

# Proposal for Construction on New Twins Ballpark

Written by New Twins Ballpark  
Saturday, 23 April 2005 12:00

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## **PROPOSAL FOR CONSTRUCTION OF A NEW BASEBALLPARK (New Twins Ballpark )**

**AND**

## **PRINCIPLES OF AGREEMENT**

The following outlines the proposed terms of agreement under the following categories:

**Ballpark Construction/Development**

**Adjacent Parking**

**Team Responsibilities**

**County Responsibilities**

**Other Considerations**

The definitive terms will be reflected in a Development Agreement (the "Development Agreement") between the County, the Team and the Ballpark Commission (the "BC") to be formed promptly upon enactment of authorizing legislation.

**Ballpark Construction/Development**

Over the past decade the Minnesota Twins organization has expended significant time and resources in hopes of building support for construction of a new Ballpark. The

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Team cannot remain competitive in the Metrodome, and Twins fans deserve a Ballpark with quality sightlines and amenities. While a new baseball-only facility helps ensure the long-term viability of the franchise, a new Ballpark for Minnesota will enhance the game experience while also serving as an important gathering place for sports fans across the Upper Midwest.

A consistent element of the Team's ongoing Ballpark design process has been the inclusion of a retractable roof. As retractable roof technology advances, the Team has long believed in the importance of providing fans an additional layer of comfort from the sometimes harsh Minnesota climate.

While the Team continues to believe in the importance of a roof, the ballclub also understands the challenges brought by incremental project costs. That fact, coupled with the ongoing deficiencies of the Metrodome, has forced the Team to reconsider its Ballpark design priorities.

To that end, should the State fail to provide needed funding for the retractable roof, the Team agrees to move forward with the construction of an open-air Ballpark. While an open-air Ballpark is not preferable, the Team understands it may be the only accessible path to achieve a necessary long-term home for the franchise.

Hennepin County will not object if the State determines to provide and pay for a retractable roof and if the State's source of funding is a state wide source which does not unduly burden County taxpayers.

The Ballpark and the site will be owned by a Ballpark Commission (the "BC"), and the Team will enter into a lease or use agreement with the BC. The Team and County request that the State transfer land owned by the State or other public entities free to the BC.

The design of an open-air Ballpark and program elements have been prepared by HOK Architects. The final design of the Ballpark and change orders will be subject to mutual agreement between the Team and the County. The County would have a representative participating in the plan for and construction of the Ballpark to provide

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input and oversight as to whether the facility represents a proper use of public funds and that its amenities, while addressing the public needs, do not exceed what is normal for similar facilities. The County's approval must be provided on a timely basis so as not to delay the design, planning or construction of the Ballpark and may not be unreasonably withheld.

### **Cost Sharing and Controls**

The Ballpark design and construction budget of up to \$360 million will be the primary responsibility of the Team subject to approval of the Ballpark plans and specifications and any change orders by Hennepin County. The County will provide, net of capitalized interest and other financing costs, \$235 million for deposit in the construction fund. The Team's contribution to Ballpark construction costs will be \$125 million, consisting of (i) a \$40 million upfront payment which shall be the first funds used for Ballpark construction and (ii) \$85 million which shall be the last funds used for Ballpark construction. In addition, the Team may be obligated, under certain circumstances described below, to pay not more than \$2.5 million of additional surface parking costs. The Team shall provide a letter of credit or collateral to assure that the \$85 million will be paid when required. The BC, the Metropolitan Council or other authorized governmental entity may facilitate the Team's payment, including a conduit financing using revenue bonds supported solely by Team rent or use payments. However, neither the County nor the BC shall have any responsibility for any such obligation and the County shall not provide any credit support to the Team. The Team's obligation to make contributions to the Ballpark construction fund is absolute and unconditional as to sources of payment. The Team will receive interest on any funds advanced pending disbursement. The Team's contribution may be structured, as prepaid rent or otherwise, to provide maximum benefit to allow the Team to remain competitive.

Any cost savings will be shared pro rata, so that if actual construction costs are \$351 million, the County's contribution is reduced by approximately \$6 million and the Team's contribution is reduced by approximately \$3 million. The Team is obligated to pay for all Ballpark construction costs in excess of the approved budget and the County has no obligation to provide more than \$235 million for Ballpark construction costs under any circumstances, except for cause to be defined in the Construction Agreement.

### **Capital Improvements**

Upon completion of the Ballpark, the Team will deposit \$600,000 annually and the County will deposit \$1.4 million annually to a capital improvement reserve escalating by an inflation index. The capital improvement reserve will be applied to the cost of

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Ballpark capital improvements mutually agreed to by the County and the Team. It is not intended that the capital improvement reserve will be used to immediately remedy Ballpark design or specification deficiencies.

## **Team and Ballpark Commission Administrative Space**

### ***Team Space***

The Ballpark will be designed to incorporate administrative space within the Ballpark structure. The additional space may also accommodate additional amenities but without increasing the total cost of the Ballpark. The County's right to review and approve the Ballpark design and budget will include review and approval of the programmatic elements and costs relating specifically to the administrative space.

### ***BC Space***

Programming of the Ballpark will include a reasonable amount of space for the BC in the area of the Ballpark designated for offices, with appropriate use of conference rooms and common space. The amount of square feet programmed for the BC will reflect the anticipated scope of responsibilities for the BC. The BC will also have general Ballpark access and use of a private suite for all baseball or other events, and for BC functions and business. BC space will be rent free except for operating and clean up expenses.

## **Adjacent Parking**

### ***Third Avenue Distributor ("TAD") Parking Ramps***

The County and Team will request the State to direct Minnesota Department of Transportation (as owner of the ramps) and the City of Minneapolis (as operator of the ramps) to establish no less than 800 but no more than 1,000 event parking passes (Passes) for use during baseball events. Holders of the Passes would have authorized entry to designated parking areas during game events within appropriate timeframes. The price of the Passes will be determined by the City, but reflect typical event

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parking rates. The Passes would be sold to the Team or to the BC, which will be authorized to resell them to the Team or a ticket holder designated by the Team. The BC, City and Team must agree in writing to the specific details regarding TAD Ramp parking Passes, which would not require the approval of any other governmental entity. The details must conform with federal guidelines applying to the TAD Ramps. The Passes would not be valid for Ballpark games or events occurring during the normal workday hours. In the event federal law changes such that the TAD Ramp parking details can be renegotiated, the parties may renegotiate these terms.

### *ENG Surface Parking*

The Electronic News Gathering (ENG) site will be owned by the BC and leased to the Team for a nominal lease payment for the term of the Ballpark lease. The Team will have exclusive use of the site for surface parking or other mutually agreed use during the term of the lease, shall pay all operating, cleanup and maintenance costs, and shall be entitled to collect and retain all revenues generated at the site. If mutually agreed to by the BC and Team, including increased rent and other terms, the Team's rights under the lease will be expanded to include a lease of air rights to permit the Team, at its sole expense, to expand parking by constructing additional levels of a ramp on the site.

### *Additional Surface Parking*

The County will provide land for an additional surface parking lot at the approximate location identified as option A2 on the diagram attached. The site will be owned by the County, but may also include some land leased from the railroad. The site will be leased (subleased) by the County to the Team for a nominal lease payment for the term of the Ballpark lease. The Team will have use of the site for surface parking or other mutually agreed use during the term of the lease, shall pay all operating, cleanup and maintenance costs, and shall be entitled to collect and retain all revenues generated at the site. The County shall have the option, at its sole expense, to expand parking on the site by constructing a parking ramp, provided that the Team shall have exclusive rights rent free to the same number of spaces in the ramp as were available for surface parking. The County shall retain the revenues from any additional spaces it elects to construct.

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The Team will allow the County, rent free, to use up to 100 spaces in this surface lot during normal work week days and hours for parking by County, HERC and BC employees.

### *Cost of Surface Parking*

The BC and County shall pay the first \$5 million of developing the surface parking described above. Additional costs in excess of \$5 million will be shared 50%-50% with the Team. Unless otherwise agreed, in no event will amounts spent on surface parking exceed \$10 million. The Team share shall be capped at \$2.5 million. The County shall not be required to move the HERC Transformer in developing the surface parking at the approximate location identified as Option A2.

### **Team Responsibilities**

The Team will operate and manage the Ballpark and receive all Ballpark-related revenues. The Team's payments will fund \$125 million of the cost of construction of the Ballpark. As additional consideration/rent, the Team will be responsible for all normal operating and maintenance expenses estimated at approximately \$10 million per year. The lease or use agreement will provide that the Team will maintain, operate, clean and repair the Ballpark complex in a first-class manner at the Team's sole expense and clean nearby streets and walkways following events at the Ballpark.

The Team's \$40 million upfront deposit to the project fund will be the first dollars expended for all project costs. The County's use of these funds will be repaid with interest.

Effective for sales of interests in the Team occurring after the date of this term sheet, 18% of the gross sales price shall be paid to the BC or as otherwise directed upon any sale of any interest in the Team to any purchaser who is not an immediate family member or entity or trust beneficially owned by such family members at the date of this term sheet, excluding sales aggregating up to 10% of the Team, to persons who are also employed by the Team, declining by 1.8% annually for 10 years, commencing with groundbreaking. In the event of an equity infusion by a third party investor, such equity shall also be subject to the above value sharing provision if any of the new equity is distributed to the Pohlads family or not used for baseball operating purposes, including ownership loan repayments. The County and the Team shall agree in the Development

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Agreement on the substantive terms for application of this value sharing. Any payment shall be deposited into the capital improvement fund for the Ballpark and credited against any future obligation of the County or BC to such fund.

The Team will recognize Rapid Park Site exclusively as its site for a Ballpark, subject to "walk-away" rights under defined circumstances (e.g., lack of legislative, gubernatorial or county support, missed deadlines, referendum requirement, inability to provide TAD Ramp parking, conditions which alter the Team's ability to compete, etc.).

If the anticipated costs for the Ballpark exceed estimates, then the Team may elect to terminate, subject to using reasonable efforts to identify cost savings or alternative sources of funding from within project sources.

The Team will agree to a no-escape, 30 year lease or use agreement, including specific performance remedies, agreement not to relocate and to oppose contraction. The Team will obtain from Major League Baseball approval of its lease or use agreement and such other assurances as Major League Baseball has provided in similar circumstances to other teams, and satisfactory to the County, regarding the Team's continuing to play its games in the Ballpark. In the unlikely event that there is a contraction of the Team prior to the end of the 30 year term, the County shall be entitled to the lesser of (i) in a secured manner, 50% of the proceeds to the owner from such contraction or (ii) the damages suffered by the County for unrecovered public development costs and the unamortized public share of the Ballpark costs based on a 30 year period, net of any recovery of such amounts by the County.

## County Responsibilities

The County will be responsible for site acquisition, site preparation and on-site and off-site development and defined surface parking costs. The County will have walk-away rights under certain defined circumstances (e.g., if the anticipated cost for these improvements exceeds estimates). In such circumstances, the County may elect to terminate, subject to using reasonable efforts to identify cost savings or alternative funding from within project sources.

The County will finance its obligation to pay for infrastructure, surface parking costs and its share of Ballpark construction costs by the issuance of tax exempt County bonds payable from a first lien on collections of a County-wide sales tax to be authorized by the Legislature. The County may utilize interfund borrowings or tax anticipation loans to provide working capital, for which the County would be repaid.

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The County will operate HERC in accordance with its Air Emission Permit issued by the Minnesota Pollution Control Agency and in a manner that minimizes any interference with the use of the Ballpark.

### Other Considerations

To the extent permitted by law, no additional new taxes on the Ballpark, ticket sales, concessions or any other revenue from the Ballpark or its operations other than generally applicable taxes.

The BC will have the right to use the Ballpark rent free for public events, subject to priority scheduling for Major League Baseball and related events, existing contractual obligations and to negotiation of appropriate conditions such as payment of cleanup or operating expenses.

No referendum will be required for the County to issue bonds or levy the taxes to pay the County bonds.

Provision for affordable tickets.

To the extent practical, provision for using environmentally friendly materials and procedures within the Ballpark.

Guaranteed maximum price contract with a jointly selected construction manager and utilizing customary bidding procedures.

Provision to facilitate minority participation in contracts and operating personnel.

### Governance



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This proposal anticipates a tax-exempt financing structure for the Hennepin County Revenue Bonds. This tax-exempt structure may require that the bond proceeds be granted to another public entity that the County does not control. It is anticipated that such a public entity would be created under State law and organized within 30 days of enactment. This entity could be called the BC. The BC would have five members.

Not more than two of the members would be appointed by the Governor; the Hennepin County Board would appoint at least two members including the chair; and the City of Minneapolis would appoint one member. The BC would have authority to hire an Executive Director with a small, professional management staff and utilize County, Metropolitan Sports Facilities Commission and City staff and consultants.

The County would grant, with conditions, the bond proceeds to the BC. The BC would utilize the bond proceeds to pay the cost of construction of the Ballpark, the cost of surface parking, site acquisition, site preparation and on-site and off-site parking costs to the extent described above. The BC will oversee the Team's operation, repair, cleanup and management of the Ballpark.

The Team will use the Ballpark under a non-cancelable lease or use agreement. The lease or use agreement would have a variety of specific performance requirements (to play Major League Baseball). The County and/or other public entities will be responsible for funding the operating costs of the BC.