

Minnesota House of Representatives

Fiscal Analysis Department

TO: Rep. Alice Hausman
FROM: Koryn Zewers, House Fiscal Staff
CC: Bill Marx, Chief Fiscal Analyst
DATE: January 28, 2007
RE: Funding for Major Locally-Owned Sports Facilities

As you requested, below is a brief overview of the financing for the DECC, Saint Paul RiverCenter/Xcel Center, and Target Center. Also, please find attached a list of the 2008 requests for sports-related facilities.

Duluth Entertainment and Convention Center (DECC)

The Duluth Entertainment and Convention Center Authority is currently seeking \$40.283 million in GO bonds to design and construct a new DECC/UMD arena. Below is a summary of previous state appropriations for the DECC.

Initial funding for arena	Local sales tax dollars
Transform building into a convention center (1985)	\$16 million
Unspecified project (1987)	\$1.2 million
Expanding the DECC (1988)	\$12 million
TOTAL STATE	\$29.2 million

According to the Finance Director at the DECC, the operating and general maintenance costs for the DECC are primarily covered through their operating revenue. This includes revenue from concessions, catering, ticket office, etc. They also receive a portion of the City of Duluth's lodging tax and general local sales tax. The City contributed approximately \$917,000 in 2007 and will be approximately \$970,000 in 2008.

The city also bonded for the DECC in 2006 to fund a connection to a steam plant to heat the DECC. The DECC Authority pays the debt service on those bonds with operating revenue. In addition, the DECC Authority also sold bonds on their own to pay for the OmniMax Theater; these bonds were not issued through the City of Duluth.

Saint Paul RiverCentre and Xcel Center

Although the City of Saint Paul did not submit a bonding request for the Saint Paul RiverCentre and Xcel Center for 2008, a number of bills included appropriations for these buildings during the 2007 session. Minnesota Laws 2007, Chapter 135, Article 1 appropriated \$2.5 million to the City of Saint Paul for a grant to pay, redeem, or refund the debt service costs incurred for the RiverCentre campus. The Governor vetoed this provision before signing the bill. Below is a summary of previous appropriations for the Saint Paul RiverCentre complex.

Initial funding for Saint Paul Civic Center	Local funds
Reconstruction into a sports / convention center (1988)	
Loan to be repaid by the City of Saint Paul	\$48 million
Grant to the City of Saint Paul	\$17 million
TOTAL STATE	\$65 million

There is approximately \$42.99 million in principal still owed on the bonds the City of Saint Paul issued for the RiverCentre. The City is currently paying the debt service on these bonds with revenue from a 0.5% sales tax. In addition, as mentioned above, the state gave the City of Saint Paul a loan of \$48 million for the Xcel Center; there is approximately \$41.25 million in principal remaining on this loan. The payments to the state for this loan are paid back with rent payments from the hockey team. The City would like to have both of these debts paid off by the state.

The City of Saint Paul does not directly contribute to the operating costs of the Saint Paul RiverCentre or the Xcel Center. Revenue generated from a lodging tax, parking revenue, facility fees, and other sources cover the operating expenses for the RiverCentre. The MN Wild pays the operating and maintenance costs of the Xcel Center, and the City uses the rent the team pays to pay back the debt on the bonds as well.

Target Center

The City of Minneapolis is currently seeking \$62 million in GO bonds to pay the principal on outstanding bonds issued to purchase the Target Center. The Target Center was originally built with private funds. However, in the mid-1990s, the City of Minneapolis purchased the facility with \$67.5 million in 30-year GO tax increment financing bonds and \$12.6 million in 30-year private sector subordinate bonds.

To date, the state has not provided funds for Target Center capital costs. However, the state annually contributes \$750,000 to the venue. This appropriation is made to the Amateur Sports Commission for the purpose of entering into a long-term lease, use, or other agreements with the Metropolitan Sports Facilities Commission. It appears that under Minn. Stat. §473.556, subd. 16(b)(2), the \$750,000 standing appropriation from the state for the Target Center ends when the Metrodome bonds are retired. I am looking into these bonds further and will provide you with additional information on this appropriation when it is available.

The City currently pays \$6 million per year in debt service for bonds issued to finance the acquisition of the Target Center, as discussed above. The sources for 2008 included \$2.25 million in tax increment financing, \$1 million in City entertainment taxes on events at the Target Center, \$2 million from the City's parking fund, and \$750,000 from the MN Amateur Sports Commission (which comes from the state).

The City contracts with AEG Facilities to operate and book entertainment events at Target Center. AEG and the Timberwolves share certain revenues relating to Timberwolves events (concessions, luxury boxes, advertising, etc). AEG also collects revenues from other events to pay the operating costs of the Target Center. The 2007 operating costs for the Target Center are expected to be \$9.9 million; revenues received by the operator from the Timberwolves and other events are \$8.4 million. The remaining portion of AEG's operating expenses will be paid by the City of Minneapolis.

Please let me know if you would like any additional details regarding the budgets for the DECC, RiverCentre/Xcel Center, Target Center, or other sports-related facilities. I can be reached at Koryn.Zewers@house.mn or at 651-296-4178.

Thank you.

2007 - 2008 Capital Budget Requests: Sports-Related Facilities*(all \$ in thousands)*

Project Title	Requested Amount
Baseball fields for children with disabilities	?
Bemidji Regional Event Center (BREC)	\$22,000
Crookston Flood Control Project: Ice Arena Relocation	\$12,889
DECC arena	\$40,283
Fairmont sports complex	\$500
Guidant John Rose Minnesota OVAL - Roseville	\$695
Hyland ski jump	\$550
Indoor ice arena - Badger	\$168
Mankato Civic Center/Arena expansion; Women's Hockey Exposition Center	\$1,200
Mayo Civic Center Expansion	\$37,500
Mighty Ducks ice arena grants - Various	\$5,000
Mn West CTC, Worthington - field house renovation and addition	\$4,000
Multi-Events Center - Phase II (Aquatic Center) - Thief River Falls	\$2,415
N Metro Regional Sports Center - Arden Hills	\$125
National Sports Center - Blaine	\$1,400
National Volleyball Center - Rochester	\$4,000
NW Regional Sports Center - Moorhead	\$4,000
Richfield athletic fields	\$550
Saint Cloud State University National Hockey Center	\$11,000
Saint Paul Outdoor Recreation and Team Sports (SPORTS) Initiative	\$25,000
Saint Paul RiverCentre Grant	\$55,800
Saint Paul RiverCentre Loan Repayment	\$42,750
Softball fields - Ceylon	\$18,000
St. Cloud Civic Center Expansion Project	\$15,000
SW Regional Sports Center - Marshall	\$100
Target Center Debt Reduction	\$62,000
	\$366,925