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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 1746

03/01/2021

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The bill was read for the first time and referred to the Committee on State Government Finance and Elections

1.1 A bill for an act
1.2 relating to local government; special service districts; allowing multiunit residential
1.3 property to pay service charges; amending Minnesota Statutes 2020, sections
1.4 428A.01, by adding subdivisions; 428A.02, subdivision 1; proposing coding for
1.5 new law in Minnesota Statutes, chapter 428A.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2020, section 428A.01, is amended by adding a subdivision
1.8 to read:

1.9 Subd. 7. Multiunit residential petitioners. "Multiunit residential petitioners" means a
1.10 group of owners, individuals, or business organizations that may be subject to service charges
1.11 on multiunit residential property due to the election made by nonresidential petitioners under
1.12 section 428A.021.

1.13 EFFECTIVE DATE. This section is effective for the establishment or expansion of a
1.14 special service district after July 1, 2021.

1.15 Sec. 2. Minnesota Statutes 2020, section 428A.01, is amended by adding a subdivision to
1.16 read:

1.17 Subd. 8. Multiunit residential property. "Multiunit residential property" means:

1.18 (1) property classified as 4a under section 273.13, subdivision 25, paragraph (a);

1.19 (2) condominiums, as defined under section 515A.1-103, clause (7), that are classified

1.20 as 1a under section 273.13, subdivision 22, paragraph (a), or 4b under section 273.13,

1.21 subdivision 25, paragraph (b), clause (1);

2.1 (3) condominium storage units classified as 4bb under section 273.13, subdivision 25,
 2.2 paragraph (c), clause (3); and

2.3 (4) a duplex or triplex classified as 1a under section 273.13, subdivision 22, paragraph
 2.4 (a), or classified as 4b under section 273.13, subdivision 25, paragraph (b), clause (1).

2.5 **EFFECTIVE DATE.** This section is effective for the establishment or expansion of a
 2.6 special service district after July 1, 2021.

2.7 Sec. 3. Minnesota Statutes 2020, section 428A.01, is amended by adding a subdivision to
 2.8 read:

2.9 Subd. 9. **Nonresidential property.** "Nonresidential property" means property that is
 2.10 classified under section 273.13 and used for commercial, industrial, or public utility purposes,
 2.11 or is vacant land zoned or designated on a land use plan for commercial or industrial use.

2.12 **EFFECTIVE DATE.** This section is effective for the establishment or expansion of a
 2.13 special service district after July 1, 2021.

2.14 Sec. 4. Minnesota Statutes 2020, section 428A.01, is amended by adding a subdivision to
 2.15 read:

2.16 Subd. 10. **Nonresidential petitioners.** "Nonresidential petitioners" means a group of
 2.17 owners, individuals, or business organizations meeting the percentage requirements under
 2.18 section 428A.08 that may be subject to service charges on nonresidential property.

2.19 **EFFECTIVE DATE.** This section is effective for the establishment or expansion of a
 2.20 special service district after July 1, 2021.

2.21 Sec. 5. Minnesota Statutes 2020, section 428A.02, subdivision 1, is amended to read:

2.22 Subdivision 1. **Ordinance.** The governing body of a city may adopt an ordinance
 2.23 establishing a special service district. Except as otherwise provided in section 428A.021,
 2.24 only nonresidential property that is classified under section 273.13 and used for commercial,
 2.25 industrial, or public utility purposes, or is vacant land zoned or designated on a land use
 2.26 plan for commercial or industrial use and located in the special service district, may be
 2.27 subject to the charges imposed by the city on the special service district. Other types of
 2.28 property may be included within the boundaries of the special service district but are not
 2.29 subject to the levies or charges imposed by the city on the special service district, unless an
 2.30 election under section 428A.021 is made. If 50 percent or more of the estimated market
 2.31 value of a parcel of property is classified under section 273.13 as commercial, industrial,

3.1 or vacant land zoned or designated on a land use plan for commercial or industrial use, or
3.2 public utility for the current assessment year, then the entire taxable market value of the
3.3 property is subject to a service charge based on net tax capacity for purposes of sections
3.4 428A.01 to 428A.10. The ordinance shall describe with particularity the area within the city
3.5 to be included in the district and the special services to be furnished in the district. The
3.6 ordinance may not be adopted until after a public hearing has been held on the question.
3.7 Notice of the hearing shall include the time and place of hearing, a map showing the
3.8 boundaries of the proposed district, and a statement that all persons owning property in the
3.9 proposed district that would be subject to a service charge will be given opportunity to be
3.10 heard at the hearing. Within 30 days after adoption of the ordinance under this subdivision,
3.11 the governing body shall send a copy of the ordinance to the commissioner of revenue.

3.12 **EFFECTIVE DATE.** This section is effective for the establishment or expansion of a
3.13 special service district after July 1, 2021.

3.14 **Sec. 6. [428A.021] ELECTION TO INCLUDE MULTIUNIT RESIDENTIAL**
3.15 **PROPERTY.**

3.16 Subdivision 1. **Multiunit residential property; election.** Prior to filing a petition with
3.17 the city clerk under section 428A.08, a majority of the nonresidential petitioners may elect
3.18 to subject multiunit residential property to the charges imposed by the city on a special
3.19 service district. The election must be filed with the city clerk. If an election is made, for
3.20 purposes of section 428A.08, "property" as used in that section includes multiunit residential
3.21 property.

3.22 Subd. 2. **Multiunit residential property; expansion.** Property subject to a service
3.23 charge in an existing special service district may be expanded to multiunit residential property
3.24 only after the governing body of the city provides for a hearing and notice as required in
3.25 sections 428A.02 and 428A.03. Notice must be served in the original district and must
3.26 include the property proposed to be added to the district. Multiunit residential property
3.27 added to the district is subject to all service charges imposed within the district after the
3.28 property becomes a part of the district. On the question of whether to expand a district to
3.29 include multiunit residential property, the petition requirement in section 428A.08 and the
3.30 veto power in section 428A.09 apply only to multiunit residential petitioners.

3.31 **EFFECTIVE DATE.** This section is effective for the establishment or expansion of a
3.32 special service district after July 1, 2021.