

(b) "Commercial property manager" means a corporation, partnership, or limited liability company or its employees who are hired by the owner of commercial real estate to perform a broad range of administrative duties at the property including tenant relations matters, leasing, repairs, maintenance, the negotiation and resolution of tenant disputes, and related matters. In order to appear in conciliation court, a property manager's employees must possess a real estate license under section 82.20 and be authorized by the owner of the property to settle all disputes with tenants and others within the jurisdictional limits of conciliation court.

(c) A commercial property manager who is appointed to settle a claim in conciliation court may not charge or collect a separate fee for services rendered under paragraph (a).

#### Sec. 16. PILOT PROGRAM.

The commissioner of finance shall initiate a pilot program to compare effectiveness and efficiencies of the Minnesota collection enterprise and private collection agencies. The commissioner shall issue a request for proposals and place at least \$35,000,000 of state debt with private collection agencies licensed by the commissioner of commerce under Minnesota Statutes, chapter 332 no later than January 1, 1996. For purposes of conducting this pilot, at least one-half of the private collection agencies selected must not be currently under contract with the commissioner. In placing debt with private collection agencies, the commissioner must consider the following factors in comparison to the enterprise: age and size of the debt, type of debt, and direct and indirect costs of collecting the debt. The commissioner shall report back to the legislature by February 1, 1997.

#### Sec. 17. EFFECTIVE DATE.

Sections 1, 3 to 7, 13, 15, and 16 are effective the day following final enactment. Section 8 is effective for debts previously referred or referred on or after the day following final enactment. Section 9 is effective for debts referred on or after July 1, 1995.

Presented to the governor May 30, 1995

Signed by the governor June 1, 1995, 2:10 p.m.

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#### CHAPTER 255—S.F.No. 1019

*An act relating to metropolitan government; establishing the metropolitan livable communities fund and providing for fund distribution; reducing the levy authority of the metropolitan mosquito control commission; providing for certain revenue sharing; regulating employee layoffs by the metropolitan mosquito control district; authorizing an economic vitality and housing initiative; amending Minnesota Statutes 1994, sections 116J.552, subdi-*

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vision 2; 116J.555, subdivision 2; 116J.556; 473.167, subdivisions 2, 3, and by adding a subdivision; 473.711, subdivision 2; and 473F.08, subdivisions 3a, 5, 7a, and by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 473; repealing Minnesota Statutes 1994, sections 504.33; 504.34; and 504.35.

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

## ARTICLE 1

### METROPOLITAN LIVABLE COMMUNITIES ACT

#### Section 1. [473.25] LIVABLE COMMUNITIES CRITERIA AND GUIDELINES.

(a) The council shall establish criteria for uses of the fund provided in section 473.251 that are consistent with and promote the purposes of this article and the policies of the metropolitan development guide adopted by the council including, but not limited to:

(1) helping to change long-term market incentives that adversely impact creation and preservation of living-wage jobs in the fully developed area;

(2) creating incentives for developing communities to include a full range of housing opportunities;

(3) creating incentives to preserve and rehabilitate affordable housing in the fully developed area; and

(4) creating incentives for all communities to implement compact and efficient development.

(b) The council shall establish guidelines for the livable community demonstration account for projects that the council would consider funding with either grants or loans. The guidelines must provide that the projects will:

(1) interrelate development or redevelopment and transit;

(2) interrelate affordable housing and employment growth areas;

(3) intensify land use that leads to more compact development or redevelopment;

(4) involve development or redevelopment that mixes incomes of residents in housing, including introducing or reintroducing higher value housing in lower income areas to achieve a mix of housing opportunities; or

(5) encourage public infrastructure investments which connect urban neighborhoods and suburban communities, attract private sector redevelopment investment in commercial and residential properties adjacent to the public

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improvement, and provide project area residents with expanded opportunities for private sector employment.

(c) The council shall establish guidelines governing who may apply for a grant or loan from the fund, providing priority for proposals using innovative partnerships between government, private for-profit, and nonprofit sectors.

(d) The council shall prepare an annual plan for distribution of the fund based on the criteria for project and applicant selection.

(e) The council shall prepare and submit to the legislature, as provided in section 3.195, an annual report on the metropolitan livable communities fund. The report must include information on the amount of money in the fund, the amount distributed, to whom the funds were distributed and for what purposes, and an evaluation of the effectiveness of the projects funded in meeting the policies and goals of the council. The report may make recommendations to the legislature on changes to this act.

## Sec. 2. [473.251] METROPOLITAN LIVABLE COMMUNITIES FUND.

The metropolitan livable communities fund is created and consists of the following accounts:

- (1) the tax base revitalization account;
- (2) the livable communities demonstration account; and
- (3) the local housing incentives account.

## Sec. 3. [473.252] TAX BASE REVITALIZATION ACCOUNT.

Subdivision 1. DEFINITION. For the purposes of this section, "municipality" means a statutory or home rule charter city or town participating in the local housing incentives program under section 473.254, or a county in the metropolitan area.

Subd. 2. SOURCES OF FUNDS. The council shall credit to the tax base revitalization account within the fund the amount, if any, provided for under section 473.167, subdivision 3a, paragraph (b), and the amount, if any, distributed to the council under section 473F.08, subdivision 3b.

Subd. 3. DISTRIBUTION OF FUNDS. (a) The council must use the funds in the account to make grants to municipalities for the cleanup of polluted land in the metropolitan area. A grant to a metropolitan county must be used for a project in a participating municipality. The council shall prescribe and provide the grant application form to municipalities. The council must consider the probability of funding from other sources when making grants under this section.

(b)(1) The legislature expects that applications for grants will exceed the

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available funds and the council will be able to provide grants to only some of the applicant municipalities. If applications for grants for qualified sites exceed the available funds, the council shall make grants that provide the highest return in public benefits for the public costs incurred, that encourage commercial and industrial development that will lead to the preservation or growth of living-wage jobs and that enhance the tax base of the recipient municipality.

(2) In making grants, the council shall establish regular application deadlines in which grants will be awarded from the available money in the account. If the council provides for application cycles of less than six-month intervals, the council must reserve at least 40 percent of the receipts of the account for a year for application deadlines that occur in the second half of the year. If the applications for grants exceed the available funds for an application cycle, no more than one-half of the funds may be granted to projects in a statutory or home rule charter city and no more than three-quarters of the funds may be granted to projects located in cities of the first class.

(c) A municipality may use the grant to provide a portion of the local match requirement for project costs that qualify for a grant under sections 116J.551 to 116J.557.

#### **Sec. 4. [473.253] LIVABLE COMMUNITIES DEMONSTRATION ACCOUNT.**

Subdivision 1. SOURCES OF FUNDS. The council shall credit to the livable communities demonstration account the revenues provided in this subdivision. This tax shall be levied and collected in the manner provided by section 473.13. The levy shall not exceed the following amount for the years specified:

(a)(1) for taxes payable in 1996, 50 percent of (i) the metropolitan mosquito control commission's property tax levy for taxes payable in 1995 multiplied by (ii) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan area for the current taxes payable year divided by the total market valuation of all taxable property located in the metropolitan area for the previous taxes payable year; and

(2) for taxes payable in 1997 and subsequent years, the product of (i) the property tax levy limit under this subdivision for the previous year multiplied by (ii) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan area for the current taxes payable year divided by the total market valuation of all taxable property located in the metropolitan area for the previous taxes payable year.

For the purposes of this subdivision, "total market valuation" means the total market valuation of all taxable property within the metropolitan area without valuation adjustments for fiscal disparities under chapter 473F, tax increment financing under sections 469.174 to 469.179, and high voltage transmission lines under section 273.425.

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(b) The metropolitan council, for the purposes of the fund, is considered a unique taxing jurisdiction for purposes of receiving aid pursuant to section 273.1398. For aid to be received in 1996, the fund's homestead and agricultural credit base shall equal 50 percent of the metropolitan mosquito control commission's certified homestead and agricultural credit aid for 1995, determined under section 273.1398, subdivision 2, less any permanent aid reduction under section 477A.0132. For aid to be received under section 273.1398 in 1997 and subsequent years, the fund's homestead and agricultural credit base shall be determined in accordance with section 273.1398, subdivision 1.

Subd. 2. DISTRIBUTION OF FUNDS. The council shall use the funds in the livable communities demonstration account to make grants or loans to municipalities participating in the local housing incentives program under section 473.254 or to metropolitan area counties to fund the initiatives specified in section 473.25, paragraph (b), in participating municipalities.

**Sec. 5. [473.254] LOCAL HOUSING INCENTIVES ACCOUNT.**

Subdivision 1. PARTICIPATION. (a) By November 15 of each year, a municipality may elect to participate in the local housing incentive account program. If a municipality does not elect to participate for the year, it is not subject to this section. For purposes of this section, municipality means a municipality electing to participate in the local housing incentive account program, unless the context indicates otherwise.

(b) A municipality that elects to participate may receive grants or loans from the tax base revitalization account, livable communities demonstration account, or the local housing incentive account. A municipality that does not participate is not eligible to receive a grant under sections 116J.551 to 116J.557. The council, when making discretionary funding decisions, shall give consideration to a municipality's participation in the local housing incentives program.

Subd. 2. AFFORDABLE AND LIFE-CYCLE HOUSING GOALS. The council shall negotiate with each municipality to establish affordable and life-cycle housing goals for that municipality that are consistent with and promote the policies of the metropolitan council as provided in the adopted metropolitan development guide. The council shall adopt, by resolution after a public hearing, the negotiated affordable and life-cycle housing goals for each municipality by January 15, 1996. By June 30, 1996, each municipality shall identify to the council the actions it plans to take to meet the established housing goals.

Subd. 3. AFFORDABLE AND LIFE-CYCLE HOUSING OPPORTUNITIES AMOUNT. (1) By July 1, 1996, each county assessor shall certify each municipality's average residential homestead limited market value for the 1994 assessment year, including the value of the farm house, garage, and one acre only in the case of farm homesteads, multiplied by a factor of two, as the municipality's "market value base amount." For 1997 and thereafter, the "market value base amount" shall be equal to the product of (i) the market value base amount for the previous year multiplied by (ii) the annual average United States

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Consumer Price Index for all urban consumers, United States average, as determined by the United States Department of Labor, for the previous year divided by that annual average for the year before the previous year.

(2) By July 1, 1996, and each succeeding year the county assessor shall determine which homesteads have market values in excess of the municipality's market value base amount and the county auditor shall certify the aggregate net tax capacity corresponding to the amount by which those homesteads' market values exceed the municipality's market value base amount as the "net tax capacity excess amount" for the assessment year corresponding to the current taxes payable year. By July 1, 1996, the county auditor shall also certify the net tax capacity excess amount for taxes payable in 1995.

(3) By July 1, 1996, and each succeeding year, the county auditor shall also certify each municipality's local tax rate for the current taxes payable year.

(4) By July 1, 1996, and each succeeding year, the county auditor shall certify for each municipality the amount equal to four percent of the municipality's current year total residential homestead tax capacity multiplied by the local tax rate.

(5) By August 1, 1996, and each succeeding year, the metropolitan council shall notify each municipality of its "affordable and life-cycle housing opportunities amount" for the following calendar year equal to the lesser of the amount certified under clause (4) or the amount, if any, by which the net tax capacity excess amount for the current year exceeds the amount for taxes payable in 1995, multiplied by the municipality's local tax rate certified in clause (3).

**Subd. 4. AFFORDABLE AND LIFE-CYCLE HOUSING REQUIREMENT.** (a) A municipality that is determined by the council to have met its affordable and life-cycle housing goals in the previous calendar year may retain the amount calculated under subdivision 3 to maintain existing affordable and life-cycle housing.

(b) In 1998, and thereafter, a municipality that is determined by the council not to have met the affordable and life-cycle housing goals in the previous calendar year, as negotiated and agreed to with the council, and not to have spent 85 percent of its affordable and life-cycle housing opportunities amount to create affordable and life-cycle housing opportunities in the previous calendar year must do one of the following with the affordable and life-cycle housing opportunities amount for the previous year as determined under subdivision 3:

(1) distribute it to the local housing incentives account; or

(2) distribute it to the housing and redevelopment authority of the city or county in which the municipality is located to create affordable and life-cycle housing opportunities in the municipality.

A municipality may enter into agreements with adjacent municipalities to

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cooperatively provide affordable and life-cycle housing. The housing may be provided in any of the cooperating municipalities, but must meet the combined housing goals of each participating municipality.

**Subd. 5. SOURCES OF FUNDS.** (a) The council shall credit to the local housing incentives account any revenues derived from municipalities under subdivision 4, paragraph (b), clause (1).

(b) The council shall credit \$1,000,000 of the proceeds of solid waste bonds issued by the council under Minnesota Statutes, section 473.831, before its repeal, to the local housing incentives account in the metropolitan livable communities fund. In 1998 and each year thereafter, the council shall credit \$1,000,000 of the revenues generated by the levy authorized in section 473.249 to the local housing incentives account.

(c) In 1997, and each year thereafter, the council shall transfer \$500,000 from the livable communities demonstration account to the local housing incentives account.

**Subd. 6. DISTRIBUTION OF FUNDS.** The funds in the account must be distributed annually by the council to municipalities that:

(1) have not met their affordable and life-cycle housing goals as determined by the council; and

(2) are actively funding projects designed to help meet the goals.

The funds distributed by the council must be matched on a dollar-for-dollar basis by the municipality receiving the funds. When distributing funds in the account, the council must give priority to those municipalities that (1) have contribution net tax capacities that exceed their distribution net tax capacities by more than \$200 per household, (2) demonstrate the proposed project will link employment opportunities with affordable and life-cycle housing, and (3) provide matching funds from a source other than the required amount under subdivision 3. For the purposes of this subdivision, "municipality" means a statutory or home rule charter city or town in the metropolitan area.

**Subd. 7. REPORTING REQUIREMENT.** Beginning January 15, 1998, and annually thereafter, each municipality must report to the council the following:

(1) the tax revenues defined in subdivision 3 that were levied in the prior year;

(2) the portion of the revenues that were spent on meeting the municipality's affordable and life-cycle housing goals; and

(3) information on how the expenditures directly support the municipality's efforts to meet its affordable and life-cycle housing goals.

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The council shall verify each municipality's compliance with this subdivision.

**Subd. 8. LATER ELECTION TO PARTICIPATE.** If a municipality did not participate for one or more years and elects later to participate, the municipality must establish that it has spent or agrees to spend on affordable and life-cycle housing, or agrees to distribute to the local housing incentives account, an amount equivalent to what it would have spent on affordable and life-cycle housing had goals been established under this section for the period in which it was not participating. The council will determine which investments count toward the required cumulative investment amount by comparing the municipality to participating municipalities similar in terms of stage of development and demographics. If it determines it to be in the best interests of the region, the council may waive a reasonable portion of the cumulative investment amount.

**Subd. 9. REPORT TO THE LEGISLATURE.** By February 1 of each year, the council must report to the legislature the municipalities that have elected to participate and not to participate under subdivision 1. This report must be filed as provided in section 3.195.

**Subd. 10. COMPREHENSIVE REPORT CARD ON AFFORDABLE AND LIFE CYCLE HOUSING.** The metropolitan council shall present to the legislature and release to the public by November 15, 1996, and each year thereafter a comprehensive report card on affordable and life cycle housing in each municipality in the metropolitan area. The report card must include information on government, nonprofit, and marketplace efforts.

#### **Sec. 6. PROGRAM EVALUATION.**

The metropolitan council shall submit a report to the legislature by January 15, 2003, evaluating the metropolitan livable communities act. The report must include an accounting of the funds credited to the tax base revitalization account, the livable communities demonstration account, and the local housing incentives account, a summary of how the funds were spent, an analysis of the costs and benefits of the program, and recommendations for future legislative action regarding the program.

#### **Sec. 7. 2020 REPORT.**

The metropolitan council shall report to the legislature by January 15, 1996, on the probable development patterns in and affecting the metropolitan area by the year 2020 under various scenarios, including the present course of growth versus directed, compact, and efficient development. The report should consider impacts on the greater metropolitan region, including within it counties in which five percent or more of residents commute to employment in the present metropolitan region or which are part of the metropolitan area as defined by the U.S. Department of Commerce Standard Metropolitan Statistical Area.

#### **Sec. 8. APPLICATION.**

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This article applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 9. **EFFECTIVE DATE.**

This article is effective the day after final enactment. Section 4 is effective for taxes levied in 1995 and payable in 1996, and subsequent years.

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**ARTICLE 2**

**MISCELLANEOUS AMENDMENTS**

Section 1. Minnesota Statutes 1994, section 116J.552, subdivision 2, is amended to read:

Subd. 2. **CLEANUP COSTS.** "Cleanup costs" or "costs" ~~mean~~ means the ~~cost costs of developing and implementing an approved~~ costs of developing and implementing a response action plan, but does not include implementation costs incurred before the award of a grant unless the application for the grant was submitted within 180 days after the response action plan was approved by the commissioner of the pollution control agency.

Sec. 2. Minnesota Statutes 1994, section 116J.555, subdivision 2, is amended to read:

Subd. 2. **APPLICATION CYCLES; REPORTING TO LCWM.** (a) In making grants, the commissioner shall establish ~~regular~~ semiannual application deadlines in which grants will be authorized from all or part of the available appropriations of money in the account.

(b) After each semiannual cycle in which grants are awarded, the commissioner shall report to the legislative commission on waste management the grants awarded and appropriate supporting information describing each grant made. This report must be made within 30 days after the grants are awarded.

(c) The commissioner shall annually report to the legislative commission on the status of the cleanup projects undertaken under grants made under the programs. The commissioner shall include in the annual report information on the cleanup and development activities undertaken for the grants made in that and previous fiscal years. The commissioner shall make this report no later than 120 days after the end of the fiscal year.

Sec. 3. Minnesota Statutes 1994, section 116J.554, is amended by adding a subdivision to read:

Subd. 1a. **METROPOLITAN LIVABLE COMMUNITIES.** The commissioner may not make a grant to a municipality in the metropolitan area unless it is participating in the local housing incentives program under section 473.254.

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Sec. 4. Minnesota Statutes 1994, section 116J.556, is amended to read:

**116J.556 LOCAL MATCH REQUIREMENT.**

(a) In order to qualify for a grant under sections 116J.551 to 116J.557, the municipality must pay for at least one-half of the project costs as a local match. The municipality shall pay an amount of the project costs equal to at least ~~48~~ 12 percent of the cleanup costs from the municipality's general fund, a property tax levy for that purpose, or other unrestricted money available to the municipality (excluding tax increments). These unrestricted moneys may be spent for project costs, other than cleanup costs, and qualify for the local match payment equal to ~~48~~ 12 percent of cleanup costs. The rest of the local match may be paid with tax increments, regional, state, or federal money available for the redevelopment of brownfields or any other money available to the municipality.

(b) If the development authority establishes a tax increment financing district or hazardous substance subdistrict on the site to pay for part of the local match requirement, the district or subdistrict is not subject to the state aid reductions under section 273.1399. In order to qualify for the exemption from the state aid reductions, the municipality must elect, by resolution, on or before the request for certification is filed that all tax increments from the district or subdistrict will be used exclusively to pay (1) for project costs for the site and (2) administrative costs for the district or subdistrict. The district or subdistrict must be decertified when an amount of tax increments equal to no more than three times the costs of implementing the response action plan for the site and the administrative costs for the district or subdistrict have been received, after deducting the amount of the state grant.

Sec. 5. Minnesota Statutes 1994, section 473.167, subdivision 2, is amended to read:

**Subd. 2. LOANS FOR ACQUISITION.** The council may make loans to counties, towns, and statutory and home rule charter cities within the metropolitan area for the purchase of property within the right-of-way of a state trunk highway shown on an official map adopted pursuant to section 394.361 or 462.359 or for the purchase of property within the proposed right-of-way of a principal or intermediate arterial highway designated by the council as a part of the metropolitan highway system plan and approved by the council pursuant to subdivision 1. The loans shall be made by the council, from the fund established pursuant to this subdivision, for purchases approved by the council. The loans shall bear no interest. The council shall make loans only: (1) to accelerate the acquisition of primarily undeveloped property when there is a reasonable probability that the property will increase in value before highway construction, and to update an expired environmental impact statement on a project for which the right-of-way is being purchased; (2) to avert the imminent conversion or the granting of approvals which would allow the conversion of property to uses which would jeopardize its availability for highway construction; or (3) to advance planning and environmental activities on highest priority major metro-

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politan river crossing projects, under the transportation development guide chapter/policy plan. The council shall not make loans for the purchase of property at a price which exceeds the fair market value of the property or which includes the costs of relocating or moving persons or property. A private property owner may elect to receive the purchase price either in a lump sum or in not more than four annual installments without interest on the deferred installments. If the purchase agreement provides for installment payments, the council shall make the loan in installments corresponding to those in the purchase agreement. The recipient of an acquisition loan shall convey the property for the construction of the highway at the same price which the recipient paid for the property. The price may include the costs of preparing environmental documents that were required for the acquisition and that were paid for with money that the recipient received from the loan fund. Upon notification by the council that the plan to construct the highway has been abandoned or the anticipated location of the highway changed, the recipient shall sell the property at market value in accordance with the procedures required for the disposition of the property. All rents and other money received because of the recipient's ownership of the property and all proceeds from the conveyance or sale of the property shall be paid to the council. If a recipient is not permitted to include in the conveyance price the cost of preparing environmental documents that were required for the acquisition, then the recipient is not required to repay the council an amount equal to 40 percent of the money received from the loan fund and spent in preparing the environmental documents. The proceeds of the tax authorized by subdivision 3 and distributed to the right-of-way acquisition loan fund pursuant to subdivision 3a, paragraph (a), all money paid to the council by recipients of loans, and all interest on the proceeds and payments shall be maintained as a separate fund. For administration of the loan program, the council may expend from the fund each year an amount no greater than three percent of the amount of the ~~authorized levy~~ proceeds distributed to the right-of-way acquisition loan fund pursuant to subdivision 3a, paragraph (a), for that year.

Sec. 6. Minnesota Statutes 1994, section 473.167, subdivision 3, is amended to read:

Subd. 3. **TAX.** The council may levy a tax on all taxable property in the metropolitan area, as defined in section 473.121, to provide funds for loans made pursuant to subdivisions 2 and 2a and for the tax base revitalization account in the metropolitan livable communities fund, established under section 473.251. This tax for the right-of-way acquisition loan fund and the tax base revitalization account shall be certified by the council, levied, and collected in the manner provided by section 473.13. The tax shall be in addition to that authorized by section 473.249 and any other law and shall not affect the amount or rate of taxes which may be levied by the council or any metropolitan agency or local governmental unit. The amount of the levy shall be as determined and certified by the council; ~~except as otherwise provided in this subdivision.~~

The property tax levied by the metropolitan council for the right-of-way acquisition loan fund and the tax base revitalization account shall not exceed the following amount for the years specified:

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(a) for taxes payable in 1988, the product of 5/100 of one mill multiplied by the total assessed valuation of all taxable property located within the metropolitan area as adjusted by the provisions of Minnesota Statutes 1986, sections 272.64; 273.13, subdivision 7a; and 275.49;

(b) for taxes payable in 1989, except as provided in section 473.249, subdivision 3, the product of (1) the metropolitan council's property tax levy limitation for the right-of-way acquisition loan fund for the taxes payable year 1988 determined under clause (a) multiplied by (2) an index for market valuation changes equal to the assessment year 1988 total market valuation of all taxable property located within the metropolitan area divided by the assessment year 1987 total market valuation of all taxable property located within the metropolitan area;

(c) for taxes payable in 1990, an amount not to exceed \$2,700,000; and

(d) for taxes payable in 1991 and subsequent years, the product of (1) the metropolitan council's property tax levy limitation for the right-of-way acquisition loan fund for the taxes payable in 1988 determined under clause (a) multiplied by (2) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan area for the current taxes payable year divided by the total market valuation of all taxable property located within the metropolitan area for taxes payable in 1988.

For the purpose of determining the metropolitan council's property tax levy limitation for the right-of-way acquisition loan fund and tax base revitalization account in the metropolitan livable communities fund, under section 473.251, for the taxes payable year 1988 and subsequent years under this subdivision, "total market valuation" means the total market valuation of all taxable property within the metropolitan area without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).

The property tax levied under this subdivision for taxes payable in 1988 and subsequent years shall not be levied at a rate higher than that determined by the metropolitan council to be sufficient, considering the other anticipated revenues of and disbursements from the right-of-way acquisition loan fund, to produce a balance in the loan fund at the end of the next calendar year equal to twice the amount of the property tax levy limitation for taxes payable in the next calendar year determined under this section.

Sec. 7. Minnesota Statutes 1994, section 473.167, is amended by adding a subdivision to read:

Subd. 3a. DISTRIBUTION OF TAX PROCEEDS. (a) Right-of-way acquisition loan fund. Tax proceeds shall first be deposited into the right-of-way acquisition loan fund in an amount determined by the metropolitan council to be sufficient, considering the other anticipated revenues of and disbursements from the right-of-way acquisition loan fund, to produce a balance in the loan

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fund at the end of the next calendar year equal to twice the amount of the property tax levy limitation for taxes payable in the next calendar year determined under subdivision 3.

(b) Metropolitan livable communities tax base revitalization account. Any tax proceeds not first deposited into the right-of-way acquisition loan fund shall be distributed to the tax base revitalization account in the metropolitan livable communities fund, established under section 473.251.

Sec. 8. Minnesota Statutes 1994, section 473.704, subdivision 18, is amended to read:

Subd. 18. The commission may establish a research program to evaluate the effects of control programs on other fauna. The purpose of the program is to identify the types and magnitude of the adverse effects of the control program on fish and wildlife and associated food chain invertebrates. The commission may conduct research through contracts with qualified outside researchers. The commission may finance the research program each year at a level up to 2.5 percent of its annual budget, until December 31, 1995.

Sec. 9. Minnesota Statutes 1994, section 473.711, subdivision 2, is amended to read:

Subd. 2. **BUDGET; TAX LEVY.** (a) Budget. The metropolitan mosquito control commission shall prepare an annual budget. The budget may provide for expenditures in an amount not exceeding the property tax levy limitation determined in this subdivision.

(b) Tax Levy. The commission may levy a tax on all taxable property in the district as defined in section 473.702 to provide funds for the purposes of sections 473.701 to 473.716. The tax shall not exceed the property tax levy limitation determined in this subdivision. A participating county may agree to levy an additional tax to be used by the commission for the purposes of sections 473.701 to 473.716 but the sum of the county's and commission's taxes may not exceed the county's proportionate share of the property tax levy limitation determined under this subdivision based on the ratio of its total net tax capacity to the total net tax capacity of the entire district as adjusted by section 270.12, subdivision 3. The auditor of each county in the district shall add the amount of the levy made by the district to other taxes of the county for collection by the county treasurer with other taxes. When collected, the county treasurer shall make settlement of the tax with the district in the same manner as other taxes are distributed to political subdivisions. No county shall levy any tax for mosquito, disease vectoring tick, and black gnat (Simuliidae) control except under ~~sections 473.701 to 473.716~~ this section. The levy shall be in addition to other taxes authorized by law.

The property tax levied by the metropolitan mosquito control commission shall not exceed the following amount for the years specified:

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(i) for taxes payable in 1996, the product of (1) the commission's property tax levy limitation for the previous year taxes payable in 1995 determined under this subdivision minus 50 percent of the amount actually levied for taxes payable in 1995, multiplied by (2) an index for market valuation changes equal to the total market valuation of all taxable property located within the district for the current assessment taxes payable year divided by the total market valuation of all taxable property located within the district for the previous assessment taxes payable year; and

(ii) for taxes payable in 1997 and subsequent years, the product of (1) the commission's property tax levy limitation for the previous year determined under this subdivision multiplied by (2) an index for market valuation changes equal to the total market valuation of all taxable property located within the district for the current taxes payable year divided by the total market valuation of all taxable property located within the district for the previous taxes payable year.

For the purpose of determining the commission's property tax levy limitation under this subdivision, "total market valuation" means the total market valuation of all taxable property within the district without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425).

(c) Homestead and Agricultural Credit Aid. For aids payable in 1996 and subsequent years, the commission's homestead and agricultural credit aid base under section 273.1398, subdivision 1, is permanently reduced by 50 percent of the amount certified to be received in 1995, less any permanent aid reduction in 1995 under section 477A.0132.

(d) Emergency Tax Levy. If the commissioner of the department of health declares a health emergency due to a threatened or actual outbreak of disease caused by mosquitos, disease vectoring ticks, or black gnats (Simuliidae), the commission may levy an additional tax not to exceed \$500,000 on all taxable property in the district to pay for the required control measures.

(e) Optional County Levy. A participating county may levy a tax in an amount to be determined by the county board for mosquito, disease vectoring tick, and black gnat (Simuliidae) nuisance control. If the county levies the tax for nuisance control, it must contract with the commission to provide for nuisance control activities within the county. The levy for nuisance control shall be in addition to other levies authorized by law to the county.

Sec. 10. Minnesota Statutes 1994, section 473F.08, subdivision 3a, is amended to read:

Subd. 3a. Beginning in 1987 and each subsequent year through 1998, the city of Bloomington shall determine the interest payments for that year for the bonds which have been sold for the highway improvements pursuant to Laws 1986, chapter 391, section 2, paragraph (g). Effective for property taxes payable

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in 1988 through property taxes payable in 1999, after the Hennepin county auditor has computed the areawide portion of the levy for the city of Bloomington pursuant to subdivision 3, clause (a), the auditor shall annually add a dollar amount to the city of Bloomington's areawide portion of the levy equal to the amount which has been certified to the auditor by the city of Bloomington for the interest payments for that year for the bonds which were sold for highway improvements. The total areawide portion of the levy for the city of Bloomington including the additional amount for interest repayment certified pursuant to this subdivision shall be certified by the Hennepin county auditor to the administrative auditor pursuant to subdivision 5. The Hennepin county auditor shall distribute to the city of Bloomington the additional areawide portion of the levy computed pursuant to this subdivision at the same time that payments are made to the other counties pursuant to subdivision 7a. For property taxes payable from the year ~~2000~~ 2006 through ~~2009~~ 2015, the Hennepin county auditor shall adjust Bloomington's contribution to the areawide gross tax capacity upward each year by a value equal to ten percent of the total additional areawide levy distributed to Bloomington under this subdivision from 1988 to 1999, divided by the areawide tax rate for taxes payable in the previous year.

Sec. 11. Minnesota Statutes 1994, section 473F.08, is amended by adding a subdivision to read:

**Subd. 3b. LIVABLE COMMUNITIES FUND.** (a) The Hennepin county auditor shall certify the city of Bloomington's interest payments for 1987 for the bonds which were sold for highway improvements pursuant to Laws 1986, chapter 391, section 2, paragraph (g), and which were certified as an addition to the city of Bloomington's areawide levy for taxes payable in 1988.

(b) For taxes payable in 1996 through taxes payable in 1999, the Hennepin county auditor shall certify the amount calculated by subtracting the amount certified under subdivision 3a from the amount in paragraph (a). For taxes payable in 2000 and subsequent years, the Hennepin county auditor shall certify the amount calculated in paragraph (a).

(c) The metropolitan council may annually certify to the Ramsey county auditor the amount calculated under paragraph (b), or a lesser amount, but not to exceed \$5,000,000, to be used to provide funds for the cleanup of polluted lands in the metropolitan area.

(d) The amount certified under paragraph (c) shall be certified annually by the Ramsey county auditor to the administrative auditor as an addition to the metropolitan council's areawide levy under subdivision 5.

Sec. 12. Minnesota Statutes 1994, section 473F.08, subdivision 5, is amended to read:

**Subd. 5. AREAWIDE TAX RATE.** On or before August 25 of each year, the county auditor shall certify to the administrative auditor that portion of the levy of each governmental unit determined under ~~subdivision~~ subdivisions 3,

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clause (a), 3a, and 3b. The administrative auditor shall then determine the area-wide tax rate sufficient to yield an amount equal to the sum of such levies from the areawide net tax capacity. On or before September 1 of each year, the administrative auditor shall certify the areawide tax rate to each of the county auditors.

Sec. 13. Minnesota Statutes 1994, section 473F.08, subdivision 7a, is amended to read:

Subd. 7a. **CERTIFICATION OF VALUES; PAYMENT.** The administrative auditor shall determine for each county the difference between the total levy on distribution value pursuant to ~~subdivision~~ subdivisions 3, clause (a), 3a, and 3b, within the county and the total tax on contribution value pursuant to subdivision 6, within the county. On or before May 16 of each year, the administrative auditor shall certify the differences so determined to each county auditor. In addition, the administrative auditor shall certify to those county auditors for whose county the total tax on contribution value exceeds the total levy on distribution value the settlement the county is to make to the other counties of the excess of the total tax on contribution value over the total levy on distribution value in the county. On or before June 15 and November 15 of each year, each county treasurer in a county having a total tax on contribution value in excess of the total levy on distribution value shall pay one-half of the excess to the other counties in accordance with the administrative auditors certification.

Sec. 14. **MOSQUITO CONTROL COMMISSION EMPLOYEES.**

Employees of the metropolitan mosquito control commission covered under the terms of a collective bargaining agreement as of March 1, 1995, may not be terminated by discharge, except for cause, before January 1, 1999. This act does not abrogate or change any rights enjoyed by the employees of the commission under the terms of a collective bargaining agreement that is in effect on March 1, 1995.

Sec. 15. **AMENDMENT OF GRANT APPLICATIONS.**

A development authority that, before the effective date of this section, submitted an application for a grant under Minnesota Statutes, sections 116J.551 to 116J.558, may, before the next application deadline, submit to the commissioner of trade and economic development an amended application based on the changes made by section 1.

Sec. 16. **ECONOMIC VITALITY AND HOUSING INITIATIVE.**

Subdivision 1. ESTABLISHMENT. The Minnesota housing finance agency may establish an economic vitality and housing initiative to provide funds for affordable housing projects in connection with local communities' economic development and redevelopment efforts. The purpose of the economic vitality and housing initiative is to provide resources for affordable housing in communities throughout the state necessary to ensure the expansion and preservation of

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the economic base and employment opportunities. The agency must use the economic vitality and housing initiative to leverage to the extent possible private and other public funds for the purpose of this section.

**Subd. 2. GREATER MINNESOTA.** In Greater Minnesota, which is defined for this section as the area of the state not included in subdivision 3, the agency must work with groups in the McKnight initiative fund regions to assist the agency in identifying the affordable housing needed in each region in connection with economic development and redevelopment efforts and in establishing priorities for uses of economic vitality and housing funds. The groups must include the McKnight initiative funds, the regional development commissions, the private industry councils, units of local government, community action agencies, the Minnesota housing partnership network groups, local lenders, for-profit and nonprofit developers, and realtors. In addition to priorities developed by the group, the agency must give a preference to viable projects in which area employers contribute financial assistance.

**Subd. 3. METROPOLITAN AREA.** In the metropolitan area, as defined in Minnesota Statutes, section 473.121, subdivision 2, the agency must confer with the metropolitan council to identify the priorities for use of the economic vitality and housing funds. The agency shall give preference to economically viable projects that:

(1) include a contribution of financial resources from units of local government and area employers;

(2) are located in areas accessible to public transportation or served by transportation programs or along arterial roadways;

(3) take into account the availability of job training efforts in the community; and

(4) address local and regional objectives for the development of affordable and life cycle housing and the redevelopment of neighborhoods and communities.

**Subd. 4. EXPIRATION.** This section expires June 30, 1997.

**Sec. 17. REPEALER.**

Minnesota Statutes 1994, sections 504.33; 504.34; and 504.35, are repealed.

**Sec. 18. CITATION.**

This act may be cited as "the metropolitan livable communities act."

**Sec. 19. APPLICATION.**

This article applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

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**Sec. 20. EFFECTIVE DATES.**

This article is effective the day after final enactment. Sections 6, 9, and 11 to 13 are effective for taxes levied in 1995, payable in 1996 and subsequent years.

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**ARTICLE 3****HOUSING**

Section 1. Minnesota Statutes 1994, section 290.01, subdivision 19b, is amended to read:

**Subd. 19b. SUBTRACTIONS FROM FEDERAL TAXABLE INCOME.** For individuals, estates, and trusts, there shall be subtracted from federal taxable income:

(1) interest income on obligations of any authority, commission, or instrumentality of the United States to the extent includable in taxable income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) if included in federal taxable income, the amount of any overpayment of income tax to Minnesota or to any other state, for any previous taxable year, whether the amount is received as a refund or as a credit to another taxable year's income tax liability;

(3) the amount paid to others not to exceed \$650 for each dependent in grades kindergarten to 6 and \$1,000 for each dependent in grades 7 to 12, for tuition, textbooks, and transportation of each dependent in attending an elementary or secondary school situated in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin, wherein a resident of this state may legally fulfill the state's compulsory attendance laws, which is not operated for profit, and which adheres to the provisions of the Civil Rights Act of 1964 and chapter 363. As used in this clause, "textbooks" includes books and other instructional materials and equipment used in elementary and secondary schools in teaching only those subjects legally and commonly taught in public elementary and secondary schools in this state. "Textbooks" does not include instructional books and materials used in the teaching of religious tenets, doctrines, or worship, the purpose of which is to instill such tenets, doctrines, or worship, nor does it include books or materials for, or transportation to, extracurricular activities including sporting events, musical or dramatic events, speech activities, driver's education, or similar programs. In order to qualify for the subtraction under this clause the taxpayer must elect to itemize deductions under section 63(e) of the Internal Revenue Code;

(4) to the extent included in federal taxable income, distributions from a

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qualified governmental pension plan, an individual retirement account, simplified employee pension, or qualified plan covering a self-employed person that represent a return of contributions that were included in Minnesota gross income in the taxable year for which the contributions were made but were deducted or were not included in the computation of federal adjusted gross income. The distribution shall be allocated first to return of contributions until the contributions included in Minnesota gross income have been exhausted. This subtraction applies only to contributions made in a taxable year prior to 1985;

(5) income as provided under section 290.0802;

(6) the amount of unrecovered accelerated cost recovery system deductions allowed under subdivision 19g;

(7) to the extent included in federal adjusted gross income, income realized on disposition of property exempt from tax under section 290.491; ~~and~~

(8) to the extent not deducted in determining federal taxable income, the amount paid for health insurance of self-employed individuals as determined under section 162(l) of the Internal Revenue Code, except that the 25 percent limit does not apply. If the taxpayer deducted insurance payments under section 213 of the Internal Revenue Code of 1986, the subtraction under this clause must be reduced by the lesser of:

(i) the total itemized deductions allowed under section 63(d) of the Internal Revenue Code, less state, local, and foreign income taxes deductible under section 164 of the Internal Revenue Code and the standard deduction under section 63(c) of the Internal Revenue Code; or

(ii) the lesser of (A) the amount of insurance qualifying as "medical care" under section 213(d) of the Internal Revenue Code to the extent not deducted under section 162(1) of the Internal Revenue Code or excluded from income or (B) the total amount deductible for medical care under section 213(a); and

(9) the exemption amount allowed under section 2, subdivision 3.

## Sec. 2. URBAN HOMESTEADING PROGRAM.

Subdivision 1. URBAN REVITALIZATION AND STABILIZATION ZONES. By September 1, 1995, the metropolitan council shall designate one or more urban revitalization and stabilization zones in the metropolitan area, as defined in section 473.121, subdivision 2. The designated zones must contain no more than 1,000 single family homes in total. In designating urban revitalization and stabilization zones, the council shall choose areas that are in transition toward blight and poverty. The council shall use indicators that evidence increasing neighborhood distress such as declining residential property values, declining resident incomes, declining rates of owner-occupancy, and other indicators of blight and poverty in determining which areas are to be urban revitalization and stabilization zones.

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**Subd. 2. PROGRAM ELIGIBILITY.** Any person buying and occupying a home within the boundaries of an urban revitalization and stabilization zone after September 1, 1995, is eligible to participate in the urban homesteading program. An owner may participate by filing an annual application with the county assessor of the county in which the homestead is located. On or before January 15 of the second year after the initial application and for a total of four subsequent years in which the owner continues to meet eligibility requirements under this subdivision, the assessor shall provide written verification that the homestead is within an urban revitalization and stabilization zone to the owner in a form and manner prescribed by the commissioner of revenue. The form shall include the date on which the owner purchased the property, the date on which the owner applied for the urban homesteading program, and shall indicate if the property has been found to be not in compliance with applicable building codes, and the dates of inspections. The assessor may charge a fee to the owner, not to exceed \$10 per year, for the costs of processing the application. An owner shall become ineligible for the program if any of the following occurs:

- (1) the property is sold or otherwise transferred to another party;
- (2) the property is found not to be in compliance with applicable building codes, provided that at least three years have passed since the owner filed for participation in the program;
- (3) the owner ceases to occupy the property; or
- (4) any of the owners of the property are convicted of violating Minnesota Statutes, sections 152.021 to 152.025 or 152.0261, or committing any other felony-level violation.

The county assessor shall annually provide to the county attorney a list of the owners of property within the county who are currently in the program. The county attorney shall notify the assessor if any of the owners participating in the program have been convicted of violating a felony-level crime after the date on which they began participation in the program. The assessor shall notify the owners, by first class mail, of the loss of their eligibility of participation in the program for the following year and any subsequent years. The assessor shall at the same time notify the commissioner of revenue of the owners' loss of eligibility. The owners may appeal the loss of eligibility to the tax court, but the appeal is limited to the factual question of whether the disqualifying event has actually occurred.

**Subd. 3. TAX BENEFITS.** Individuals participating in the urban homesteading program shall receive an exemption from Minnesota taxable income for each full tax year during which eligibility under subdivision 2 is mandated, beginning in the first full tax year following the filing of an application with the county assessor. Eligibility may continue for a maximum of five years, provided that the individual does not become ineligible for the program under subdivision 2. The maximum exemption amount shall equal \$15,000 for married individuals filing joint returns and surviving spouses as defined in section 2(a) of the

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Internal Revenue Code, \$10,000 for unmarried individuals, and \$12,500 for unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code. The maximum exemption amount shall be reduced by two percent of the maximum exemption amount for each \$1,000 of adjusted gross income or part thereof above an income threshold. For purposes of this subdivision, adjusted gross income means federal adjusted gross income as defined in section 62 of the Internal Revenue Code. The income threshold shall equal \$60,000 for married individuals filing joint returns and surviving spouses, \$40,000 for unmarried individuals, and \$50,000 for unmarried individuals qualifying as a head of household. Participants shall claim the exemption by filing the form provided under subdivision 2 with the income tax return filed under chapter 290.

Subd. 4. EXPIRATION. Initial applications for the urban homesteading program shall not be accepted after July 1, 1997.

Subd. 5. INFORMATION TO POTENTIAL BUYERS. The metropolitan council shall market and promote the urban homestead program to the extent feasible, but such efforts shall at least include informing area realtors or realtor associations about the program.

Subd. 6. REPORTS. The metropolitan council shall make an initial report to the legislature by January 1, 1998, on the urban homesteading program. The initial report shall contain information on designation of zones, participation rates, and current and projected future costs of providing state income tax exemptions to program participants.

The metropolitan council shall make full reports to the legislature by January 1, 2000, and January 1, 2003, on the urban homesteading program. The full reports shall include information on those subjects covered by the initial report, as well as information on neighborhood impacts, property values, resident incomes, rates of owner-occupancy, and other indicators of poverty and blight.

### Sec. 3. APPLICATION.

Section 2 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

### Sec. 4. EFFECTIVE DATE.

Section 1 is effective for tax years beginning after December 31, 1995.

Presented to the governor May 30, 1995

Signed by the governor June 1, 1995, 11:40 a.m.

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