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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 920

02/16/2015 Authored by Drazkowski and Davids

The bill was read for the first time and referred to the Committee on Transportation Policy and Finance

1.1 A bill for an act  
1.2 relating to economic development; the destination medical center; modifying  
1.3 computation of the city's local contribution; restricting the use of funds;  
1.4 amending Minnesota Statutes 2014, sections 469.40, subdivision 11, as amended;  
1.5 469.45, subdivisions 1, 2; 469.46; 469.47, subdivision 4, as amended, by adding  
1.6 a subdivision; Laws 1998, chapter 389, article 8, section 43, subdivision 3, as  
1.7 amended; proposing coding for new law in Minnesota Statutes, chapter 16A.

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

1.9 Section 1. [16A.1246] NO SPENDING FOR CERTAIN RAIL PROJECTS.

1.10 Notwithstanding any law to the contrary, no appropriation or other state money,  
1.11 whether in the general or another fund, may be expended for any costs related to studying  
1.12 the feasibility of, planning for, designing, engineering, acquiring property or constructing  
1.13 facilities for or related to, or development or operation of intercity or interregional  
1.14 passenger rail facilities or operations between the city of Rochester or locations in its  
1.15 metropolitan area and any location in the metropolitan area, as defined in section 473.121,  
1.16 subdivision 2.

1.17 EFFECTIVE DATE. This section is effective the day following final enactment,  
1.18 except it does not apply to funds appropriated under Laws 2009, chapter 93, article 1,  
1.19 section 11, subdivision 5.

1.20 Sec. 2. Minnesota Statutes 2014, section 469.40, subdivision 11, as amended by Laws  
1.21 2015, chapter 1, section 6, is amended to read:

1.22 Subd. 11. **Public infrastructure project.** (a) "Public infrastructure project" means  
1.23 a project financed in part or in whole with public money in order to support the medical

2.1 business entity's development plans, as identified in the DMCC development plan. A  
2.2 public infrastructure project may:

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

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

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

2.7 (4) install, construct, or reconstruct elements of public infrastructure required to  
2.8 support the overall development of the destination medical center development district  
2.9 including, but not limited to, streets, roadways, utilities systems and related facilities,  
2.10 utility relocations and replacements, network and communication systems, streetscape  
2.11 improvements, drainage systems, sewer and water systems, subgrade structures and  
2.12 associated improvements, landscaping, façade construction and restoration, wayfinding  
2.13 and signage, and other components of community infrastructure;

2.14 (5) acquire, construct or reconstruct, and equip parking facilities and other facilities  
2.15 to encourage intermodal transportation and public transit;

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

2.19 (7) make related site improvements including, without limitation, excavation,  
2.20 earth retention, soil stabilization and correction, and site improvements to support the  
2.21 destination medical center development district;

2.22 (8) prepare land for private development and to sell or lease land;

2.23 (9) provide costs of relocation benefits to occupants of acquired properties; and

2.24 (10) construct and equip all or a portion of one or more suitable structures on land  
2.25 owned by the city for sale or lease to private development; provided, however, that the  
2.26 portion of any structure directly financed by the city as a public infrastructure project must  
2.27 not be sold or leased to a medical business entity.

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

2.29 (c) Public infrastructure project includes the planning, preparation, and modification  
2.30 of the development plan under section 469.43, and the cost of that planning, preparation,  
2.31 and any modification is a capital cost of the public infrastructure project.

2.32 (d) Public infrastructure project excludes any goods, services, other activities, or  
2.33 items that are related to studying the feasibility of, planning for, designing, engineering,  
2.34 acquiring property or constructing facilities for or related to, or development or operation  
2.35 of intercity or interregional passenger rail facilities or operations.

3.1 Sec. 3. Minnesota Statutes 2014, section 469.45, subdivision 1, is amended to read:

3.2 Subdivision 1. **Rochester, other local taxes authorized.** (a) Notwithstanding  
 3.3 section 477A.016 or any other contrary provision of law, ordinance, or city charter, and in  
 3.4 addition to any taxes the city may impose on these transactions under another statute or  
 3.5 law, the city of Rochester may, by ordinance, impose at a rate or rates, determined by the  
 3.6 city, any of the following taxes:

3.7 (1) a tax on the gross receipts from the furnishing for consideration of lodging and  
 3.8 related services as defined in section 297A.61, subdivision 3, paragraph (g), clause (2); the  
 3.9 city may choose to impose a differential tax based on the number of rooms in the facility;

3.10 (2) a tax on the gross receipts of food and beverages sold primarily for consumption  
 3.11 on the premises by restaurants and places of refreshment that occur in the city of  
 3.12 Rochester; the city may elect to impose the tax in a defined district of the city; and

3.13 (3) a tax on the admission receipts to entertainment and recreational facilities, as  
 3.14 defined by ordinance, in the city of Rochester.

3.15 (b) The provisions of section 297A.99, subdivisions 4 to 13, govern the  
 3.16 administration, collection, and enforcement of any tax imposed by the city under  
 3.17 paragraph (a).

3.18 (c) The proceeds of any taxes imposed under this subdivision, less refunds and  
 3.19 costs of collection, must be used by the city only to meet its share of obligations for  
 3.20 public infrastructure projects contained in the development plan and approved by the  
 3.21 corporation, including any associated financing costs or to pay any other costs qualifying  
 3.22 as a local matching contribution under section 469.47, subdivision 4, but must not be  
 3.23 expended for any costs related to studying the feasibility of, planning for, designing,  
 3.24 engineering, acquiring property or constructing facilities for or related to, or development  
 3.25 or operation of intercity or interregional passenger rail facilities or operations. Any tax  
 3.26 imposed under paragraph (a) expires at the earlier of December 31, 2049, or when the  
 3.27 city council determines that sufficient funds have been raised from the tax plus all other  
 3.28 local funding sources authorized in Laws 2013, chapter 143, article 10, to meet the city  
 3.29 obligation for financing public infrastructure projects contained in the development plan  
 3.30 and approved by the corporation, including any associated financing costs.

3.31 **EFFECTIVE DATE.** This section is effective retroactive to the original effective  
 3.32 date of Minnesota Statutes, section 469.47, except the provisions relating to expenditures  
 3.33 related to rail facilities are effective upon local approval.

3.34 Sec. 4. Minnesota Statutes 2014, section 469.45, subdivision 2, is amended to read:

4.1           Subd. 2. **General sales tax authority.** The city may elect to extend the existing  
 4.2 local sales and use tax under Laws 2013, chapter 143, article 10, section 13, or to impose  
 4.3 an additional rate of up to one quarter of one percent tax on sales and use under Laws  
 4.4 2013, chapter 143, article 10, section 11. The proceeds of any extended or additional taxes  
 4.5 imposed under this subdivision, less refunds and costs of collection, must be used by the  
 4.6 city only to meet its share of obligations for public infrastructure projects contained in the  
 4.7 development plan and approved by the corporation, including all financing costs. Revenues  
 4.8 collected in any year to meet the obligations must be used for payment of obligations or  
 4.9 expenses for public infrastructure projects approved by the corporation or of any other  
 4.10 costs qualifying as a local matching contribution under section 469.47, subdivision 4, but  
 4.11 must not be expended for any costs related to studying the feasibility of, planning for,  
 4.12 designing, engineering, acquiring property or constructing facilities for or related to, or  
 4.13 development or operation of intercity or interregional passenger rail facilities or operations.

4.14           **EFFECTIVE DATE.** This section is effective retroactive to the original effective  
 4.15 date of Minnesota Statutes, section 469.47, except the provisions relating to expenditures  
 4.16 related to rail facilities are effective upon local approval.

4.17           Sec. 5. Minnesota Statutes 2014, section 469.46, is amended to read:

4.18           **469.46 COUNTY TAX AUTHORITY.**

4.19           (a) Notwithstanding sections 297A.99, 297A.993, and 477A.016, or any other  
 4.20 contrary provision of law, ordinance, or charter, and in addition to any taxes the county  
 4.21 may impose under another law or statute, the Board of Commissioners of Olmsted County  
 4.22 may, by resolution, impose a transit tax of up to one quarter of one percent on retail sales  
 4.23 and uses taxable under chapter 297A. The provisions of section 297A.99, subdivisions  
 4.24 4 to 13, govern the imposition, administration, collection, and enforcement of the tax  
 4.25 authorized under this paragraph.

4.26           (b) The Board of Commissioners of Olmsted County may, by resolution, levy an  
 4.27 annual wheelage tax of up to \$10 on each motor vehicle kept in the county when not in  
 4.28 operation which is subject to annual registration and taxation under chapter 168, for  
 4.29 transportation projects within the county. The wheelage tax must not be imposed on the  
 4.30 vehicles exempt from wheelage tax under section 163.051, subdivision 1. The board,  
 4.31 by resolution, may provide for collection of the wheelage tax by county officials, or it  
 4.32 may request that the tax be collected by the state registrar on behalf of the county. The  
 4.33 provisions of section 163.051, subdivisions 2, 2a, 3, and 7, must govern the administration,  
 4.34 collection, and enforcement of the tax authorized under this paragraph. The tax authorized

5.1 under this section is in addition to any tax the county may be authorized to impose under  
5.2 section 163.051, but until January 1, 2018, the county tax imposed under this paragraph,  
5.3 in combination with any tax imposed under section 163.051, must equal the specified  
5.4 rate under section 163.051.

5.5 (c) The proceeds of any taxes imposed under paragraph (a), less refunds and costs of  
5.6 collection, must be first used by the county to meet its local matching contributions under  
5.7 section 469.47, subdivision 6, for financing transit infrastructure related to the public  
5.8 infrastructure projects contained in the development plan and approved by the corporation,  
5.9 including any financing costs. Revenues collected in any calendar year in excess of the  
5.10 county obligation to pay for projects contained in the development plan may be retained  
5.11 by the county and used for funding other transportation projects, including roads and  
5.12 bridges, airports, and transportation improvements, subject to the limits in paragraph (e).

5.13 (d) Any taxes imposed under paragraph (a) expire December 31, 2049, or at an  
5.14 earlier time if approved by resolution of the county board of commissioners. The taxes  
5.15 must not terminate before the county board of commissioners determines that revenues  
5.16 from these taxes and any other revenue source the county dedicates are sufficient to pay  
5.17 the county share of transit project costs and financing costs under the development plan.

5.18 (e) Notwithstanding any other law to the contrary, the county must not expend any  
5.19 revenues from the tax authorized under this section, any other general or special sales or use  
5.20 taxes, or its property tax levy for any costs related to studying the feasibility of, planning  
5.21 for, designing, engineering, acquiring property or constructing facilities for or related to, or  
5.22 development or operation of intercity or interregional passenger rail facilities or operations.

5.23 **EFFECTIVE DATE.** This section is effective upon local approval by the governing  
5.24 body of Olmsted County and compliance with the requirements of Minnesota Statutes,  
5.25 section 645.021, subdivision 3. If the governing body of the county fails to approve this  
5.26 section by November 15, 2015, including complying with Minnesota Statutes, section  
5.27 645.021, subdivision 3, Minnesota Statutes, section 469.46, is repealed effective for sales  
5.28 and purchases made after December 31, 2015.

5.29 Sec. 6. Minnesota Statutes 2014, section 469.47, subdivision 4, as amended by Laws  
5.30 2015, chapter 1, section 10, is amended to read:

5.31 Subd. 4. **General aid; local matching contribution.** In order to qualify for general  
5.32 state infrastructure aid, the city must enter a written agreement with the commissioner  
5.33 that requires the city to make a qualifying local matching contribution to pay for  
5.34 \$128,000,000 of the cost of public infrastructure projects approved by the corporation,  
5.35 including financing costs, using funds other than state aid received under this section. The

6.1 \$128,000,000 required local matching contribution is reduced by ~~one-half~~ of the amounts  
 6.2 the city pays for ~~operating and administrative costs~~ out of funds other than state aid  
 6.3 received under this section for the support, administration, or operations of the corporation  
 6.4 and economic development agency, up to a maximum amount agreed to by the board and  
 6.5 the city. These amounts include any costs the city incurs in providing services, goods,  
 6.6 or other support to the corporation and the agency. The agreement must provide for the  
 6.7 manner, timing, and amounts of the city contributions, including the city's commitment  
 6.8 for each year. Notwithstanding any law to the contrary, the agreement may provide that  
 6.9 the city contributions for public infrastructure project principal costs may be made over a  
 6.10 20-year period at a rate not greater than \$1 from the city for each \$2.55 from the state.  
 6.11 The local match contribution may be provided by the city from any source identified in  
 6.12 section 469.45 and any other local tax proceeds or other funds from the city and may  
 6.13 include providing funds to prepare the development plan, to assist developers undertaking  
 6.14 projects in accordance with the development plan, or by the city directly undertaking  
 6.15 public infrastructure projects in accordance with the development plan, provided the  
 6.16 projects have been approved by the corporation. City contributions that are in excess of  
 6.17 this ratio carry forward and are credited toward subsequent years. The commissioner and  
 6.18 city may agree to amend the agreement at any time in light of new information or other  
 6.19 appropriate factors. The city may enter into arrangements with the county to pay for or  
 6.20 otherwise meet the local matching contribution requirement. Any public infrastructure  
 6.21 project within the area that will be in the destination medical center development district  
 6.22 whose implementation is started or funded by the city after June 22, 2013, but before the  
 6.23 development plan is adopted, as provided by section 469.43, subdivision 1, will be included  
 6.24 for the purposes of determining the amount the city has contributed as required by this  
 6.25 section and the agreement with the commissioner, subject to approval by the corporation.

6.26 **EFFECTIVE DATE.** This section is effective retroactive to the original effective  
 6.27 date of Minnesota Statutes, section 469.47.

6.28 Sec. 7. Minnesota Statutes 2014, section 469.47, is amended by adding a subdivision  
 6.29 to read:

6.30 Subd. 10. **Prohibition; passenger rail.** The city, county, and corporation must not  
 6.31 expend any aid received under this section for any costs related to studying the feasibility  
 6.32 of, planning for, designing, engineering, acquiring property or constructing facilities for  
 6.33 or related to, or development or operation of intercity or interregional passenger rail  
 6.34 facilities or operations.

7.1 **EFFECTIVE DATE.** This section is effective the day following final enactment.

7.2 Sec. 8. Laws 1998, chapter 389, article 8, section 43, subdivision 3, as amended by  
7.3 Laws 2005, First Special Session chapter 3, article 5, section 28, Laws 2011, First Special  
7.4 Session chapter 7, article 4, section 5, and Laws 2013, chapter 143, article 10, section  
7.5 12, is amended to read:

7.6 Subd. 3. **Use of revenues.** (a) Revenues received from the taxes authorized by  
7.7 subdivisions 1, paragraph (a), and 2 must be used by the city to pay for the cost of  
7.8 collecting and administering the taxes and to pay for the following projects:

7.9 (1) transportation infrastructure improvements including regional highway and  
7.10 airport improvements;

7.11 (2) improvements to the civic center complex;

7.12 (3) a municipal water, sewer, and storm sewer project necessary to improve regional  
7.13 ground water quality; and

7.14 (4) construction of a regional recreation and sports center and other higher education  
7.15 facilities available for both community and student use.

7.16 (b) The total amount of capital expenditures or bonds for projects listed in paragraph  
7.17 (a) that may be paid from the revenues raised from the taxes authorized in this section  
7.18 may not exceed \$111,500,000. The total amount of capital expenditures or bonds for the  
7.19 project in clause (4) that may be paid from the revenues raised from the taxes authorized  
7.20 in this section may not exceed \$28,000,000.

7.21 (c) In addition to the projects authorized in paragraph (a) and not subject to the  
7.22 amount stated in paragraph (b), the city of Rochester may, if approved by the voters at an  
7.23 election under subdivision 5, paragraph (c), use the revenues received from the taxes and  
7.24 bonds authorized in this section to pay the costs of or bonds for the following purposes:

7.25 (1) \$17,000,000 for capital expenditures and bonds for the following Olmsted  
7.26 County transportation infrastructure improvements:

7.27 (i) County State Aid Highway 34 reconstruction;

7.28 (ii) Trunk Highway 63 and County State Aid Highway 16 interchange;

7.29 (iii) phase II of the Trunk Highway 52 and County State Aid Highway 22 interchange;

7.30 (iv) widening of County State Aid Highway 22 West Circle Drive; and

7.31 (v) 60th Avenue Northwest corridor preservation;

7.32 (2) \$30,000,000 for city transportation projects including:

7.33 (i) Trunk Highway 52 and 65th Street interchange;

7.34 (ii) NW transportation corridor acquisition;

7.35 (iii) Phase I of the Trunk Highway 52 and County State Aid Highway 22 interchange;

- 8.1 (iv) Trunk Highway 14 and Trunk Highway 63 intersection;
- 8.2 (v) Southeast transportation corridor acquisition;
- 8.3 (vi) Rochester International Airport expansion; and
- 8.4 (vii) a transit operations center bus facility;
- 8.5 (3) \$14,000,000 for the University of Minnesota Rochester academic and
- 8.6 complementary facilities;
- 8.7 (4) \$6,500,000 for the Rochester Community and Technical College/Winona State
- 8.8 University career technical education and science and math facilities;
- 8.9 (5) \$6,000,000 for the Rochester Community and Technical College regional
- 8.10 recreation facilities at University Center Rochester;
- 8.11 (6) \$20,000,000 for the Destination Medical Community Initiative;
- 8.12 (7) \$8,000,000 for the regional public safety and 911 dispatch center facilities;
- 8.13 (8) \$20,000,000 for a regional recreation/senior center;
- 8.14 (9) \$10,000,000 for an economic development fund; and
- 8.15 (10) \$8,000,000 for downtown infrastructure.
- 8.16 (d) No revenues from the taxes raised from the taxes authorized in subdivisions 1
- 8.17 and 2 may be used to fund transportation improvements related to a railroad bypass that
- 8.18 would divert traffic from the city of Rochester or for the purposes listed in Minnesota
- 8.19 Statutes, section 469.47, subdivision 10.
- 8.20 (e) Notwithstanding Minnesota Statutes, section 297A.99, subdivisions 2 and 3, if
- 8.21 the city decides to extend the taxes in subdivisions 1, paragraph (a), and 2, as allowed
- 8.22 under subdivision 5, paragraph (c), the city must use any amount in excess of the amount
- 8.23 necessary to meet obligations under paragraphs (a) to (c) from those taxes to fund
- 8.24 obligations, including financing costs, related to public infrastructure projects in the
- 8.25 development plan adopted under Minnesota Statutes, section 469.43.
- 8.26 (f) Revenues from the tax under subdivision 1, paragraph (b), must be used to
- 8.27 fund obligations, including financing costs, related to the public infrastructure projects
- 8.28 contained in the development plan approved by the DMCC and adopted by the city under
- 8.29 Minnesota Statutes, section 469.43.

8.30 **Sec. 9. CITY OF ROCHESTER; RESTRICTION ON USE OF TAX PROCEEDS.**

8.31 Notwithstanding any other law to the contrary, the city of Rochester must not

8.32 expend any revenues from its property tax levy or general or special sales or use taxes

8.33 for any costs related to studying the feasibility of, planning for, designing, engineering,

8.34 acquiring property or constructing facilities for or related to, or development or operation

8.35 of intercity or interregional passenger rail facilities or operations.

9.1       Sec. 10. **EFFECTIVE DATE.**

9.2               Sections 2 to 4, 6, 8, and 9, are effective upon local approval by the governing body of  
9.3 the city of Rochester and compliance with the requirements of Minnesota Statutes, section  
9.4 645.021, subdivision 3, but only if each and all of the sections are approved by the city.