



Senate

State of Minnesota

SENATOR ELLEN R. ANDERSON
District 66 - St. Paul & Falcon Heights
120 State Capitol Building
75 Rev. Dr. Martin Luther King, Jr. Blvd.
St. Paul, MN 55155-1606

Phone: (651) 296-5537
E-Mail: sen.ellen.anderson@senate.mn

January 15, 2004

Commissioner Dan McElroy
Chair, Stadium Screening Committee
400 Centennial Building
658 Cedar Street
St. Paul, MN 55155

Dear Commissioner McElroy:

I am attaching materials on the Community Ownership legislation that I have authored since 1997 and ask that you provide it to members of the Stadium Screening Committee. This proposal, though not a stadium plan, is integral to obtaining support from legislators like myself, who have serious concerns regarding the investment of public dollars in a private business operating in a very unstable industry. It is a true market test as to whether citizens, fans and the corporate community view the Twins as a Minnesota asset.

The Community Ownership legislation:

- Meets Major League Baseball ownership requirements - no government ownership and day-to-day management controlled by one person (managing partner).
- Allows managing partner to direct more resources to team operations and ballpark as equity requirement is lessened
- 'Takes the wheels off' the TWINS
- Ensures that the community, not a single owner, benefits from a new ballpark

As you know, the stadium debate has been very divisive both at the legislature and in the public domain. Community Ownership has garnered support from legislators who span the stadium spectrum because it is designed to build community support -- not divide citizens and fans.

I truly believe that once the team is controlled by Minnesota fans, the stadium issue will be resolved with minimal controversy.

The legislation has continued to gather support since it was first introduced. The Twins included a modified plan in one of their earlier proposals and in 2002 the Senate included it in its stadium legislation. We intend to move it forward again this session.



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COMMITTEES: Chair, Commerce and Utilities, Environment, Agriculture and Economic Development Budget Division; Jobs, Housing and Community Development; E-12 Education Budget Division
COMMISSION: Legislative Commission on Minnesota Resources



I am confident that once members of your committee review the outline of our proposal that they will agree that Community Ownership is an integral part of any stadium solution. We have stated for many years that it provides a 'market solution to a private sector problem'. We will be available to provide a brief presentation to your committee during its deliberations next week.

I appreciate you forwarding this information and should you need additional materials please let me know.

Sincerely,

Ellen Anderson
State Senator

F.A.N.S.



Community Ownership

A market solution to a private sector problem

FANS ANSWER TO NEW STADIUM
It's A Whole New Ballgame

- Ownership structure meets Major League Baseball ownership requirements – no government ownership and day-to-day management controlled by one person (managing partner).
- Donation to foundation will have significant fiscal advantages for current owners
- Structure allows managing partner to direct more resources to team operations and ballpark as equity requirement is lessened

Ownership Feasibility Analysis

- ❖ Assume Team Value of \$130M / Class A shares at \$1,000 & Class B shares at \$100

Class A 5% Club Requires \$6M - \$7M investment by each entity

- ❖ Former Players Team – Hrbek, Puckett, Blyleven, Molitor, Killbrew, Kaat, Gladden, Steinbach
- ❖ Financial Institution(s) – Wells-Fargo, US Bank, First USA, TCF Financial
- ❖ Corporate Investors – General Mills, Ecolab, Medtronic, 3M, Piper-Jaffrey, American Express
- ❖ Individual Investors – Glen Taylor, Vance Opperman, Harvey McKay, Mike Cirisi, Clark Griffith
- ❖ Minority Investors – Minnesota Native Tribes & Minority consortiums

Class A Individual Shares

- ❖ Assume 40% of individuals signing 'Save the Twins' petition buy 1 Class A share
 - 72,000 petition signers = 72,000 shares @ \$1,000 or \$72M

Class B Individual Shares

- ❖ Assume 60% of individuals signing 'Save the Twins' petition buy 1 Class B shares
 - 108,000 petition signers x 1 = 108,000 shares @ \$100 or \$10.8M

Managing Partner Requires \$30M - \$35M Investment

- ❖ Responsible for day to day operations, covers operating costs including profits/loses and receives majority of tax benefits

Further Financing Available: This model assumes 100% equity financing. Baseball teams are usually purchased with 50% debt. Any debt ratio below this level will give the team debt capacity for the purpose of investing in a ballpark or to support team operations.

Green Bay Packers Stock Sale

The Packers recent stock sale generated over \$24 Million for the team. Approximately 120,000 shares of the team were sold at \$200 each. The funds generated assisted in rehabilitating Lambeau Field.

F.A.N.S. the successor organization of 'Save The Met' has worked actively since 1997 to build public support for a fair fan-friendly ballpark proposal through the Community Ownership of the Twins. We believe that fans and businesses must 'step to the plate' before we ask the public too.

Community Ownership - TALKING POINTS

Ownership Structure Meets Major League Baseball's Criteria

- + MLB prohibits government ownership & requires a single managing partner
- + MLB allows private stock sales – Cleveland Indians had a stock sale in 1997
- + Jerry Colangelo Diamondbacks owns 6% / Bill Giles Phillies owns 19% / Peter Magowan Giants owns 15%

Ownership First

- + Current owners would free up their equity to invest in ballpark or team operations
- + Market test to see if fans & business community truly support the Twins
- + Community Ownership requires new owner to raise less equity to purchase team – 25% vs. 100% allowing owner to invest more equity in ballpark or team operations
- + Only way to 'take wheels off team' better than trusting Bud or a 30 year lease as it requires supermajority vote to sell or move team

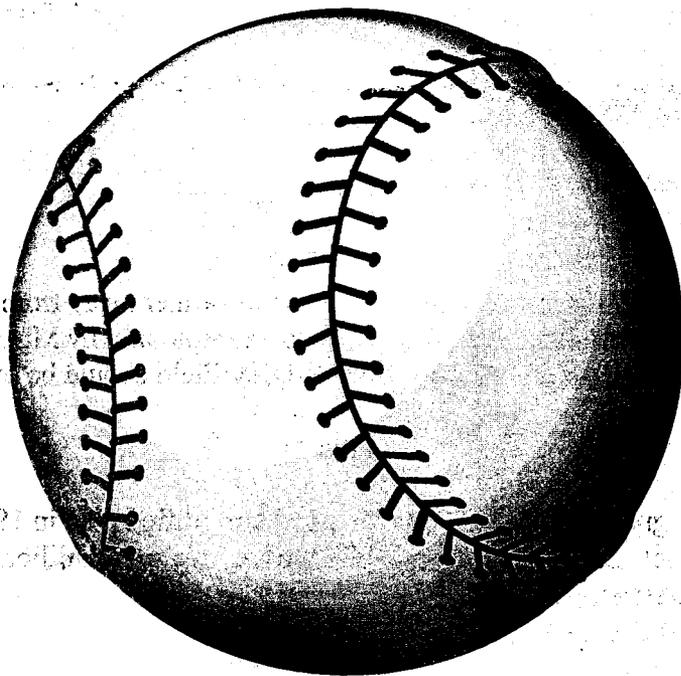
Ballpark Next

- + new owners, business community & fans need to commit funds for ballpark first before asking for state or local tax dollars
- + new owners can work with business community groups like New Ballpark, Inc on raising private capital or an additional public stock sale like the Packers
- + allows more public discussion and in-put into ballpark design and costs / Pittsburgh built a stadium for \$200M with many of the amenities – revenue streams – teams demand
- + New Ballpark Inc & architects not tied to MLB suggest that a compact, fan-friendly ballpark can provide adequate revenue and be less costly than the new cookie-cutter retro parks
- + Twins last stadium proposal had second deck seats higher and farther away from home plate than at Dome
- + Metrodome the last multi-purpose domed stadium, is good example of why Minnesota doesn't want to be on the backside of the wave / building the 21st century first Wrigley Field should be our goal

Politics

- + CO Plan was originally designed in 1996 – Twins included a modified plan in 1997 -- continues to garner support among legislators – included in last Senate Bill – we haven't spent millions of dollars like the teams on promoting effort but it makes sense to the average fan or taxpayer
- + elected members recognize that recommendations move to political arena – CO allows many legislators across the spectrum to support some type of contribution if demonstrated that fans & business community will support team
- + state is basically passing the subsidy buck to local communities
- + any bill other than CO will only prolong debate – we will be back again trying to fix it next year
- + why not have a referendum on whether the Twins are a community asset than whether the state or local government should invest in an unstable business venture

STOP... A plan to keep...



2004 Community Ownership Legislation

A plan to keep the Twins in Minnesota



MINNESOTA TWINS You Can Own 'Em

Legislation Summary

- Requires the Governor and the Metropolitan Sports Facilities Commission (MSFC) to attempt to work with the Minnesota Twins and a community foundation or nonprofit corporation to transfer ownership of the Twins to the foundation or nonprofit corporation.
- **75% of the Minnesota Twins publicly owned.**
 - **Class 'A' Stock provides full voting rights.**
At least 50% of Class A Stock must be sold so no person or entity owns more than 1%.
Up to 25% of Stock can be sold in 5% increments to individuals or corporations.
*(each share *could* be valued at approximately \$1,000/share)
 - **'B' Stock allows fans & citizens to show support for THEIR team.**
Fans and public would be purchasing a "certificate of ownership" not tradeable stock and holders would have limited voting rights i.e. relocation of the team. *(Class 'B' stock certificates *could* cost owners approximately \$100/share).
- **25% of Twins owned by private management group, i.e. Pohlads or another group of investors.**
 - Private managing partner would be responsible for all team operations, expenses and interactions with Major League Baseball.
- Allows the owners/foundation/nonprofit to sell the franchise if within one year less than 75% of non-managing partner Class A shares are not sold.
- **Highlights of legislation:**
 - Ownership structure meets Major League Baseball ownership requirements -- no government ownership and day-to-day management controlled by one person (managing partner).
 - Structure allows managing partner to direct more resources to team operations and ballpark as equity requirement is lessened

Ballpark Issue

- **Once the public - fans, corporations & taxpayers 'step to the plate' to prove the Twins are a valuable community asset, we can have a rational and open discussion about the type of ballpark needed and the appropriate funding mix.**

* Actual purchase prices of stock values have not been determined.



MINNESOTA TWINS

Just Who Would Own 'Em?

25% MANAGING OWNERSHIP

Private group of investors to purchase up to 25% of Minnesota Twins.

- Would be responsible for day-to-day operation of team.
- Tax benefits could flow to the managing partner.

CLASS A STOCK "5% CLUB"

- Up to 25% of Class A Stock can be owned by individuals or corporations holding up to 5% of the value of the team.
- Full voting rights.

REMAINDER OF CLASS A STOCK AND ALL OF CLASS B CERTIFICATES

Class A Certificates of Ownership:

- Individuals can hold stock of up to 1% of the team
- Full Voting Rights

Class B Certificates of Ownership:

- People could purchase a certificate of ownership for as little as \$100. Ownership would allow holders voting rights on relocation only. It is not tradeable stock but a contribution to keep the Twins in Minnesota.

**75%
Community
Owned**



MINNESOTA TWINS

Community Ownership

A Market Approach to a Private Sector Problem

- ❑ **Community ownership gives shareholders the opportunity to own the Minnesota Twins.** Fans, taxpayers, businesses and others can purchase either stock or certificates of ownership in the team.
- ❑ **Ensures the Minnesota Twins do not leave the state -- takes the wheels off the team.** The franchise could not move outside of the state without approval of 80% of the shareholders of Class A stock and 80% of the shareholders of Class B stock.
- ❑ **Allows a true market test as to whether the Twins are a community asset.** It will require the public to show support *before* ball park plans are finalized.
- ❑ **Creates a true public/private partnership model of professional sports ownership and management.** It gives Minnesota the opportunity to use professional sports as a community building catalyst.
- ❑ **Creates a broad-based ownership structure that ensures the community benefits from the added value of the baseball franchise, as opposed to a single owner.**
- ❑ **Community ownership model is similar to the existing Green Bay Packer arrangement.** It provides a market test in that fans, taxpayers, business and corporations will have to purchase the team and proves it is a true community asset.
- ❑ **Community Ownership builds support for/can justify some public investment in that TWINS are truly a broad-based public entity.**
- ❑ **Community Ownership is similar in structure to a number of current baseball ownership arrangements** that include a managing partner, limited partners and common stock.
- ❑ **Community ownership allows the corporate community to participate as partners.** It allows business to invest in Minnesota Twins baseball.
- ❑ **Community ownership provides the current owners with an opportunity to profit** from their investment or the opportunity to hold 25% of the team allowing 75% of the equity to be purchased by the public.



Minnesota House of Representatives

House Research

House | Senate | Legislation & Bill Status | Laws, Statutes & Rules | Joint Depts. & Commissions

House Research Bill Summary

FILE NUMBER: H.F. 2587

Version: First engrossment

Authors: Kahn and others

Subject: Community Ownership of Minnesota

Twins

Analyst: Mark Shepard, 651-296-5051

DATE: February 25, 2002

STATUS: House Floor

This document can be made available in alternative formats upon request. Please call (651) 296-6753 [voice]; or the Minnesota State Relay Service at 1-800-627-3529 [TTY] for assistance.

Overview

Proposes a process for establishing community ownership of the Minnesota Twins.

Section

1 **Purpose.** States legislative findings and purpose for community ownership of a professional baseball franchise.

2 **Acquisition.**

Subd. 1. Authority. Provides that the governor and the metropolitan sports facilities commission must attempt to provide for community ownership of the Minnesota Twins. Requires the governor and commission to attempt to work with the Twins and a community foundation or nonprofit corporation to transfer ownership of the Twins to the foundation or corporation by gift or sale. Requires development of a plan to offer shares of the franchise to the general public.

Subd. 2. Conditions. Specifies conditions that must be met in a transfer to community ownership:

Within one year of transfer to the foundation or nonprofit corporation, the foundation or corporation must offer the team for sale, as provided.

Class A shares will give owners full voting rights; Class B shares will give owners the right to vote only on relocation of the franchise.

A private managing partner must be selected to operate the franchise, and must own no more than 25 percent of the class A stock.

Other than the private managing partner, no individual or entity may own more than 5 percent of the class A stock, and at least 50 percent of the class A stock must be dispersed in a manner such that no person or entity owns more than one percent.

The governing documents must provide that the franchise may not move outside of the state without approval of 80 percent of the shares of class A stock, and 80 percent of the shares of class B stock.

Within one year of transfer of ownership to the foundation or nonprofit corporation, the commission must determine if subscriptions for purchase of class A stock are sufficient to purchase 75 percent of the class A shares not owned by the managing partner. The community foundation or nonprofit corporation must have the right to sell its interest in the franchise if less than 75 percent of the class A stock held not held by the managing partner is not sold within a year.

Subd. 3. Prohibition. Prohibits a state agency from spending money from a state fund to generate revenue under this section or to provide operating support for a professional baseball franchise.

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