

## **Minnesota Vikings' Stadium Funding Proposal**

While Minnesotans may disagree on both the need and the finance mechanism for a new football stadium, the Minnesota Vikings football team will get a new stadium or they will likely seek another locality. Most Minnesotans do agree that the team adds value, if not for themselves, at least for someone they know. At the same time, most Minnesotans will never attend a professional football game and many cannot afford to do so if they wanted to. The first policy question therefore, is, "Should they be asked to help pay for something that is inaccessible to them and, if so, what is their benefit from their investment?"

Former Federal Reserve Vice-President Art Rolnick has argued that constructing new sports facilities for existing teams does not produce new living wage jobs beyond construction opportunities and that there is little return on the public investment, either to the state or the local community. A second policy question is whether or not residents of the city or county in which the stadium is constructed should be asked to pay an additional and disproportionate share of the cost without a return on that investment.

Unlike facilities such as parks, playgrounds and natural areas that are open freely to the public, stadiums are built for the benefit of the team that uses it. And unlike the University of Minnesota, the Minnesota Vikings have vast and varied financial resources that are shared by players, the teams and the league, resources in the neighborhood of \$9 billion. The following suggestions for amending the current 2011 stadium proposal in the legislature are in line with the benefit-based financing philosophy - those who use it pay for it - recommended by Governor Dayton. The first four items relate to contributions to the state for its portion of the construction cost regardless of location. Items 5 through 8 would provide revenue to Ramsey County to pay its portion should the TCAAP site be selected.

### **1. Income tax Surcharge**

The proposed legislation calls for a "player income tax surcharge". There will be multiple events beyond Vikings' games, such as rock concerts, trade shows, etc., and such a provision would not capture resources other than from football players (or baseball players should the stadium be used for that purpose). If the Hubert H. Humphrey Metrodome is demolished, even more events will be scheduled at the new stadium no matter where it is located. In order to capture revenue from this expanded use the income tax surcharge should be expanded to include anyone who uses the stadium for an event and derives income from it, whether individual or corporate.

It has been reported that the Vikings have implied a lawsuit to prohibit such a tax, however, there is a way to establish the tax in a non-discriminatory manner. To do so, a stadium development district or special taxing district would be established and any person earning income in the facility would be subject to the tax under rules set by the

legislature. These rules would include the percentage to be applied (5% has been proposed) and an exemption from event-related income or an annual personal income below a certain level. This would assure that all low-pay workers would not have an additional tax on badly needed income. Once the related bonds have been paid the surcharge could (1) continue and revert to the state general fund, (2) be placed in a fund to upgrade the stadium or (3) directed to other specified uses such as providing support to high school sports programs. In addition, excess annual revenues could be used to reduce the bond debt as quickly as possible.

## **2. Alternative Tax Option**

An alternative option to collect revenue from a non-football event would be to institute a gross revenue tax from any event held in the facility except professional football and baseball. Such a tax would be applied as a percentage of all revenue related to the event held in the stadium before expenses.

## **3. Advertising Tax**

Aside from gate receipts the “big dollars” in professional sports are in advertising revenue. To capture some of that benefit the legislature could establish a special tax on radio and television advertising related to sporting events. This tax would help get people who listen, watch or otherwise benefit from such events, such as bars and restaurants, both local and out-state, as participants in the revenue stream. This benefit group includes sports-talk radio, local radio and television stations, advertisers and the listeners who support the advertisers.

## **4. Windfall Ticket Tax**

Establish a “windfall” tax on proceeds from the sale of all Minnesota event tickets greater than the face value, whether on-line, by mail, in person or on-site. This legislation should include penalties for non-compliance and non-reporting.

## **5. Food, Beverage and Liquor Surcharge**

We propose a local tax on food (2%), beverages (3%) and alcoholic beverages (5%) served in the facility. The total could range from \$400,000 to \$600,000 annually. In lieu of this, a local tax on the gross revenue for on-site food and beverage sales at a rate of 10% could be applied.

## **6. County Parking Facility**

The proposed legislation does not include revenue from a parking facility and this proposal recommends that Ramsey County's portion of the cost/revenue stream includes the construction and revenue from such a facility or series of facilities connected directly to the stadium. To do so, we recommend that the legislature eliminate from the proposed legislation any provisions that would require further legislative approval for parking facilities or the collection of revenue from parking facilities by the local governmental unit partner. This would allow the whole project to move forward at the same time.

## **7. Materials Sales Tax**

We further propose that building materials and services used in the construction of any publicly-owned parking facility adjacent to the stadium be exempted from the Minnesota state sales tax just as the materials for the stadium itself are exempted.

## **8. Naming Rights**

Whether an open lot, a parking ramp or a series of ramps, areas will need to be identified to facilitate finding vehicles after events. Instead of using colors, animals or other types of typical identification, naming rights provide a one-time opportunity for new revenue. However, if contracts were for intervals such as five periods, this revenue could be maximized because rates will increase over the life of facility. Additionally, these shorter contracts at lower rates would make it possible for local businesses to advertise on the site rather than relying on one or two major benefactors.

Why is parking a good revenue source? Keep in mind that the parking facilities that serve the Metrodome or the Twins' stadium in Minneapolis for the most part are owned by private entities or the city. Neither the Vikings nor Twins appear to benefit directly from that revenue, much of which is captured by the city for its budget. Parking rates vary depending on proximity to the stadium with \$20 to \$30 per major event not unusual.

A 25,000 space facility, or facilities depending on the configuration, would provide a sufficient number of spaces to meet the maximum demand. Assuming maximum capacity for each football game and assurance of at least 10 home games the following revenue could be captured by Ramsey County to pay for its share as proposed. Separate space would be provided for Metro Transit buses, motor coaches and other buses in which an additional per person fee could be added so that outlying parking facilities could not take advantage by offering free bus rides to the stadium.

Other events held at the stadium provide additional parking revenue and the facility would also be used as a park & ride site for the Metro Transit System.

## **Scenario 1**

### Vikings Football Games:

20,000 x \$10 per space yields	\$ 200,000	
5,000 x \$20 per premium space <sup>1</sup>	<u>\$ 100,000</u>	
	\$ 300,000	
x 10 home games		\$ 3,000,000

### Other Events:

15,000 x \$10	\$ 150,000	
x 100 events		\$ 15,000,000

### Daily Parking For Transit Park & Ride:

1,000 spaces x \$5.00	\$ 5,000	
x 250 days		<u>\$ 1,250,000</u>

Total Annual Revenue **\$ 19,250,000**

## **Scenario 2**

20,000 x \$15 per space yields	\$ 300,000	
5,000 x \$25 per premium space	<u>\$ 125,000</u>	
	\$ 425,000	
x 10 home games		\$ 4,250,000

### Other Events:

15,000 x \$10	\$ 150,000	
x 100 events		\$ 15,000,000

### Daily Parking For Transit Park & Ride:

1,000 spaces x \$5.00	\$ 5,000	
x 250 days		<u>\$ 1,250,000</u>

Total Annual Revenue **\$ 20,500,000**

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<sup>1</sup> Premium spaces are those that are closer to stadium entrances and/or have a separate egress for faster exit.

### **Scenario 3**

#### Vikings Football Games:

20,000 x \$20 per space yields	\$ 400,000	
5,000 x \$40 per premium space <sup>2</sup>	<u>\$ 200,000</u>	
	\$ 600,000	
x 10 home games		\$ 6,000,000

#### Other Events:

15,000 x \$10	\$ 150,000	
x 100 events <sup>3</sup>		\$ 15,000,000

#### Daily Parking For Transit Park & Ride:

1,000 spaces x \$5.00	\$ 5,000	
x 250 days		<u>\$ 1,250,000</u>
<b>Total Annual Revenue</b>		<b>\$ 22,250,000</b>

Additionally, the parking facility could be a “green” facility if constructed as ramps rather than consuming vast acres of open, impermeable surface. Advantages include:

- Providing sheltered parking in inclement weather;
- Substantially reducing surface water run-off;
- Providing opportunities to create rain gardens and other facilities to collect and retain rainwater on-site;
- Providing a sheltered location when used as a park and ride site for transit;
- Providing metered electrical outlets to charge electric vehicles during events or while in for park & ride use.

The Vikings could benefit by leasing portions of the facility for tailgating and charging a separate, additional fee for each space and secured areas could be leased for team members and staff.

Finally, if properly designed and constructed for the future, a new stadium at this location should provide for future growth and design changes to meet the needs of the team over the proposed 40 year term of the lease. Over that same period, rates for parking will rise as will ticket prices and

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<sup>2</sup> Premium spaces are those that are closer to stadium entrances and/or have a separate egress for faster exit.

<sup>3</sup> Includes 14 days for Minnesota State Fair park & ride.

stadium rental fees. This would provide additional funds for repair and maintenance as the parking facility ages.