



State of Minnesota  
Department of Finance

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May 9, 2006

To: Chairman Pogemiller                      Chairman Krinkie  
      Senator Belanger                         Representative Lenczewski

From: James Schowalter   
      Assistant Commissioner

Re: Local Impact Note – **HF 2480 (Finstad)**  
      **Baseball Stadium in Hennepin County**

On April 17, the Department of Finance received a request from the ranking minority member of the House Taxes Committee to prepare a local impact note on HF 2480, a bill that provides for the financing, construction, operation, and maintenance of a ballpark for major league baseball in Hennepin County

Local impact notes are similar to the fiscal notes that you are familiar with, but they focus on the fiscal impact of proposed legislation on local governments rather than the State. This process is described in Minnesota Statutes 3.987 and 3.988. This statute requires the Department of Finance to gather and analyze information on local costs of legislation when requested by the chair or ranking minority member of either tax committee.

According to Minnesota Statute 3.988, the local impact note process does not apply in those cases where a bill “accommodates a specific local request.” In this instance, HF 2480 reflects a request made by Hennepin County. The county’s board of commissioners approved a resolution on April 18, 2006 that directed county staff to prepare a legislative proposal for construction of a new Minnesota Twins ballpark in downtown Minneapolis. The county worked on a stadium agreement with the Minnesota Twins and presented their proposal to the state legislature.

Though a complete local impact analysis was not statutorily required, we have attached some cost estimates provided by Hennepin County and the Minnesota Department of Revenue. Some analysis is also provided on the proceeds that will be received by Minneapolis for the 3% entertainment tax on admissions included in the final version of the bill as it passed the House. This information does not include all the potential revenues and expenditures that will be faced by Hennepin County and the City of Minneapolis if this bill is enacted.

If you or your staff has any questions regarding this local impact note request, please contact Alexandra Broat, Executive Budget Officer at 651-296-1700.

Attachments

cc: Representative Finstad  
      Senator Kelley  
      Legislative Staff (email)

**Local Impact Note  
 Financing, Construction, and Operation of a  
 Baseball Stadium in Hennepin County  
 HF 2480**

**Local Impact Analysis Summary**

This bill provides for the financing, construction, operation, and maintenance of a ballpark for major league baseball in Hennepin County. Specifically, it provides for the construction of a \$480-million ballpark to be built in downtown Minneapolis. The Minnesota Twins would be required to pay \$130 million to build the new ballpark. Hennepin County would finance the rest with proceeds from a 0.15 percent sales tax. The sales tax would be exempt from a countywide referendum. This bill also allows the Minneapolis entertainment tax to apply to admissions in the new stadium.

**Local Impact Analysis Detail**

**Hennepin County Construction and Development Costs**

Areas of Costs	Hennepin County Share (\$s in thousands)
Ballpark Construction	\$260,000
* On/Off-site Development Costs	\$90,000
<b>Total</b>	<b>\$350,000</b>

\*On/off site development costs include money for land, surface parking, site improvements, and infrastructure.

**Hennepin County Debt**

*Estimated Size of County Debt*

Hennepin County plans to issue 30-year tax exempt bonds.

Net Proceeds from County Debt Issuance	\$ 350 million
Issuance Cost/Debt Service Reserve/Bond Insurance	<u>42 million</u>
<b>Total County Debt Issuance</b>	<b><u>\$ 392 million</u></b>

Estimated Annual County Debt Service Payment	\$ 23.5 million
Estimated Annual Tax Revenue Required at 130% Coverage	29 million

### **County Debt Statistics**

Estimated Average Interest Rate (Variable and Fixed Rate Debt)	*5%
Coupon Range	
Assumed Underlying Rating	"A"
Insured Rating	"AAA"

\*It is assumed current market rates plus 50 basis points

### **Hennepin County Sales Tax Revenue Estimates from the Department of Revenue**

	<b>CY 2006</b>	<b>CY 2007</b>	<b>CY 2008</b>	<b>CY 2009</b>
<b>0.15% Hennepin County Sales and Use Tax Revenues (\$s in Thousands)</b>	\$0	\$28,420	\$29,210	\$30,010

### **Minneapolis Entertainment Tax Revenue Estimate**

Under the latest version of HF 2480, the 3% Minneapolis entertainment tax would apply to admission fees at the new ballpark. This tax would bring in additional revenue for the City of Minneapolis since it does not currently apply to admissions at the Metrodome. Using data from the 2005 baseball season provided by the Department of Revenue, an estimate of the revenues from the tax if it had been applied last season was calculated. With an average ticket price of \$17 and approximately 2 million people attending Twins games last season, **\$1.02 million** would have been collected by Minneapolis for the 2005 baseball season if the entertainment tax had been in place. Depending on the ticket prices and attendance numbers at the proposed ballpark, this amount would be different for the new stadium.