

**SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION**

S.F. No. 1207

(SENATE AUTHORS: SIMONSON, Bakk, Tomassoni and Eken)

DATE	D-PG	OFFICIAL STATUS
02/14/2019	382	Introduction and first reading
		Referred to Jobs and Economic Growth Finance and Policy
03/13/2019		Comm report: To pass as amended and re-refer to Taxes

- 1.1 A bill for an act
- 1.2 relating to economic development; authorizing establishment of the Duluth regional
- 1.3 exchange district; authorizing sale and issuance of state appropriation bonds;
- 1.4 providing an exemption from state general sales tax; creating an advisory board;
- 1.5 conferring powers and duties; providing for special tax abatement and tax increment
- 1.6 financing rules; authorizing imposition of an additional local sales and use tax;
- 1.7 appropriating money; amending Minnesota Statutes 2018, sections 297A.71, by
- 1.8 adding a subdivision; 297A.75, subdivisions 1, 2, 3; Laws 1980, chapter 511,
- 1.9 section 1, subdivision 1; proposing coding for new law in Minnesota Statutes,
- 1.10 chapters 16A; 469.
- 1.11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
- 1.12 Section 1. **[16A.968] DULUTH REGIONAL EXCHANGE DISTRICT**
- 1.13 **APPROPRIATION BONDS.**
- 1.14 Subdivision 1. **Definitions.** (a) The definitions in this subdivision and in section 469.50
- 1.15 apply to this section.
- 1.16 (b) "Appropriation bond" or "bond" means a bond, note, or other similar instrument of
- 1.17 the state payable during a biennium from one or more of the following sources:
- 1.18 (1) money appropriated by law from the general fund in any biennium for debt service
- 1.19 due with respect to obligations described in subdivision 2a;
- 1.20 (2) proceeds of the sale of obligations described in subdivision 2a;
- 1.21 (3) payments received for that purpose under agreements and ancillary arrangements
- 1.22 described in subdivision 2, paragraph (d); and
- 1.23 (4) investment earnings on amounts in clauses (1) to (3).

(c) "Debt service" means the amount payable in any biennium of principal, premium, if any, and interest on appropriation bonds.

Subd. 2. Authorization to issue appropriation bonds. (a) Subject to the limitations of this subdivision, and upon request by the governing body of the city of Duluth as provided in section 469.54, subdivision 3, paragraph (f), the commissioner may sell and issue appropriation bonds of the state under this section for public purposes as provided by law.

(b) Proceeds of the appropriation bonds must be credited to a special appropriation Duluth regional exchange district bond proceeds fund in the state treasury. All income from investment of the bond proceeds, as estimated by the commissioner, is appropriated to the commissioner for the payment of principal and interest on the appropriation bonds.

(c) Appropriation bonds may be issued in one or more issues or series on the terms and conditions the commissioner determines to be in the best interests of the state, but the term on any series of appropriation bonds may not exceed 25 years. The appropriation bonds of each issue and series thereof shall be dated and bear interest and may be includable in or excludable from the gross income of the owners for federal income tax purposes.

(d) At the time of or in anticipation of issuing the appropriation bonds, and at any time thereafter, so long as the appropriation bonds are outstanding, the commissioner may enter into agreements and ancillary arrangements relating to the appropriation bonds, including but not limited to trust indentures, grant agreements, lease or use agreements, operating agreements, management agreements, liquidity facilities, remarketing or dealer agreements, letter of credit agreements, insurance policies, guaranty agreements, reimbursement agreements, indexing agreements, or interest exchange agreements. Any payments made or received according to the agreement or ancillary arrangement shall be made from or deposited as provided in the agreement or ancillary arrangement. The determination of the commissioner included in an interest exchange agreement that the agreement relates to an appropriation bond shall be conclusive.

(e) The commissioner may enter into written agreements or contracts relating to the continuing disclosure of information necessary to comply with or facilitate the issuance of appropriation bonds in accordance with federal securities laws, rules, and regulations, including Securities and Exchange Commission rules and regulations in Code of Federal Regulations, title 17, section 240.15c2-12. An agreement may be in the form of covenants with purchasers and holders of appropriation bonds set forth in the order or resolution authorizing the issuance of the appropriation bonds or a separate document authorized by the order or resolution.

3.1 (f) The appropriation bonds are not subject to chapter 16C.

3.2 Subd. 2a. **Project authorization.** (a) Appropriation bonds may be sold and issued in
3.3 amounts that, in the opinion of the commissioner, are necessary to provide sufficient funds
3.4 to the commissioner of employment and economic development under subdivision 7, not
3.5 to exceed \$164,000,000 of costs of issuance, for the purposes as provided under this
3.6 subdivision, and pay debt service including capitalized interest, costs of issuance, costs of
3.7 credit enhancement, or make payments under other agreements entered into under subdivision
3.8 2, paragraph (d).

3.9 (b) The bonds authorized by this subdivision are for the purposes of financing public
3.10 infrastructure projects authorized and approved by the city of Duluth under sections 469.50
3.11 to 469.54. No bonds shall be sold under this subdivision until (1) the city has approved an
3.12 initial development plan as provided in section 14, and (2) the requirements in section
3.13 469.54, subdivisions 2 and 3, paragraph (a), have been met.

3.14 Subd. 3. **Form; procedure.** (a) Appropriation bonds may be issued in the form of bonds,
3.15 notes, or other similar instruments and in the manner provided in section 16A.672. In the
3.16 event that any provision of section 16A.672 conflicts with this section, this section shall
3.17 control.

3.18 (b) Every appropriation bond shall include a conspicuous statement of the limitation
3.19 established in subdivision 6.

3.20 (c) Appropriation bonds may be sold at either public or private sale upon terms as the
3.21 commissioner shall determine are not inconsistent with this section and may be sold at any
3.22 price or percentage of par value. Any bid received may be rejected.

3.23 (d) Appropriation bonds must bear interest at a fixed or variable rate.

3.24 (e) Notwithstanding any other law, appropriation bonds issued under this section shall
3.25 be fully negotiable.

3.26 Subd. 4. **Refunding bonds.** The commissioner may issue appropriation bonds for the
3.27 purpose of refunding any appropriation bonds then outstanding, including the payment of
3.28 any redemption premiums on the bonds, any interest accrued or to accrue to the redemption
3.29 date, and costs related to the issuance and sale of the refunding bonds. The proceeds of any
3.30 refunding bonds may, in the discretion of the commissioner, be applied to the purchase or
3.31 payment at maturity of the appropriation bonds to be refunded, to the redemption of the
3.32 outstanding appropriation bonds on any redemption date, or to pay interest on the refunding
3.33 bonds and may, pending application, be placed in escrow to be applied to the purchase,

4.1 payment, retirement, or redemption. Any escrowed proceeds pending use may be invested
4.2 and reinvested in obligations that are authorized investments under section 11A.24. The
4.3 income earned or realized on the investment may also be applied to the payment of the
4.4 appropriation bonds to be refunded or interest or premiums on the refunded appropriation
4.5 bonds, or to pay interest on the refunding bonds. After the terms of the escrow have been
4.6 fully satisfied, any balance of the proceeds and any investment income may be returned to
4.7 the general fund or, if applicable, the special appropriation Duluth regional exchange district
4.8 bond proceeds fund for use in any lawful manner. All refunding bonds issued under this
4.9 subdivision must be prepared, executed, delivered, and secured by appropriations in the
4.10 same manner as the appropriation bonds to be refunded.

4.11 Subd. 5. **Appropriation bonds as legal investments.** Any of the following entities may
4.12 legally invest any sinking funds, money, or other funds belonging to them or under their
4.13 control in any appropriation bonds issued under this section:

4.14 (1) the state, the investment board, public officers, municipal corporations, political
4.15 subdivisions, and public bodies;

4.16 (2) banks and bankers, savings and loan associations, credit unions, trust companies,
4.17 savings banks and institutions, investment companies, insurance companies, insurance
4.18 associations, and other persons carrying on a banking or insurance business; and

4.19 (3) personal representatives, guardians, trustees, and other fiduciaries.

4.20 Subd. 6. **No full faith and credit; state not required to make appropriations.** The
4.21 appropriation bonds are not public debt of the state, and the full faith, credit, and taxing
4.22 powers of the state are not pledged to the payment of the appropriation bonds or to any
4.23 payment that the state agrees to make under this section. Appropriation bonds shall not be
4.24 obligations paid directly, in whole or in part, from a tax of statewide application on any
4.25 class of property, income, transaction, or privilege. Appropriation bonds shall be payable
4.26 in each fiscal year only from amounts that the legislature may appropriate for debt service
4.27 for any fiscal year, provided that nothing in this section shall be construed to require the
4.28 state to appropriate money sufficient to make debt service payments with respect to the
4.29 appropriation bonds in any fiscal year. Appropriation bonds shall be canceled and shall no
4.30 longer be outstanding on the earlier of (1) the first day of a fiscal year for which the
4.31 legislature shall not have appropriated amounts sufficient for debt service, or (2) the date
4.32 of final payment of the principal of and interest on the appropriation bonds.

Subd. 7. **Appropriation of proceeds.** The proceeds of appropriation bonds issued under subdivision 2a and interest credited to the special appropriation Duluth regional exchange district bond proceeds fund are appropriated as follows:

(1) to the commissioner of employment and economic development for an agreement with the city of Duluth that governs the use, disbursement, and audit of funds for public infrastructure projects as specified in subdivision 2a, upon other terms and conditions that the commissioner of employment and economic development in the commissioner's sole discretion determines are warranted, with the agreement being exempt from sections 16B.97 to 16B.991; and

(2) to the commissioner for accrued and capitalized interest, nonsalary costs of issuance of the bonds, costs of credit enhancement of the bonds, and payments under any agreements entered into under subdivision 2, paragraph (d), each as permitted by state and federal law.

Subd. 8. **Appropriation for debt service and other purposes.** An amount up to \$13,470,000 needed to pay principal and interest on appropriation bonds issued under subdivision 2a is appropriated each fiscal year from the general fund to the commissioner, subject to the city of Duluth's entitlement to receive appropriation support payments under section 469.54, subdivision 3, and further subject to repeal, unallotment under section 16A.152, or cancellation, otherwise as provided in subdivision 6, for deposit into the bond payments account established for this purpose in the special Duluth regional exchange district bond proceeds fund. The appropriation is available beginning in fiscal year 2022 and through fiscal year 2055.

Subd. 9. **Waiver of immunity.** The waiver of immunity by the state provided for by section 3.751, subdivision 1, shall be applicable to the appropriation bonds and any ancillary contracts to which the commissioner is a party.

Sec. 2. Minnesota Statutes 2018, section 297A.71, is amended by adding a subdivision to read:

Subd. 51. **Construction materials and public infrastructure in regional exchange district.** Materials and supplies used or consumed in and equipment incorporated into, the construction and improvement of publicly owned infrastructure located within the regional exchange district established under section 469.51 are exempt.

For the purposes of this exemption, the term "infrastructure" means plazas, parking structures, transit facilities, rights-of-way, sidewalks, pedestrian bridges, bicycle paths, skyways, tunnels, lighting, landscaping, drainage improvements, utilities, sewer and any

other such facilities and improvements that are located within the regional exchange district established under section 469.51 on land controlled by the city of Duluth or county of St. Louis when construction is complete.

The tax must be imposed and collected as if the rate under section 297A.62, subdivision 1, applied, and then refunded in the manner provided in section 297A.75.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2019, and before July 1, 2026.

Sec. 3. Minnesota Statutes 2018, section 297A.75, subdivision 1, is amended to read:

Subdivision 1. **Tax collected.** The tax on the gross receipts from the sale of the following exempt items must be imposed and collected as if the sale were taxable and the rate under section 297A.62, subdivision 1, applied. The exempt items include:

(1) building materials for an agricultural processing facility exempt under section 297A.71, subdivision 13;

(2) building materials for mineral production facilities exempt under section 297A.71, subdivision 14;

(3) building materials for correctional facilities under section 297A.71, subdivision 3;

(4) building materials used in a residence for disabled veterans exempt under section 297A.71, subdivision 11;

(5) elevators and building materials exempt under section 297A.71, subdivision 12;

(6) materials and supplies for qualified low-income housing under section 297A.71, subdivision 23;

(7) materials, supplies, and equipment for municipal electric utility facilities under section 297A.71, subdivision 35;

(8) equipment and materials used for the generation, transmission, and distribution of electrical energy and an aerial camera package exempt under section 297A.68, subdivision 37;

(9) commuter rail vehicle and repair parts under section 297A.70, subdivision 3, paragraph (a), clause (10);

(10) materials, supplies, and equipment for construction or improvement of projects and facilities under section 297A.71, subdivision 40;

(11) materials, supplies, and equipment for construction, improvement, or expansion of:

(i) an aerospace defense manufacturing facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 42;

(ii) a biopharmaceutical manufacturing facility exempt under section 297A.71, subdivision 45;

(iii) a research and development facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 46; and

(iv) an industrial measurement manufacturing and controls facility exempt under Minnesota Statutes 2014, section 297A.71, subdivision 47;

(12) enterprise information technology equipment and computer software for use in a qualified data center exempt under section 297A.68, subdivision 42;

(13) materials, supplies, and equipment for qualifying capital projects under section 297A.71, subdivision 44, paragraph (a), clause (1), and paragraph (b);

(14) items purchased for use in providing critical access dental services exempt under section 297A.70, subdivision 7, paragraph (c);

(15) items and services purchased under a business subsidy agreement for use or consumption primarily in greater Minnesota exempt under section 297A.68, subdivision 44;

(16) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 49; ~~and~~

(17) building materials, equipment, and supplies for constructing or replacing real property exempt under section 297A.71, subdivision 50, paragraph (b); and

(18) building materials, supplies, and equipment for constructing projects exempt under section 297A.71, subdivision 51.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2019, and before July 1, 2026.

Sec. 4. Minnesota Statutes 2018, section 297A.75, subdivision 2, is amended to read:

Subd. 2. **Refund; eligible persons.** Upon application on forms prescribed by the commissioner, a refund equal to the tax paid on the gross receipts of the exempt items must be paid to the applicant. Only the following persons may apply for the refund:

(1) for subdivision 1, clauses (1), (2), and (14), the applicant must be the purchaser;

(2) for subdivision 1, clause (3), the applicant must be the governmental subdivision;

(3) for subdivision 1, clause (4), the applicant must be the recipient of the benefits provided in United States Code, title 38, chapter 21;

(4) for subdivision 1, clause (5), the applicant must be the owner of the homestead property;

(5) for subdivision 1, clause (6), the owner of the qualified low-income housing project;

(6) for subdivision 1, clause (7), the applicant must be a municipal electric utility or a joint venture of municipal electric utilities;

(7) for subdivision 1, clauses (8), (11), (12), and (15), the owner of the qualifying business;

(8) for subdivision 1, clauses (9), (10), and (13), the applicant must be the governmental entity that owns or contracts for the project or facility;

(9) for subdivision 1, clause (16), the applicant must be the owner or developer of the building or project; ~~and~~

(10) for subdivision 1, clause (17), the applicant must be the owner or developer of the building or project; and

(11) for subdivision 1, clause (18), the applicant must be the governmental entity that contracts for the project.

EFFECTIVE DATE. This section is effective for sales and purchases made after June 30, 2019, and before July 1, 2026.

Sec. 5. Minnesota Statutes 2018, section 297A.75, subdivision 3, is amended to read:

Subd. 3. **Application.** (a) The application must include sufficient information to permit the commissioner to verify the tax paid. If the tax was paid by a contractor, subcontractor, or builder, under subdivision 1, clauses (3) to (13) or (15) to ~~(17)~~ (18), the contractor, subcontractor, or builder must furnish to the refund applicant a statement including the cost of the exempt items and the taxes paid on the items unless otherwise specifically provided by this subdivision. The provisions of sections 289A.40 and 289A.50 apply to refunds under this section.

(b) An applicant may not file more than two applications per calendar year for refunds for taxes paid on capital equipment exempt under section 297A.68, subdivision 5.

9.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after June
9.2 30, 2019, and before July 1, 2026.

9.3 Sec. 6. **[469.50] DEFINITIONS.**

9.4 Subdivision 1. **Application.** For the purposes of section 469.50 to 469.54, and section
9.5 15, the terms defined in this section have the meanings given them.

9.6 Subd. 2. **City.** "City" means the city of Duluth.

9.7 Subd. 3. **County.** "County" means St. Louis County.

9.8 Subd. 4. **District.** "District" means the regional exchange district established under
9.9 section 469.51.

9.10 Subd. 5. **Medical business entity west.** "Medical business entity west" means a nonprofit
9.11 integrated health system with two hospitals located within the district.

9.12 Subd. 6. **Medical business entity east.** "Medical business entity east" means a nonprofit
9.13 health system operating one hospital within the district.

9.14 Subd. 7. **Public infrastructure project.** (a) "Public infrastructure project" means a
9.15 project financed in part or in whole with public money in order to support development in
9.16 the district. A public infrastructure project may:

9.17 (1) acquire real property and other assets associated with the real property;

9.18 (2) demolish, repair, or rehabilitate buildings;

9.19 (3) remediate land and buildings as required to prepare the property for acquisition or
9.20 development;

9.21 (4) install, construct, or reconstruct elements of public infrastructure required to support
9.22 the overall development of the district, including but not limited to: streets, roadways,
9.23 highways, and utilities systems and related facilities, including relocations and realignments;
9.24 structural caps or streetscape improvements; bridges or other buildable pads above streets,
9.25 roadways, highways, and other rights-of-way; network and communication systems; drainage
9.26 systems; sewer and water systems; district energy systems; subgrade structures and associated
9.27 improvements; landscaping; facade construction and restoration; wayfinding and signage;
9.28 and other components of community infrastructure;

9.29 (5) acquire, construct or reconstruct, and equip parking facilities, transit stations, and
9.30 other facilities to encourage intermodal transportation and transit;

(6) install, construct or reconstruct, furnish, and equip parks and trails; cultural, community, educational, and recreational facilities; facilities to promote tourism and hospitality, conferencing, and conventions; and broadcast and related multimedia infrastructure;

(7) make related site improvements, including, without limitation, excavation, earth retention, soil stabilization and correction, foundation and substructure, vertical circulation systems, and other site improvements to support a district; and

(8) demolition of vacated medical facilities and other related buildings and structures and preparation of the facilities, buildings, and structures for development.

(b) No portion of any structure financed by the state as a public infrastructure project may be an inpatient or outpatient hospital facility.

(c) Ten percent of the amount financed by the state for public infrastructure projects must be spent on public infrastructure to support the construction of new affordable housing. Amounts spent on affordable housing-related public infrastructure projects under this paragraph must be matched by an equal nonstate contribution.

(d) A public infrastructure project is not a business subsidy under section 116J.993.

Subd. 8. **Regional Exchange District Advisory Board; advisory board; REDAB.** "Regional Exchange District Advisory Board," "advisory board," or "REDAB" means the advisory board established under section 469.515.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 7. **[469.51] REGIONAL EXCHANGE DISTRICT.**

Subdivision 1. **Creation; boundaries.** There is established in the city a regional exchange district, largely within the area of the city commonly referred to as the medical district. The regional exchange district is bounded by: East 6th Street from North 3rd Avenue East to North 7th Avenue East; North 7th Avenue East from East 6th Street to East 3rd Street; East 3rd Street from North 7th Avenue East to North 12th Avenue East; North 12th Avenue East from East 3rd Street straight through the Duluth Rose Garden to the Lake Superior waterfront; the Lake Superior waterfront from the Duluth Rose Garden at North 12th Avenue East to Lake Place Park at North 3rd Avenue East; North 3rd Avenue East from Lake Place Park at the Lake Superior waterfront to East 6th Street, excluding any property operated as a hotel on the corner of Superior Street and North 3rd Avenue East.

11.1 Subd. 2. **Purpose; findings.** The public purposes of the district are to facilitate:

11.2 (1) repurposing vacant or underutilized public land, or unutilized property interests such
11.3 as air rights, for development or redevelopment and to incent significant private investment;

11.4 (2) redeveloping vacant or underutilized private land to increase its tax-generating and
11.5 job-creating potential or to provide housing or meet other community needs; and

11.6 (3) encouraging development by the anchoring institutions in the community, such as
11.7 health care organizations and institutions of higher education, to create opportunities to
11.8 improve the economy of the city and greater Minnesota regions and attract and retain a
11.9 workforce.

11.10 Sec. 8. **[469.515] REGIONAL EXCHANGE DISTRICT ADVISORY BOARD.**

11.11 Subdivision 1. **Advisory board membership.** The Regional Exchange District Advisory
11.12 Board consists of nine members appointed as follows:

11.13 (1) the mayor of the city or the mayor's designee;

11.14 (2) a city council member, appointed by the council;

11.15 (3) two representatives of the medical business entity west, appointed by and serving at
11.16 the pleasure of the medical business entity west;

11.17 (4) one representative of the medical business entity east, appointed by and serving at
11.18 the pleasure of the medical business entity east;

11.19 (5) one member appointed by the Duluth Greater Downtown Council;

11.20 (6) one representative of the local building and trades council appointed by the Duluth
11.21 building and construction trades council; and

11.22 (7) two representatives appointed by the governor, one of whom has expertise in housing
11.23 policy and finance.

11.24 Subd. 2. **Conflict of interest.** A person appointed as provided in subdivision 1, clause
11.25 (1), (2), (5), (6), or (7), must not be employed by or affiliated with either medical business
11.26 entity.

11.27 Subd. 3. **Terms; vacancies.** The appointing authorities must make their respective
11.28 appointments by June 30, 2019. Members shall serve for four-year terms, except that a
11.29 member appointed under subdivision 1, clauses (1) and (2), serves for a term coterminous
11.30 with the term of the elected office, but may be reappointed. Of the members appointed in
11.31 subdivision 1, clauses (3) and (6), one member serves from the date of appointment until

12.1 the first Tuesday after the first Monday in January 2022, and the other member serves from
12.2 the date of appointment until the first Tuesday after the first Monday in January 2024. A
12.3 vacancy occurs as provided in section 15.059.

12.4 Subd. 4. **Duties.** The duties of the advisory board are to provide the city with advice and
12.5 guidance in developing an overall development plan for the regional exchange district; to
12.6 prepare a proposed development plan for the district for approval by the city council; propose
12.7 modifications to the development plan for city council approval; and recommend to the city
12.8 council proposed public infrastructure projects not specifically listed in the plan that the
12.9 board designates as consistent with the development plan adopted by the city. The advisory
12.10 board is also responsible for the following activities related to the district:

12.11 (1) on behalf of a medical entity, certify to the city that all incurred expenses related to
12.12 the private investment are accurate;

12.13 (2) review and approve all proposed uses of state financial instruments to ensure they
12.14 are consistent with Minnesota law;

12.15 (3) work with a medical entity and the city to acquire or dispose of real estate and
12.16 facilitate all transactions associated with development in the district;

12.17 (4) develop patient, visitor, and community outreach programs for the district;

12.18 (5) develop and implement a plan for economic development outcomes related to the
12.19 district; and

12.20 (6) by January 31 of each year, submit a report to the commissioner and the chairs and
12.21 ranking minority members of the legislative committees with jurisdiction over economic
12.22 development. The report must include a copy of the development plan and list of any changes
12.23 to the plan, the progress of projects identified in the development plan, and actual costs and
12.24 financing sources.

12.25 Subd. 5. **Open meetings.** The advisory board and committee or subcommittee of the
12.26 advisory board is subject to the Open Meeting Law in chapter 13D and is a government
12.27 entity for purposes of chapter 13.

12.28 Subd. 6. **Chair.** Every two years the board must elect a chair from among the governor's
12.29 appointees.

12.30 Subd. 7. **Compensation; expense reimbursement.** The city may compensate members
12.31 and reimburse members for expenses as provided in section 15.0575, subdivision 3. For
12.32 purposes of this subdivision, the member representing the medical business entity shall be
12.33 treated as an employee of a political subdivision.

13.1 Subd. 8. **Removal.** A member may be removed as provided in section 15.0575.

13.2 Subd. 9. **Staff.** The board may hire an executive director and other staff as the board
13.3 requires. The city shall pay all staff salaries and benefits.

13.4 Subd. 10. **Contract for services.** The advisory board, through the staff assigned to the
13.5 district, may contract for the services of financial advisors, other consultants, agents, public
13.6 accountants, legal counsel, and other persons needed to perform its duties and exercise its
13.7 powers.

13.8 Subd. 11. **Costs.** All costs incurred by the advisory board and staff assigned to the district
13.9 shall be paid by the city.

13.10 Subd. 12. **Expiration.** The advisory board terminates when funds from all appropriation
13.11 support payments made to the city under section 469.54 are committed to approved public
13.12 infrastructure projects.

13.13 **EFFECTIVE DATE.** This section is effective the day after the governing body of the
13.14 city of Duluth and its chief clerical officer timely comply with Minnesota Statutes, section
13.15 645.021, subdivisions 2 and 3.

13.16 Sec. 9. **[469.517] COMPREHENSIVE DEVELOPMENT PLAN FOR THE**
13.17 **REGIONAL EXCHANGE DISTRICT.**

13.18 (a) REDAB must prepare a comprehensive development plan by March 31, 2021. The
13.19 comprehensive plan must, to the extent practicable, provide the following:

13.20 (1) an outline for the development of the district to meet the purpose and findings in
13.21 section 469.51, subdivision 2;

13.22 (2) the extension of 6th Avenue East, primary street improvements, and related structural
13.23 and safety improvements;

13.24 (3) construction of parking structures for the medical business west and for the medical
13.25 business east, with the parking structures also supporting the public needs of surrounding
13.26 neighborhoods and district. The comprehensive development plan must require that public
13.27 financing for the construction of parking structures is not available until the commissioner
13.28 of employment and economic development determines that has been committed to the
13.29 project from private sources;

13.30 (4) extensions or connections of district energy utility infrastructure to existing and new
13.31 buildings and facilities within the district to meet the medical facilities' thermal energy
13.32 needs;

14.1 (5) subgrade structures and design and completion of the structural frame cap over
14.2 marked Interstate Highway 35;

14.3 (6) demolition of vacated medical facilities and other related buildings and structures
14.4 and preparation of the site for redevelopment;

14.5 (7) discussion of how the development plans will increase economic activity and housing
14.6 availability, including affordable housing, in the city and fit into the city's long-term
14.7 comprehensive development plans;

14.8 (8) a specific list of public infrastructure projects that meet the purposes and findings
14.9 listed in section 469.51, subdivision 2; and

14.10 (9) the criteria that will be used by the advisory board in evaluating whether a public
14.11 infrastructure project not specifically listed in the plan under clause (3) is consistent with
14.12 the proposed development plan.

14.13 (b) Any development plan must be approved by six members of the advisory board prior
14.14 to submitting the plan to the city council for consideration. The development plan for the
14.15 district is not adopted until approved by the city council. If the city council rejects the initial
14.16 development plan proposed by the advisory board, the board may revise the development
14.17 plan and resubmit the plan. Section 15.99 does not apply to review and approval of the
14.18 development plan. The city must not spend any appropriation support payments from the
14.19 state until it has approved a development plan proposed by the advisory board.

14.20 (c) REDAB may propose modifications to the development plan at anytime, however
14.21 all changes are subject to approval by the city council.

14.22 Sec. 10. **[469.52] CITY POWERS; DUTIES.**

14.23 Subdivision 1. **Port authority powers.** The city may exercise the powers of a port
14.24 authority under sections 469.048 to 469.068 for purposes of implementing sections 469.50
14.25 to 469.54.

14.26 Subd. 2. **Steel products.** The city must require that a public infrastructure project use
14.27 steel products made from iron ore mined from the taconite assistance area as defined in
14.28 section 273.1341 to the extent practicable. In determining whether it is practicable, the city
14.29 may consider the exceptions to the requirement by Public Law 111-5, section 1605.

14.30 Subd. 3. **City contracts; construction requirements.** For all public infrastructure
14.31 projects, the city must make reasonable efforts to hire and cause the construction manager
14.32 and any subcontractors to employ women and members of minority communities. Goals

15.1 for construction contracts must be established in the manner required under the city's
15.2 disadvantaged business enterprises plan.

15.3 Subd. 4. **Public bidding exemption.** Notwithstanding section 469.068 or any other law
15.4 to the contrary, the city need not require competitive bidding with respect to a parking
15.5 facility or other public improvements constructed in conjunction with, and directly above
15.6 or below, or adjacent and integrally related to, a private development within a district.

15.7 Subd. 5. **Parking structure revenue.** Parking facilities or structures constructed pursuant
15.8 to the development plan must charge market rate parking fees, except for use separately
15.9 negotiated between the city and a church whose parking facility is removed to accommodate
15.10 construction of a parking ramp.

15.11 Subd. 6. **City utility fund contribution.** The city must use the city utility fund to finance
15.12 improvements made within the district for sanitary sewer, storm sewer, and water systems
15.13 and other related utility improvements. The improvements must be included in the
15.14 development plan approved by the board. The total expenditures required under this
15.15 subdivision and under Laws 1980, chapter 511, section 1, subdivision 1, paragraph (d),
15.16 must equal at least \$20,000,000.

15.17 Subd. 7. **City general contribution; debt service.** (a) Following the sale and issuance
15.18 of state appropriation bonds under section 16A.968, subdivision 2a, the city must contribute,
15.19 from sources other than the sales tax established under section 13, subdivision 1, paragraph
15.20 (d), no less than \$250,000 annually for a period of 25 years, for the purposes of paragraph
15.21 (b).

15.22 (b) Money contributed under paragraph (a) must be paid by the city to the commissioner
15.23 of employment and economic development for deposit into the general fund and is intended
15.24 to offset amounts required for debt service payments under section 16A.968, subdivision
15.25 8.

15.26 Subd. 8. **Project approval; notice; hearing.** Public infrastructure projects may be
15.27 undertaken within the district by the city if the project is listed in the development plan or
15.28 is recommended to the city by REDAB and is approved by the city. The city must hold a
15.29 public hearing before approving a public infrastructure project for local or state funding
15.30 provided pursuant to section 469.53 or 469.54. At least ten days before the hearing, the city
15.31 must publish notice of the hearing in the official newspaper of the city.

15.32 Subd. 9. **City support.** The city must provide financial and administrative support, and
15.33 office and other space, to the advisory board.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 11. **[469.53] LOCAL VALUE CAPTURE AUTHORITY.**

Subdivision 1. Special abatement rules. (a) If the city or county elects to use tax abatement under sections 469.1812 to 469.1815 to finance costs of public infrastructure projects, or to finance the costs of a joint project between the city and county, including all financing costs, the special rules under this subdivision apply.

(b) The limitations under section 469.1813, subdivision 6, do not apply.

(c) The limitations under section 469.1813, subdivision 8, do not apply, and property taxes abated by the city or county to finance costs of public infrastructure projects are not included for purposes of applying section 469.1813, subdivision 8, to the use of tax abatement for other purposes.

Subd. 2. Special tax increment financing rules. If the city elects to establish one or more redevelopment tax increment financing districts within a regional exchange district to fund public infrastructure projects, the requirements, definitions, limitations, or restrictions in the following statutes do not apply: sections 469.174, subdivisions 10 and 25, clause (2); 469.176, subdivisions 4j, 4l, and 5; and 469.1763, subdivisions 2, 3, and 4. The provisions of this subdivision expire effective for tax increments expended after December 31, 2055. After that date, the provisions of section 469.1763, subdivision 4, apply to any remaining unspent or unobligated increments.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 12. **[469.54] STATE VALUE CAPTURE.**

Subdivision 1. Definitions. (a) For purposes of this section, the following terms have the meanings given them.

(b) "Appropriation support payments" means payment from the state to the city pursuant to subdivision 3.

(c) "Commissioner" means the commissioner of employment and economic development.

(d) "Construction projects" means expenditures for the constructing, furnishing, commissioning, and equipping of buildings, ancillary facilities, utilities, parking, and other improvements, whether private or public, that are located within a district.

(e) "Expenditures" means expenditures made by a private entity on construction projects for the capital and financing costs of the construction project, including but not limited to:

(1) planning, predesign, and design, including architectural, engineering, project management, and similar services;

(2) legal, regulatory, and other compliance costs of the project;

(3) land acquisition, demolition of existing improvements, and other site preparation costs;

(4) construction costs, including all materials and supplies of the project; and

(5) equipment, furnishings, and fixtures.

Expenditures excludes supplies and other items with a useful life of less than a year that are not used or consumed in constructing improvements to real property or are otherwise chargeable to capital costs.

(f) "Finance" means to pay all costs, including the costs of debt financing, which includes principal, interest, and premium.

(g) "Qualified expenditures" means the total expenditures under paragraph (e) since January 1, 2019, and certified under subdivision 2.

Subd. 2. Certification of expenditures. By March 1 of each year, the city must certify to the commissioner the amount of qualified expenditures made through the end of the preceding year. The certification must be made in the form that the commissioner prescribes and include any documentation of and supporting information regarding the qualified expenditures that the commissioner requires. By July 1 of each year, the commissioner must confirm or revise the amount of the qualified expenditures.

Subd. 3. Appropriation support payments. (a) No appropriation support payments from the state to the city may be made under this section until total qualified expenditures equal at least \$75,000,000.

(b) The amount of the appropriation support payments for a year equals:

(1) \$75,000,000 multiplied by 0.0267; plus

(2) for amounts greater than \$75,000,000 and up to \$1,000,000,000, the amount of qualified expenditures above \$75,000,000 multiplied by 0.0124.

(c) No appropriation support payments shall be paid before September 1, 2021. The maximum appropriation support payment paid in fiscal year 2022 is \$2,000,000, and the maximum appropriation support payment in any subsequent fiscal year is limited to no more than \$13,470,000, each subject to paragraph (f). The total amount of appropriation support payments made under this subdivision is limited to an amount sufficient to finance \$164,000,000 of public infrastructure projects.

(d) The city must use the appropriation support payments it receives under this subdivision for public infrastructure projects, including the cost to finance such projects. The city must maintain appropriate records to document the use of the funds under this requirement.

(e) The commissioner must pay to the city the amount of appropriation support payments determined under this section for the year by September 1.

(f) In lieu of directly receiving the appropriation support payments, the city may elect to have the state issue appropriation bonds as provided in section 16A.968 to finance up to \$164,000,000 of public infrastructure projects. In the event the state issues appropriation bonds for these purposes, the amount of appropriation support payments in any year is reduced by an amount equal to the amount needed from the general fund under section 16A.968, subdivision 8.

Subd. 4. **Credit for parking revenue.** (a) By March 1 of the year following the year in which the parking facilities or structures are constructed within the district pursuant to the development plan, the city must certify to the commissioner:

(1) the total amount of revenue generated by the parking facilities and structures in the preceding year; and

(2) the total amount necessary for operational and maintenance expenses of the facilities or structures in the current year.

(b) By July 1 of each year thereafter, for a period of 25 years, the commissioner must confirm or revise the amounts as reported. An amount equal to 50 percent of the amount of revenue received by the city by the parking structures and facilities in the previous year that is greater than the amount necessary for operational and maintenance expenses of the facilities or structures in the current year must be paid by the city to the commissioner of employment and economic development for deposit into the general fund.

Subd. 5. **Prevailing wage requirement.** During the construction, installation, remodeling, and repairs of any public infrastructure project funded by appropriation support payments, laborers and mechanics at the site must be paid the prevailing wage rate as defined in section 177.42, subdivision 6, and the public infrastructure project is subject to the requirements of sections 177.30 and 177.41 to 177.44.

Subd. 6. **Termination.** No aid may be paid under this section after fiscal year 2055.

Subd. 7. **Appropriation.** An amount sufficient to pay the appropriation support payments authorized under this section to the city is appropriated to the commissioner from the general fund.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 13. Laws 1980, chapter 511, section 1, subdivision 1, is amended to read:

Subdivision 1. (a) Minnesota Statutes, section ~~477A.01~~, ~~Subdivision 18~~ 477A.016, shall not be deemed to prohibit the city of Duluth from amending its sales and use tax ordinances so as to impose a sales ~~or~~ and use tax at the rate of one percent upon any or all sales or uses which are taxed by the state of Minnesota pursuant to Minnesota Statutes, chapter 297A ~~or~~ 297B.

(b) Notwithstanding Minnesota Statutes, section 477A.016, or any ordinance, city charter, or other provision of law, pursuant to the approval of the voters at the election on November 7, 2017, the city of Duluth may impose by ordinance an additional sales and use tax of one-half of one percent for the purposes specified in paragraphs (c) and (d). The provisions of Minnesota Statutes, section 297A.99, govern the imposition, administration, collection, and enforcement of the taxes authorized under this paragraph.

(c) Revenues received from the tax authorized by paragraph (b) must be used to pay all or part of the capital and administrative costs of street, curb, gutter, sidewalk, and bridge improvements including related lighting and signals in the city of Duluth as outlined in the Duluth Street Improvement Program 2017 as designated August 8, 2017, including any subsequent amendments approved by the city.

(d) Revenues from the tax authorized by paragraph (b) must be used to pay all or part of the improvements listed in paragraph (c) that are located within the district established under Minnesota Statutes, section 469.51. The total expenditures required under this paragraph and under Minnesota Statutes, section 469.52, subdivision 6, must equal at least

\$20,000,000. The allocation required under this paragraph expires ten years after the date of initial imposition of the tax. Projects authorized under this paragraph must be included in the development plan approved by the Regional Exchange District Advisory Board in consultation with the medical business entity east and medical business entity west.

(e) The city of Duluth, pursuant to the approval of the voters at the November 7, 2017, referendum authorizing the imposition of the taxes in this section, may issue bonds under Minnesota Statutes, chapter 475, to pay capital and administrative expenses for the projects described in paragraphs (c) and (d), until the tax terminates as provided in paragraph (f). A separate election to approve the bonds under Minnesota Statutes, section 475.58, is not required.

(f) The tax authorized under paragraph (b) terminates at the earlier of: (1) 25 years after the date of initial imposition of the tax; or (2) when the city council determines that sufficient funds have been raised from the tax to finance the capital and administrative costs of the improvements described in paragraphs (c) and (d), plus the additional amount needed to pay the costs related to issuance of bonds under paragraph (e), including interest bonds. Any funds remaining after completion of the projects specified in paragraphs (c) and (d) and retirement or redemption of bonds in paragraph (e) shall be placed in the general fund of the city. The tax imposed under paragraph (b) may expire at an earlier time if the city so determines by ordinance.

EFFECTIVE DATE. This section is effective the day after the governing body of the city of Duluth and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 14. INITIAL DEVELOPMENT PLAN FOR THE REGIONAL EXCHANGE DISTRICT.

(a) REDAB must prepare a proposed initial development plan for the district and submit the plan to the city by March 31, 2020. The initial plan must provide the following:

(1) an outline for the development of the district to meet the purpose and findings in Minnesota Statutes, section 469.51, subdivision 2;

(2) the extension of 6th Avenue East, primary street improvements, and related structural and safety improvements;

(3) construction of parking structures for the medical business west and for the medical business east, with the parking structures also supporting the public needs of surrounding neighborhoods and district. The initial development plan must require that public financing

21.1 for the construction of parking structures is not available until the commissioner of
21.2 employment and economic development determines that has been committed to the
21.3 project from private sources; and

21.4 (4) extensions or connections of district energy utility infrastructure to existing and new
21.5 buildings and facilities within the district to meet the medical facilities' thermal energy
21.6 needs.

21.7 (b) The initial development plan must be approved by six members of the advisory board
21.8 prior to submitting the plan to the city council for consideration. The initial development
21.9 plan for the district is not adopted until approved by the city council. If the city council
21.10 rejects the initial development plan proposed by the advisory board, the board may revise
21.11 the initial development plan and resubmit the plan. Section 15.99 does not apply to review
21.12 and approval of the development plan. The city must not spend any appropriation support
21.13 payments from the state until it has approved an initial development plan proposed by the
21.14 advisory board.

21.15 (c) REDAB may propose modifications to the initial development plan at anytime,
21.16 however all changes are subject to approval by the city council.