Briefing on Stadium Finance Plan – Ways & Means/Budget Committee
May 21, 2012

Bill summary, financial aspects

- No new local taxes
- Events at new stadium subject to entertainment tax on tickets, including Vikings (Metrodome exclusion gone), worth $1.5-2 million a year to general fund
- Revenue from liquor, restaurant, lodging taxes now available for purposes beyond convention center, in addition to 0.5% general sales tax
- Eligible uses of sales, liquor, restaurant and lodging taxes now include capital projects and economic development
- State sales tax exemption on materials for capital/development projects over $40 million (funded at least in part by these revenues)
- Sales, liquor, restaurant, lodging taxes must be imposed until at least 2046, but City retains right to reduce rates as long as revenues are sufficient to cover obligations
- Clawback on potential sale of team anytime in next 20 years provides for portion of profit on sale to go directly to City, worth potentially $15–110 million to City
- Commercial uses and mixed-use development on stadium site subject to property tax
- Starting in 2021 and assuming growth of no more than 2%, State to retain from sales, liquor, restaurant and lodging taxes generated in City tax revenue sufficient to cover local share of stadium costs
- City retains tax revenue growth above 2%, subject to revenue-sharing formula with State/Authority, starting with tax revenues collected in 2013
- Addition of professional soccer to stadium operations includes provision for market rent

Financial ramifications for City

- City participation in total stadium costs reduced from 23% (term sheet) to 21%; State down from 27% to 24%; Team up from 50% to 55%
- Existing tax revenue stream secured as source to fund hospitality, entertainment and capital/development assets through at least 2046
- Integrating these existing tax revenues with other general revenues (e.g., property tax, entertainment tax, parking revenue, etc.) allows for maximizing ongoing investments and lessening reliance on property taxes
- New revenue from stadium activity (entertainment tax at stadium events, additional parking revenue from events, possible additional hotel revenues, etc.) adds additional dollars to revenue mix
- Permit fees will be imposed during construction (both stadium and Target Center renovation projects)
- Securing funding source for City share of Target Center renovation leverages and maximizes private contributions

- Target Center renovation leads to renegotiation of existing team lease and operator agreement
- State retention of tax revenue for stadium purposes beginning in 2021 represents no material increase in cost: on average and on an annual basis, will be approximately equal to existing Convention Center debt service (which ends in 2020)
- Modest 2% growth in tax revenue provides sufficient resources to fully invest in Convention Center, including $402 million in capital investment through 2046, and Target Center, including $267 million in capital investment through 2046.
- Modest 2% growth in tax revenue also provides additional available revenues for general fund property-tax relief and capital projects, economic development and infrastructure
- City Council retains, through annual budget process and ongoing financial management oversight, ability to direct future resources as deemed appropriate and necessary
- Revenue growth above 2% provides significantly more dollars for any or all purposes City Council deems appropriate and necessary