Sat - Sun 7/26-7/27	9:00 am - 9:00 pm	
	Mon 7/28	4:00 pm - 8:00 pm	
23-Wed	Chamber of Commerce Small Business Trade Expo Exhibitors Meeting	8:00 am - 10:30 am	P
24-Thurs	Move-in Star of the North Antique Show	8:00 am - 10:00 pm	C
*25-27	Star of the North Antique Show		C
	Friday 7/25	Noon - 10:00 pm	
	Saturday 7/26	Noon - 10:00 pm	
	Sunday 7/27	Noon - 5:00 pm	
27-Sun	United Auto Workers - Local 683	10:00 am - 2:00 pm	A

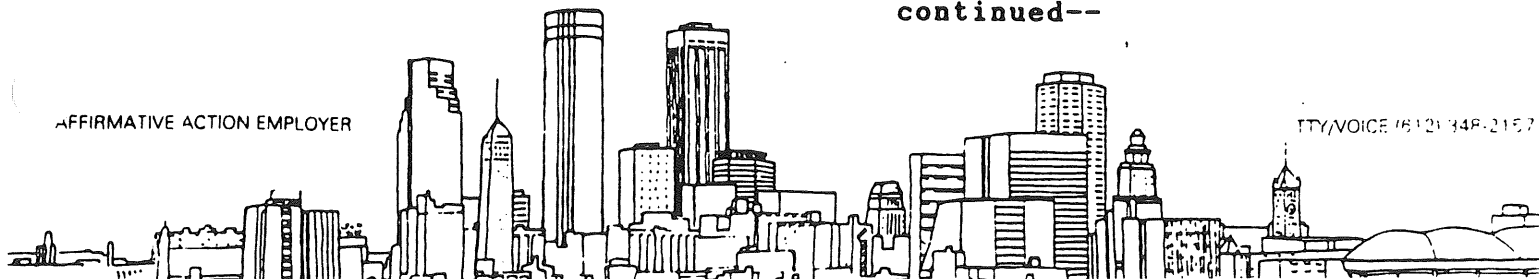
## AUGUST

2-3	World Wide Dream Builders		H
	Saturday 8/2	2:00 pm - 5:00 pm	
	Sunday 8/3	8:00 pm - Midnight	
4-Mon	Move-in International Conference on the Holy Spirit	Noon - 5:00 pm	
*4-8	Int'l Conference on the Holy Spirit	8:00 am	A-EC-P-H-C
	Tuesday 8/5	1:00 pm - 10:30 pm	A-EC-P-H-C
	Wed - Fri 8/6-8/8	8:00 am - 10:30 pm	
8-Fri	Move-in MN Weapons Collectors Assn.	4:00 pm - 9:00 pm	CC
9-Sat	K102 Concert - Janie Fricke	7:00 pm - 9:30 pm	A
9	MTC Banquet	5:30 pm - 11:00 pm	H
*9-10	MN Weapons Collectors Assn.		CC
	Saturday 8/9	8:00 am - 6:00 pm	
	Sunday 8/10	9:00 am - 3:00 pm	
11-Mon	Move-in Super Valu	10:00 am - 6:00 pm	C-H-CR
12-13	Super Valu		C-H-CR
	Tuesday 8/12	8:00 am - 5:00 pm	
	Wednesday 8/13	8:00 am - 4:00 pm	

continued--

AFFIRMATIVE ACTION EMPLOYER

TTY/VOICE (612) 348-2157



MINNEAPOLIS AUDITORIUM AND CONVENTION HALL  
1403 STEVENS AVENUE  
MINNEAPOLIS, MINNESOTA 55403

612/870-4436

minneapolis

SEPTEMBER, 1986

city of lakes

* 1-Mon.	Wheatley Antique Show	Noon - 6:00 pm	C
2-Tues.	Move-in Church on the Move	8:00 am	A-E-H-CR
2	Move-in Office System and Equipment Show	8:00 am	C
* 3-5	Office System & Equipment Show		C
	Wednesday - Friday 9/3-5	10:00 am - 5:00 pm	
* 3-6	Church on the Move		A-E-H-CR
	Wednesday 9/3	6:00 pm - 10:00 pm	
	Thursday - Saturday 9/4-6	8:00 am - 10:00 pm	
8-Mon.	Minneapolis Children's Medical Center Exhibitor's Meeting	9:30 am - Noon	CR
9-Tues.	Move-in Small Business Trade Fair	8:00 am	C-P-H-CR
*10-11	Chamber of Commerce Small Business Trade Fair		C-P-H-CR
	Wednesday 9/10	8:00 am - 6:30 pm	
	Thursday 9/11	8:00 am - 7:00 pm	
2-Fri.	Move-in MN Weapons Collectors	4:00 pm	CC
*13-Sat.	K102 Concert Sylvia/T.G. Sheppard	7:00 pm - 10:00 pm	A
*13-14	MN Weapons Collectors		CC
	Saturday 9/13	8:00 am - 6:00 pm	
	Sunday 9/14	9:00 am - 3:00 pm	
15-Mon.	Move-in National College Fair	8:00 am	C-CR
16-Tues.	Move-in MN Realtors Assn.	8:00 am	E-P-H-CR
*16-17	National College Fair		C-CR
	Tuesday 9/16	9:00 am - 2:00 pm	
	and	5:30 pm - 9:30 pm	
	Wednesday 9/17	9:00 am - 2:00 pm	
16-18	MN Realtors Association		E-P-H-CR
	Tuesday 9/16	8:00 am - 4:30 pm	
	Wednesday 9/17	9:00 am - 6:00 pm	
	Thursday 9/18	9:00 am - 5:00 pm	
17-Wed.	Hotel Sales and Marketing Assn.	5:30 pm - 9:00 pm	EC
17-20	Move-in Telephone Pioneers of America	8:00 am	A
19-20	Move-in Mid-States Distributing	8:00 am	C-E-H-CR
20-Sat.	Hammerseng-Griffin Wedding Reception	7:30 pm - 1:00 am	H

AFFIRMATIVE ACTION EMPLOYER

TTY/VOICE (612) 348-2151



MINNEAPOLIS AUDITORIUM AND CONVENTION HALL  
1403 STEVENS AVENUE  
MINNEAPOLIS, MINNESOTA 55403

612/870 4436

OCTOBER, 1986

minneapolis

city of lakes

* 1-Wed	Truth Ministries	7:00 pm - 10:30 pm	A
* 1	Minneapolis Police Auction	5:00 pm - 11:00 pm	EC
1	Fairway Foods	8:00 am - 5:00 pm	E
2-Thurs	Am. Assn. of Critical Care Nurses	7:00 pm - 10:00 pm	E
2	Move-in MMPC-MEDA Corporate Minority Business Exchange	8:00 am	A-E
2-3	Move-in United Hardware	8:00 am	C
* 3-Fri	MMPC-MEDA Corporate Minority Business Exchange	7:30 am - 5:30 pm	A-E
* 4-Sat	Diamond Nat'l Karate Championships	9:00 am - 1:00 am	A-H
4-6	United Hardware		A-C-E-CR
	Saturday 10/4	7:00 am - 5:00 pm	
	Sunday 10/5	7:00 am - 4:00 pm	
	Monday 10/6	8:00 am - 1:00 pm	
6-Mon	Peter Popoff	6:00 pm - 11:00 pm	H
7-Tues	Minneapolis Auditorium Client Appreciation Lunch	11:00 am - 1:00 pm	P
8-Wed	Move-in Peterbilt Motors	8:00 am	WC
8-9	Move-in The One Computer Show for Every Business	8:00 am	CC
8-9	Peterbilt Motors		WC
	Wednesday 10/8	1:00 pm - 6:00 pm	
	Thursday 10/9	9:30 am - 4:00 pm	
8-9	Move-in The Woodworking Show	8:00 am	E-P-CR
* 9-11	The One Computer Show for Every Business		CC
	Thursday 10/9	Noon - 8:00 pm	
	Friday 10/10	(exhibits open until 5:00 pm)	
	Saturday 10/11	Noon - 6:00 pm	
*10-12	The Woodworking Show	10:00 am - 5:00 pm	E-P-CR
	Friday 10/10	Noon - 7:00 pm	
	Saturday 10/11	10:00 am - 6:00 pm	
	Sunday 10/12	10:00 am - 6:00 pm	
11-Sat	Magnussen/DiMascio Wedding Reception	8:00 pm - 1:00 am	H

AFFIRMATIVE ACTION EMPLOYER

TTY/VOICE (612) 343-2157



MINNEAPOLIS AUDITORIUM AND CONVENTION HALL  
1403 STEVENS AVENUE  
MINNEAPOLIS, MINNESOTA 55403

612/870-4436

GARY S. DORRIAN  
MANAGER

NOVEMBER, 1986

minneapolis

city of lakes

1-2	World Wide Dreambuilders						
	Saturday	11/1		2:00 pm - 5:00 pm			H
			and	8:00 pm - Midnight			
	Sunday	11/2		1:00 pm - 5:00 pm			
1-3	Data Facts						E-CR
	Saturday	11/1		8:00 am - 10:00 pm			
	Sunday	11/2		8:00 am - 10:00 pm			
	Monday	11/3		3:00 pm - 11:00 pm			
5-Wed	Move-in CPA's			8:00 am			A-C-P-H
6-Thurs	Move-in Snyders			8:00 am			E-P-CR
6-7	Minnesota Society of						
	Certified Public Accountants						A-C-P-H
	Thursday	11/6		8:00 am - 7:00 pm			
	Friday	11/7		7:30 am - 4:00 pm			
7-8	Snyder's						E-P-CR
	Friday	11/7		8:00 am - 10:00 pm			
	Saturday	11/8		8:00 am - 6:00 pm			
11-12	Move-in Mpls./St. Paul Ski Show						
	& Winter Sports			8:00 am			A-C-E-P-H-(
*13-16	Mpls/St Paul Ski Show & Winter Sports						A-C-E-P-H-(
	Thursday	11/13		6:00 pm - 10:30 pm			
	Friday	11/14		5:00 pm - 11:00 pm			
	Saturday	11/15		Noon - 11:00 pm			
	Sunday	11/16		Noon - 6:00 pm			
18-Tues	Mpls. City Attorney's Meeting			8:00 am - 5:00 pm			H
*18	Moody Blues Concert			7:30 pm - 11:00 pm			A
20-Thurs	Professional Postgraduate						
	Services, Inc.			Noon - 5:00 pm			A-H-CR
20	Move-in Star of the North Antiques			8:00 am			C
20	Move-in Baby Fair						E-P
21-Fri	Alex Brown and Sons Banquet			6:00 pm - 1:00 am			H
21-23	Star of the North Antique Show						C
	Friday	11/21		Noon - 10:00 pm			
	Saturday	11/22		Noon - 10:00 pm			
	Sunday	11/23		Noon - 5:00 pm			

continued----

AFFIRMATIVE ACTION EMPLOYER

MINNEAPOLIS, MINNESOTA 55403



MINNEAPOLIS AUDITORIUM AND CONVENTION HALL  
1403 STEVENS AVENUE  
MINNEAPOLIS, MINNESOTA 55403

612/870-4436

GARY S. DORRIAN  
MANAGER

DECEMBER, 1986

minneapolis

city of lakes

1-2	Move-in Farmers Union Cenex Showcase	8:00 am		A-C-E-P-I
2-4	Farmers Union Cenex Showcase '87			A-C-E-P-I
	Tuesday 12/2	8:00 am - 4:30 pm		
	Wednesday 12/3	7:30 am - 5:00 pm		
	Thursday 12/4	8:00 am - 3:00 pm		
5-Fri.	Move-in MN Weapons Collectors Assn.	4:00 pm		CC
5	Move-in Col. Ski Liquidator's Sale			E
6-Sat.	Network 1 2:00 pm - 5:00 pm &	7:00 pm - 11:00 pm		CR
6	HP	8:00 am - 9:30 pm		A
*6-7	MN Weapons Collectors Assn.			CC
	Saturday 12/6	8:00 am - 6:00 pm		
	Sunday 12/7	9:00 am - 3:00 pm		
*6-14	Colorado Ski Liquidator's Ski Sale			E
	Mon.-Sat.	10:00 am - 8:00 pm		
	Sundays	11:00 am - 5:00 pm		
-Sun.	HP	8:00 am - 7:00 pm		A
8-Mon.	HP	2:30 pm - 9:45 pm		A
8	Move-in MN Plant Food Assn.	8:00 am		C-P-H
9-Tues.	HP	2:30 pm - 9:45 pm		A
9	Twin State Engineering & Chemical Lunch	Noon - 2:00 pm		CR
9-10	MN Plant Food Association			C-P-H
	Tuesday 12/9	8:00 am - 6:00 pm		
	Wednesday 12/10	8:00 am - 3:00 pm		
10-Wed.	HP	2:30 pm - 9:45 pm		A
11-Thurs.	HP	2:30 pm - 9:45 pm		A
11	Move-in Mpls. District Dental Assn.	8:00 am		C-P-H-CR
12-Fri.	Mpls. District Dental Association	7:00 am - 4:30 pm		C-P-H-CR
12	HP	2:30 pm - 9:45 pm		A
13-Sat.	HP	8:00 am - 12:45 pm		A
*13	High School Hockey Games 2:00 pm &	4:00 pm & 6:00 pm		A
14-Sun.	HP	8:00 am - 9:45 pm		A
15-Mon.	HP	2:30 pm - 9:45 pm		A
16-Tues.	HP	2:30 pm - 9:45 pm		A

AFFIRMATIVE ACTION EMPLOYER







17-18	Catholic Education					A-P-H-CR
	Saturday & Sunday 1/17-18	8:00am -	6:00pm			
18-Sun	Motorcycle Swap Meet	9:00am -	6:00pm			E
19-20	MN School Board Assn.					C-P-H-CR
	Monday 1/19	8:00am -	5:00pm			
	Tuesday 1/20	8:00am -	4:00pm			
20-21	Move-in Northern Farm Show	8:00am				A-C-E-P
*22-24	Northern Farm Show					A-C-E-P
	Thursday 1/22	8:00am -	5:00pm	(exhibits 10am-5pm)		
open to public	* Friday 1/23	9:00am -	5:00pm			
	* Saturday 1/24	9:00am -	4:00pm			
23-Fri	HP	2:30pm -	11:00pm			A
24-Sat	HP	8:00am -	12:45pm			A
24	High School Hockey Games	2:00pm &	4:00pm &	6:00pm		A
*24	World Wide Dreambuilders	2:00pm -	5:00pm			H
		and	8:00pm -	Midnight		
25-Sun	HP	8:00am -	9:00am	and	1:00pm -	9:30pm
25	Move-in March of Dimes Youth Health					A
26-Mon	HP	2:30pm -	11:00pm			H-CR
26-27	Move-in Boat Show	8:00am				A
6-27	March of Dimes Youth Health Week					C-E-P
	Monday & Tuesday 1/26-27	8:30am -	2:00pm			H-CR
27-Tues	HP	2:30pm -	9:45pm			A
28-Wed	High School Hockey Games	4:00pm &	6:00pm &	8:00pm		A
*28-Feb 1	The Boat Show					C-E-P
	Wednesday & Thursday 1/28-29	5:00pm -	10:30pm			
	Friday 1/30	1:00pm -	10:30pm			
	Saturday 1/31	11:00am -	10:30pm			
	Sunday 2/1	Noon -	7:00pm			
29-Thurs	HP	2:30pm -	9:45pm			A
30-Fri	HP	2:30pm -	9:45pm			A
31-Sat	HP	8:00am -	12:45pm			A
*31	High School Hockey Games	2:00pm &	4:00pm &	6:00pm		A

A - Auditorium Arena  
 C - Convention Hall  
 CC - Center Convention Hall  
 E - Exhibit Hall  
 \* - Open to the Public

H - Hiawatha Room  
 P - Plaza Room  
 CR - Committee Room  
 HP - Hockey Practice



HAPPY  
 NEW  
 YEAR!

*21-Sat.	K102 Concert - Bellamy Brothers	8:00pm	A
22-23	Move-in Land O'Lakes	8:00am	A-C
24-Tues.	Move-in Fairway Foods	8:00am	E
24-26	Land O'Lakes Annual Stockholders Mtg.		A-C-P-H-CR
	Tuesday 2/24	8:00am - 5:00pm	
	Wednesday 2/25	7:00am - 12:30am	
	Thursday 2/26	7:30am - Noon	
25-Wed.	Fairway Foods Spring Buyers Fair	8:00am - 5:00pm	E
26-Thurs.	Move-in The Big Sale	1:00pm	C
27-Fri.	Major League Volleyball	7:30pm - 9:30pm	A
	MN Monarchs vs. Chicago Breeze		
*27-	The Big Sale		C
Mar. 1	Friday 2/27	Noon - 10:00pm	
	Saturday 2/28	10:00am - 10:00pm	
	Sunday 3/1	Noon - 6:00pm	

A - Auditorium Arena  
 C - Convention Hall  
 CR - Committee Rooms  
 E - Exhibit Hall  
 H - Hiawatha Room  
 P - Plaza Room  
 \* - Open to the Public

*17-Tues.	Region IV Basketball	6:30pm & 8:15pm	A
*19-Thurs.	Girls State High School Basketball Tournament (Class AA)	1:20pm & 3:20pm & 7:20pm & 9:10pm	A-CR
*20-Fri.	Boys State High School Basketball Tournament (Region VAA)	6:00pm & 8:00pm	A
*21-Sat.	Boys State High School Basketball Tournament (Region IV)	2:00pm	A
*21	Boys State High School Basketball Tournament (Region VAA)	6:00pm & 8:00pm	A
*22-Sun.	Professional Wrestling	7:30pm - 11:30pm	A
23-Mon.	Move-in Associated Milk Producers Inc. Annual Meeting	8:00am	A
24-Tues.	Associated Milk Producers Inc. Annual Mtg.	6:30am - 4:00pm	A-WC
25-27	Move-in Sports Show	8:00am	A-C-E-P-H-CR
*27-	Northwest Boat, Sports and Travel Show		A-C-E-P-H-CR
April 5	Friday 3/27	6:00pm - 11:00pm	
	Saturdays	11:00am - 11:00pm	
	Sundays	Noon - 7:00pm	
	Monday - Friday	1:00pm - 11:00pm	

A - Auditorium Arena  
 C - Convention Hall  
 WC - West Convention Hall  
 CR - Committee Rooms  
 E - Exhibit Hall  
 H - Hiawatha Room  
 P - Plaza Room  
 \* - Open to the Public

20-Mon.	Move-in Twin City Purchasing Mgmt. Assn.	8:00am - 8:00pm	C-P-H-CR
21-22	Twin City Purchasing Management Association		C-P-H-CR
	Tuesday 4/21	10:00am - 6:00pm	
	Wednesday 4/22	10:00am - 6:00pm	
24-25	Move-in Mid-States Distributing	8:00am	C-E
24-26	The Way of Minnesota		P
	Friday 4/24	6:00pm - 11:00pm	
	Saturday 4/25	7:00am - 11:00pm	
	Sunday 4/26	7:00am - Noon	
25-Sat.	Minnesota Arthritis Association	11:00am - 4:30pm	CR
*26-Sun.	Community Concert to Benefit the Minneapolis Auditorium Kimball Organ	4:00pm - 5:30pm	A
26-28	Mid-States Distributing		C-E-H-CR
	Sunday 4/26	8:00am - 4:30pm	
	Monday 4/27	8:00am - 4:30pm	
	Tuesday 4/28	8:00am - 1:30pm	
*28-Tues.	Billy Idol Concert	7:30pm - 10:30pm	A
30-Thurs.	Department of Commerce Real Estate/Insurance Road Show	8:00am - 5:00pm	H
*30	Minneapolis Police Auction	5:00pm - 11:00pm	EC

A - Auditorium Arena  
 C - Convention Hall  
 EC - East Convention Hall  
 CR - Committee Rooms  
 E - Exhibit Hall  
 H - Hiawatha Room  
 P - Plaza Room  
 \* - Open to the Public

14-15	Move-in United Hardware	7:00am	A-C-E-P-CR
*14-16	Mary Alice Isleib Ministries		H
	Thursday 5/14	7:00pm - 10:00pm	
	Friday 5/15	10:00am & 2:00pm & 7:00pm	
	Saturday 5/16	9:00am & 11:00am & 2:00pm & 7:00pm	
16-18	United Hardware		A-C-E-P-CR
	Saturday 5/16	7:00am - 5:00pm	
	Sunday 5/17	7:00am - 5:00pm	
	Monday 5/18	8:00am - 3:00pm	
18-20	MN Chromatography Forum Spring Symposium		P-H-CR
	Monday 5/18	9:00am - 4:30pm	
	Tuesday 5/19	8:30am - 9:00pm	
	Wednesday 5/20	8:30am - 5:00pm	
19-Tues.	Move-in The Mazda Twin City 500 Sale	8:00am	C
*20-23	The Mazda Twin City 500 Sale		C
	Wednesday 5/20 (invitation only)	Noon - 9:00pm	
	Thursday 5/21	Noon - 9:00pm	
	Friday 5/22	Noon - 9:00pm	
	Saturday 5/23	9:00am - 9:00pm	
23-Sat.	College of St. Thomas Graduation Dance	9:00pm - 1:00am	E
*23-24	World Wide Dreambuilders		H
	Saturday 5/23	2:00pm - 5:00pm & 8:00pm - Midnight	
	Sunday 5/24	1:00pm - 5:00pm	
26-Tues.	Move-in NSP	8:00am	A-H-CR
27-Wed.	Northern States Power	10:00am - 1:00pm	A-H-CR
28-29	Move-in Our Own Hardware	8:00am	A-C-E-P-H-CR
*29-Fri.	World Wide Dreambuilders	6:30pm - 11:00pm	H
30-June 1	Our Own Hardware		A-C-E-P-H-CR
	Saturday 5/30	6:15am - 6:00pm	
	Sunday 5/31	6:15am - 6:00pm	
	Monday 6/1	7:15am - 4:00pm	

A - Auditorium Arena  
 C - Convention Hall  
 CR - Committee Rooms  
 E - Exhibit Hall  
 H - Hiawatha Room  
 P - Plaza Room  
 \* - Open to the Public

* 18-Thurs.	Warnke Ministries	7:30pm - 11:00pm	A
18-19	Move-in Car Auction	8:00am	C
* 20-Sat.	T.C. Classic & Collector Car Auction	10:00am - 7:00pm	C
20	M.T.C. Awards Banquet	6:30pm - 11:00pm	H-CR
20-21	Move-in Nat'l. Ass'n. of Pastoral Musicians	8:00am	A-E-P-H-CR
22-26	National Ass'n. of Pastoral Musicians		A-E-P-H-CR
	Monday 6/22	9:00am - 10:00pm	
	Tuesday 6/23	7:30am - 8:00pm	
	Wednesday 6/24	7:30am - 10:00pm	
	Thursday 6/25	7:30am - 11:00pm	
	Friday 6/26	7:30am - Noon	
24-Wed.	Data-Facts	8:00am - 5:00pm	E-C
25-28	Data-Facts		E-C
	Thursday 6/25	6:00pm - 10:30pm	
	Friday 6/26	6:00pm - 10:30pm	
	Saturday 6/27	9:00am - 6:30pm	
	Sunday 6/28	9:00am - 6:30pm	
* 26-Fri.	Organ Concert with Tom Hazelton	8:00pm - 10:00pm	A
* 27-Sat.	Organ Concert	8:30am - 8:00pm	A
27	Soule/Gustafson Wedding Reception	7:00pm - 1:00am	P
27	Ness/Wosje Wedding Reception	7:00pm - 1:00am	H
* 28	Professional Wrestling (AWA)	7:30pm - 11:30pm	A

A - Auditorium Arena  
 C - Convention Hall  
 EC - East Convention Hall  
 CR - Committee Rooms  
 E - Exhibit Hall  
 H - Hiawatha Room  
 P - Plaza Room  
 \* - Open to the Public





METROPOLITAN COUNCIL  
Suite 300 Metro Square Building, St. Paul, Minnesota 55101  
612-291-6359

NOTICE OF PUBLIC HEARING  
METROPOLITAN SIGNIFICANCE REVIEW OF THE  
PROPOSED ARENA FOR THE NATIONAL BASKETBALL ASSOCIATION (NBA)  
FRANCHISE IN MINNEAPOLIS

The Metropolitan Significance Review Committee will hold a public hearing beginning Wednesday, June 24, 1987, at 8:30 a.m. in the Metropolitan Council Chambers, 300 Metro Square Bldg., 7th and Robert Streets, St. Paul, Minn., for the purpose of receiving public comments on the metropolitan significance review report on the proposed arena in Minneapolis.

The report describes the project and summarizes statements submitted by the parties. The report also discusses the project's potential effects on other facilities in the metropolitan area including the St. Paul Civic Center and Met Center. It discusses the impact on other government units and includes an examination of alternatives and possible modifications to the project to alleviate any adverse effects.

All interested persons are encouraged to attend the hearing and offer comments. Persons wishing to speak may register in advance by contacting Debbie Conley at 291-6335. Written comments will be accepted until July 1 and may be sent to the Metropolitan Council, 300 Metro Square Bldg., St. Paul, MN 55101, Attention: Paul Baltzersen. Questions on the report should be directed to Paul Baltzersen of the Council's staff at 291-6321. Copies of the public hearing draft report are available free of charge from the Council's Data Center at 291-6464.

ARENAO  
PHDEV2/5

M E T R O P O L I T A N C O U N C I L  
Suite 300 Metro Square Building, St. Paul, Minnesota 55101  
612-291-6359

DATE: July 10, 1987

TO: Metropolitan Council

FROM: Metropolitan Significance Review Committee  
Donald Stein, Chair

SUBJECT: Metropolitan Significance Review  
Proposed National Basketball Association (NBA) Arena in Minneapolis  
Metropolitan Council Referral No. 14154-1

INTRODUCTION

A metropolitan significance review of the proposed arena for the NBA franchise in Minneapolis was initiated by the Metropolitan Council on April 23, 1987. Parties to the review included the city of Minneapolis, the Minnesota Timberwolves, the city of St. Paul and city of Bloomington. A staff report on the project was prepared under the direction of the chair of the Council and was the subject of a public hearing conducted by the metropolitan significance review committee on June 24, 1987 at which parties to the review and interested persons presented testimony. Final arguments and proposed findings and recommendations were presented to the committee by the parties at the committee meeting on July 8. The parties' statements together with statements submitted by interested persons are available for review in the Council offices.

AUTHORITY TO REVIEW

The Metropolitan Significance Act of 1976 (MSA 473.173) together with metropolitan significance rules and regulations adopted on Jan. 16, 1978, provide for the identification and review of all proposed matters alleged to be of metropolitan significance. The Council may initiate a metropolitan significance review by resolution or the chair of the Council, in response to a request submitted in accord with the rules and regulations, may order the commencement of a review.

The basis for initiation of a review is an arguable case that the proposed matter is of metropolitan significance. The standards for making an allegation of metropolitan significance include both metropolitan system effects and effects on local governmental units other than the situs governmental unit.

The purpose of the review, as stated in the rules and regulations, is to assure that the total effect of a proposed matter of metropolitan significance is considered and that the orderly and economic development of the Metropolitan Area is promoted, thereby protecting the health, safety and welfare of the residents of the area.

Following initiation of a metropolitan significance review, a significance review report is prepared by Council under the direction of the chair of the Council. It is to contain an objective description of the project, to analyze issues raised regarding the project and make a recommendation as to whether the

project is of metropolitan significance and, if so, what action by the Council is appropriate. The report is to be the subject of the public hearing conducted by the significance review committee which makes a recommendation to the Council on the metropolitan significance of the proposed development and potential mitigating measures.

If the Council determines that the development meets the criteria in the rules for metropolitan significance, the Council may choose to take no action, to amend its policy plan to accommodate the project, to propose modifications to the project that would alleviate any adverse effect, or suspend any action (construction) on the project for up to a one-year period following the issuance of its final determination.

The review of the proposed NBA arena in Minneapolis was requested by the city of St. Paul in a resolution accompanied by an information submission which alleged that the proposed development has the potential to substantially affect the existing or planned land use or development in local government units other than the city of Minneapolis.

The metropolitan significance rules and regulations provide that the Council must complete its review and make its determination within 90 days from the date of commencement. The 90-day period ends on July 20, 1987.

#### DESCRIPTION OF THE PROJECT

The project under review is a facility that includes an arena for the Minnesota Timberwolves, an NBA franchise team, and a full-service health club. The site is in Minneapolis and covers two blocks, bounded by Sixth St. N., Glenwood Av., First Av. N. and Second Av. N. The facility will be linked by skyways to the downtown and to peripheral parking garages.

The arena as originally described will have 18,000 seats, including 40 private suites with 10 seats each and 1,500 preferred seats that will be leased. It will have a convertible floor for ice events. The health club will accommodate 6,000-plus members and will provide all of the typical health club amenities with the exception of tennis. The arena and health club, as well as the Timberwolves franchise, will be owned by Marvin Wolfenson and Harvey Ratner and will be built at a cost of \$35.5 million exclusive of land acquisition and preparation costs.

Construction of the facility is planned to begin in spring 1988 with completion in fall 1989. The Timberwolves will play in the Metrodome for their first two seasons and will begin playing in the arena in the 1990-1991 season.

The city of Minneapolis has issued \$19 million in tax increment bonds to assemble and acquire the site for construction. Taxes generated from the facility together with an additional payment from the sponsors will be used to pay the debt service on the city bonds. The project will also pay 20 percent of its taxes as a contribution to the fiscal disparities pool. The remaining 20 percent will be paid by other taxpayers in Minneapolis.

The city will receive five percent of the net taxable income from the arena, the health club and the team. In addition, the city will receive 20 percent of the profit if the facility is sold and 10 percent of the profit if the facility and team are sold together.

## ISSUES

The major issue raised in the report is whether the proposed arena would have a substantial effect on existing or planned land use or development within a local governmental unit other than Minneapolis and, specifically, if the addition of the proposed arena would have a substantial effect on the St. Paul Civic Center in St. Paul and/or the Metropolitan Sports Center (Met Center) in Bloomington.

What constitutes a substantial effect on existing or planned land use or development is not clearly defined in the metropolitan significance regulations but is a matter of judgment for the committee or Council. "Substantial" is defined in the regulations as:

"a relative term, the meaning of which is to be gauged by all the circumstances surrounding the transaction in reference to which the expression has been used. It imports a considerable amount or value in opposition to that which is inconsequential or small, something serious as opposed to trivial, something essential, material, or fundamental."

There also is an issue of making maximum use of investments in existing facilities with available capacity before adding new ones.

## FINDINGS

### CONSISTENCY WITH COMPREHENSIVE PLAN

1. The proposed NBA Arena is generally consistent with the Minneapolis Comprehensive Plan but the plan does not specify an arena on this site or identify what street alignments may be needed to accommodate the proposed arena.

### METROPOLITAN SYSTEM EFFECTS

1. The proposed NBA Arena will not cause a substantial effect on the metropolitan transportation, sewer, airport or parks systems or on metropolitan system plans for transportation, sewers, airports or parks.

### METROPOLITAN DEVELOPMENT AND INVESTMENT FRAMEWORK: ECONOMIC ANALYSIS

The proposed NBA Arena is a special facility within the meaning of the Metropolitan Development and Investment Framework and, therefore, the Council used its economic evaluation criteria to review and comment on the proposed arena with regard to need for the facility, benefits and costs and public revenues that may be required.

#### Event Analysis

1. Although existing regional arenas have unused capacity based on 160 open dates at the St. Paul Civic Center and Metropolitan Sports Center and on the less-than-maximum attendance at those arenas, accommodating professional basketball in existing arenas would require rearranging the schedule of other events and scheduling some games at non-optimal times.

2. The market for nonsports events is both regional and local. There is not much room for growth in the regional market, which has the most profitable events.

3. The new arena will not attract as many nonsports events as the Minnesota Timberwolves state. The high end of estimates for nonsports events is 125-135.

4. Losing the NBA franchise would render operation of a new arena impossible without severe impacts on all arenas.

#### Public Subsidies and Arena Financing

1. Each of the existing arenas has received some form of public subsidy. None receives operating subsidies at this time. The University is proposing to fund its arena from ticket sales, student fees, revenues from priority seating and payments from the University for use of the facility.

2. Given reduced net revenues from those estimated originally by ERA Associates, the proposed NBA arena is more likely to compete with existing facilities for the more profitable events.

3. The increased competition for events will result in reduced rental rates at all arenas and reduced revenues for existing arenas considerably higher than those estimated initially by ERA Associates, which projected a loss of two to four percent of net operating revenues at the Metropolitan Sports Center and one to three percent at the St. Paul Civic Center.

4. The reduced revenues resulting from increased competition may require a greater subsidy for debt service from St. Paul downtown business for the St. Paul Civic Center and may require a future subsidy from St. Paul taxpayers for operations.

5. In written testimony the Minnesota Timberwolves stated that they will not need to compete aggressively with existing arenas for events because the new arena will be profitable based solely on basketball revenue and on replacement events from the old Minneapolis Auditorium. However, the president of the corporation, Robert Stein, stated in oral testimony that existing facilities could retain those events important to them.

6. The extent to which the new arena needs to attract nonsports events depends upon the revenues generated by the basketball operations and health club operations. This, in turn, depends upon the organizational structure for these operations and the arena, specifically how revenues are shared. The three operations, the franchise, arena and health club will be divisions of a single corporation.

7. The Minneapolis Community Development Agency has contracted with the corporation representing the franchise, arena and health club to pay the debt service for the arena. The debt service is also guaranteed by a line of credit that includes the assets of the Northwest Racquet Clubs, Inc., which consists of the existing health clubs owned by the sponsor of the arena project. In addition, personal guarantees are provided by Harvey Ratner and Marvin Wolfenson.

8. The effect of tax increment financing for the proposed NBA arena site is to increase taxes within the city of Minneapolis and, to a lesser extent, in the rest of Hennepin County.

### Economic Impacts

1. Arenas typically have less significant economic impact than facilities such as convention centers that attract visitors from outside the area who stay overnight and use nearby restaurants and other retail establishments.
2. The proposed NBA arena will have annual total direct and indirect benefits upwards of \$18.6 million in addition to the one-time benefits from construction. Total direct impacts are projected to be \$7.8 million plus an additional \$2.4 million in property taxes and \$0.4 million in sales and excise taxes. Some of these expenditures are diverted from elsewhere in the region.
3. The city of Minneapolis will benefit from increased employment opportunities and property taxes. In addition, Minneapolis will benefit if the arena serves as a catalyst for redevelopment of a blighted area in the downtown.
4. The city of Minneapolis and the Minnesota Timberwolves are paying the financial costs of the proposed NBA arena. At the same time, construction of the new arena may create costs for existing arenas in terms of reduced revenues.

### METROPOLITAN DEVELOPMENT AND INVESTMENT FRAMEWORK: PLANNING ISSUES

1. The proposed NBA Arena is consistent with MDIF policy for the Metro Centers that states that appropriate development in the Metro Centers is that requiring a central location, high accessibility, high service levels and high density. The arena's anticipated effect on redevelopment of a blighted area in downtown Minneapolis is also consistent with MDIF policy supporting strong Metro Centers in the region.
2. MDIF policy supports two strong Metro Centers. To the extent that a new arena adversely affects the economic health of downtown St. Paul, it would not be consistent with Council policy for the Metro Centers.
3. The MDIF focuses on managing public resources with the objective to maximize the use of existing facilities. If existing facilities can accommodate the Minnesota Timberwolves, construction of a new arena would not be consistent with Council policy supporting economic use of public resources.
  - a. There is capacity (open dates and adequate playing facilities) within the existing arenas to house the Minnesota Timberwolves but the Minnesota Timberwolves have identified a potential financial risk for the franchise if the team does not have a facility in which they have priority scheduling and ancillary facilities.
  - b. The proposed University basketball arena can provide the priority scheduling and ancillary facilities needed by the Minnesota Timberwolves. The University estimates that the cost of the University basketball arena will be \$50 million. No funds are currently committed for the University project.

### RECOMMENDATIONS

1. That the Council determine that the metropolitan significance regulations apply to the proposed NBA arena project.
  - a. That the Council determine that the proposed NBA arena project will not