

**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-EIGHTH LEGISLATURE**

**S.F. No. 343**

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DATE	D-PG	OFFICIAL STATUS
02/07/2013	173	Introduction and first reading Referred to State and Local Government
02/14/2013	240	Withdrawn and re-referred to Jobs, Agriculture and Rural Development
02/28/2013	415	Comm report: To pass and re-referred to Judiciary
03/06/2013	639a	Comm report: Amended
		Comm report: No recommendation, re-referred to State and Local Government
03/21/2013		Comm report: To pass as amended and re-refer to Taxes

A bill for an act

1.1 relating to economic development; establishing a medical center development  
 1.2 authority and providing for its organization, powers, and duties; providing  
 1.3 for medical center development districts; authorizing the issuance of revenue  
 1.4 obligations by the authority; authorizing city bonds; authorizing state assistance;  
 1.5 providing for tax increment financing within a medical center development  
 1.6 district; appropriating money; amending Minnesota Statutes 2012, sections  
 1.7 272.02, subdivision 39; 469.174, subdivision 8; 469.176, subdivisions 1b, 4c;  
 1.8 proposing coding for new law in Minnesota Statutes, chapter 469.  
 1.9

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

1.11 Section 1. Minnesota Statutes 2012, section 272.02, subdivision 39, is amended to read:

1.12 Subd. 39. **Economic development; public purpose.** The holding of property by  
 1.13 a political subdivision of the state for later resale for economic development purposes,  
 1.14 including property held as part of a destination medical center project described in  
 1.15 section 469.41, subdivision 11, shall be considered a public purpose in accordance with  
 1.16 subdivision 8 for a period not to exceed nine years, except that for property located in a  
 1.17 city of 5,000 population or under that is located outside of the metropolitan area as defined  
 1.18 in section 473.121, subdivision 2, the period must not exceed 15 years.

1.19 The holding of property by a political subdivision of the state for later resale (1)  
 1.20 which is purchased or held for housing purposes, or (2) which meets the conditions  
 1.21 described in section 469.174, subdivision 10, shall be considered a public purpose in  
 1.22 accordance with subdivision 8.

1.23 The governing body of the political subdivision which acquires property which is  
 1.24 subject to this subdivision shall after the purchase of the property certify to the city or  
 1.25 county assessor whether the property is held for economic development purposes or  
 1.26 housing purposes, or whether it meets the conditions of section 469.174, subdivision 10.

2.1 If the property is acquired for economic development purposes and buildings or other  
 2.2 improvements are constructed after acquisition of the property, and if more than one-half  
 2.3 of the floor space of the buildings or improvements which is available for lease to or use  
 2.4 by a private individual, corporation, or other entity is leased to or otherwise used by  
 2.5 a private individual, corporation, or other entity the provisions of this subdivision shall  
 2.6 not apply to the property. This subdivision shall not create an exemption from section  
 2.7 272.01, subdivision 2; 272.68; 273.19; or 469.040, subdivision 3; or other provision of  
 2.8 law providing for the taxation of or for payments in lieu of taxes for publicly held property  
 2.9 which is leased, loaned, or otherwise made available and used by a private person.

2.10 Sec. 2. Minnesota Statutes 2012, section 469.174, subdivision 8, is amended to read:

2.11 Subd. 8. **Project.** "Project" means a project as described in section 469.142; an  
 2.12 industrial development district as described in section 469.058, subdivision 1; an economic  
 2.13 development district as described in section 469.101, subdivision 1; a project as defined  
 2.14 in section 469.002, subdivision 12; a development district as defined in section 469.125,  
 2.15 subdivision 9, or any special law; ~~or~~ a project as defined in section 469.153, subdivision 2,  
 2.16 paragraph (a), (b), or (c), or a project as defined in section 469.41, subdivision 11.

2.17 Sec. 3. Minnesota Statutes 2012, section 469.176, subdivision 1b, is amended to read:

2.18 Subd. 1b. **Duration limits; terms.** (a) No tax increment shall in any event be  
 2.19 paid to the authority:

2.20 (1) after 15 years after receipt by the authority of the first increment for a renewal  
 2.21 and renovation district;

2.22 (2) after 20 years after receipt by the authority of the first increment for a soils  
 2.23 condition district;

2.24 (3) after eight years after receipt by the authority of the first increment for an  
 2.25 economic development district or, for an economic development district within a medical  
 2.26 center development district created under section 469.48, subdivision 4, (i) after 15 years  
 2.27 after receipt by the authority of the first increment for a residential rental/owner-occupied  
 2.28 housing subdistrict, (ii) after 15 years after receipt by the authority of the first increment  
 2.29 for a medical/healthcare industry subdistrict, or (iii) after ten years after receipt by the  
 2.30 authority of the first increment for a commercial/industrial/retail subdistrict;

2.31 (4) for a housing district, a compact development district, or a redevelopment  
 2.32 district, after 25 years from the date of receipt by the authority of the first increment.

2.33 (b) For purposes of determining a duration limit under this subdivision or subdivision  
 2.34 1e that is based on the receipt of an increment, any increments from taxes payable in the year

3.1 in which the district terminates shall be paid to the authority. This paragraph does not affect  
 3.2 a duration limit calculated from the date of approval of the tax increment financing plan or  
 3.3 based on the recovery of costs or to a duration limit under subdivision 1c. This paragraph  
 3.4 does not supersede the restrictions on payment of delinquent taxes in subdivision 1f.

3.5 (c) An action by the authority to waive or decline to accept an increment has no  
 3.6 effect for purposes of computing a duration limit based on the receipt of increment under  
 3.7 this subdivision or any other provision of law. The authority is deemed to have received an  
 3.8 increment for any year in which it waived or declined to accept an increment, regardless  
 3.9 of whether the increment was paid to the authority.

3.10 (d) Receipt by a hazardous substance subdistrict of an increment as a result of a  
 3.11 reduction in original net tax capacity under section 469.174, subdivision 7, paragraph  
 3.12 (b), does not constitute receipt of increment by the overlying district for the purpose of  
 3.13 calculating the duration limit under this section.

3.14 Sec. 4. Minnesota Statutes 2012, section 469.176, subdivision 4c, is amended to read:

3.15 Subd. 4c. **Economic development districts.** (a) Revenue derived from tax increment  
 3.16 from an economic development district may not be used to provide improvements, loans,  
 3.17 subsidies, grants, interest rate subsidies, or assistance in any form to developments  
 3.18 consisting of buildings and ancillary facilities, if more than 15 percent of the buildings and  
 3.19 facilities (determined on the basis of square footage) are used for a purpose other than:

3.20 (1) the manufacturing or production of tangible personal property, including  
 3.21 processing resulting in the change in condition of the property;

3.22 (2) warehousing, storage, and distribution of tangible personal property, excluding  
 3.23 retail sales;

3.24 (3) with the consent of the Rochester Area Medical Center Development Authority  
 3.25 and within a subdistrict of a medical center development district created under section  
 3.26 469.48, subdivision 4, (i) residential rental or owner-occupied housing, (ii) the  
 3.27 provision of medical or healthcare industry related services or products, or (iii) other  
 3.28 commercial/industrial development and retail sales;

3.29 ~~(3)~~ (4) research and development related to the activities listed in clause (1) or ~~(2)~~  
 3.30 ~~(2)~~, or ~~(3)~~;

3.31 ~~(4)~~ (5) telemarketing if that activity is the exclusive use of the property;

3.32 ~~(5)~~ (6) tourism facilities;

3.33 ~~(6)~~ (7) qualified border retail facilities; or

3.34 ~~(7)~~ (8) space necessary for and related to the activities listed in clauses (1) to ~~(6)~~ (7).

4.1 (b) Notwithstanding the provisions of this subdivision, revenues derived from tax  
 4.2 increment from an economic development district may be used to provide improvements,  
 4.3 loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000  
 4.4 square feet of any separately owned commercial facility located within the municipal  
 4.5 jurisdiction of a small city, if the revenues derived from increments are spent only to  
 4.6 assist the facility directly or for administrative expenses, the assistance is necessary to  
 4.7 develop the facility, and all of the increments, except those for administrative expenses,  
 4.8 are spent only for activities within the district.

4.9 (c) A city is a small city for purposes of this subdivision if the city was a small city  
 4.10 in the year in which the request for certification was made and applies for the rest of  
 4.11 the duration of the district, regardless of whether the city qualifies or ceases to qualify  
 4.12 as a small city.

4.13 (d) Notwithstanding the requirements of paragraph (a) and the finding requirements  
 4.14 of section 469.174, subdivision 12, tax increments from an economic development district  
 4.15 may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or  
 4.16 assistance in any form to developments consisting of buildings and ancillary facilities, if  
 4.17 all the following conditions are met:

4.18 (1) the municipality finds that the project will create or retain jobs in this state,  
 4.19 including construction jobs, and that construction of the project would not have  
 4.20 commenced before July 1, 2012, without the authority providing assistance under the  
 4.21 provisions of this paragraph;

4.22 (2) construction of the project begins no later than July 1, 2012;

4.23 (3) the request for certification of the district is made no later than June 30, 2012; and

4.24 (4) for development of housing under this paragraph, the construction must begin  
 4.25 before January 1, 2012.

4.26 The provisions of this paragraph may not be used to assist housing that is developed  
 4.27 to qualify under section 469.1761, subdivision 2 or 3, or similar requirements of other law,  
 4.28 if construction of the project begins later than July 1, 2011.

4.29 **Sec. 5. [469.40] PURPOSES.**

4.30 In order to secure Minnesota's status as one of the world's leading global medical  
 4.31 destinations now and in the future, with the city of Rochester as its hub, it is essential to  
 4.32 support state and local investment in the public infrastructure and related development  
 4.33 activities to stimulate significant private investment and development. Market forces are  
 4.34 driving a small number of select medical institutions to emerge worldwide as leaders in:  
 4.35 (1) delivering the highest quality medical care and attracting patients and visitors from

5.1 throughout the world; (2) conducting leading research and technology development; and  
 5.2 (3) serving as an educational platform to foster development of clinical practitioners  
 5.3 for the next generation of medical advancement. The city of Rochester is, and intends  
 5.4 to continue to be, one of those leading destination medical centers. Its existing medical  
 5.5 institutions must continue to make strategic capital investments to grow their patient base  
 5.6 and deliver the highest quality care in the world. The city must attract new, medically  
 5.7 related and other businesses as a means of major economic development and job growth  
 5.8 in the state of Minnesota. However, continued success in Minnesota of existing medical  
 5.9 institutions in Rochester is dependent upon the institutions' ability to attract leading  
 5.10 clinicians, and sustain quality access, development, programming, services, and the public  
 5.11 infrastructure necessary to meet the demands of a growing patient, visitor, and resident  
 5.12 base. Investments in public infrastructure and related development activities are needed  
 5.13 in order to support and attract significant private capital investments and the anticipated  
 5.14 growth in patient and visitor traffic to Rochester and the surrounding area.

5.15 **Sec. 6. [469.41] DEFINITIONS.**

5.16 **Subdivision 1. Generally.** In sections 469.41 to 469.53, the terms defined in this  
 5.17 section have the meanings given them, unless the context indicates a different meaning.

5.18 **Subd. 2. Authority.** "Authority" means the Rochester Area Medical Center  
 5.19 Development Authority established in section 469.42.

5.20 **Subd. 3. City.** "City" means the city of Rochester, Minnesota.

5.21 **Subd. 4. County.** "County" means Olmsted County, Minnesota.

5.22 **Subd. 5. Designated state taxes.** "Designated state taxes" means as of any  
 5.23 calculation date under section 469.53, subdivision 2, the following state taxes:

5.24 (1) personal income taxes payable under chapter 290 that are attributable to payroll  
 5.25 for employees of all facilities in the city of any business entity located in the city and all  
 5.26 facilities located in the state of any medical business entity;

5.27 (2) corporate franchise taxes paid under chapter 290 by businesses located in the  
 5.28 city and by any medical business entity;

5.29 (3) commercial-industrial property taxes paid under section 275.025 by businesses  
 5.30 located in the city and by any medical business entity; and

5.31 (4) sales taxes collected by businesses on retail sales within the city under sections  
 5.32 297A.62 and 297A.63 and for all such taxes paid by any medical business entity.

5.33 **Subd. 6. Development; developing.** "Development" includes redevelopment,  
 5.34 and "developing" includes redeveloping.

6.1 Subd. 7. **Development plan.** "Development plan" means the long-range plan for the  
6.2 development of the medical center development district or districts.

6.3 Subd. 8. **Medical business entity.** "Medical business entity" means a medical  
6.4 business entity with its principal place of business in the city of Rochester as of the date of  
6.5 final enactment of this act that employs more than 30,000 persons in the state as of that date.

6.6 Subd. 9. **Medical center development district.** "Medical center development  
6.7 district" means a contiguous or noncontiguous geographic area in the city created to  
6.8 facilitate one or more projects.

6.9 Subd. 10. **Medical center economic development corporation.** "Medical center  
6.10 economic development corporation" means a nonprofit corporation organized and existing  
6.11 under chapter 317A by any medical business entity to assist the authority and the city to  
6.12 secure Minnesota's status as one of the world's leading global medical destinations with  
6.13 the city as its hub.

6.14 Subd. 11. **Project.** "Project" means the following works or undertakings for the  
6.15 purpose of development of a medical center development district:

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

6.17 (2) to demolish, repair, or rehabilitate buildings;

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

6.20 (4) to install, construct, or reconstruct elements of community infrastructure  
6.21 required to support the overall development of the medical center development district,  
6.22 including, without limitation, streets, roadways, utilities systems and related facilities,  
6.23 utility relocations and replacements, network and communication systems, streetscape  
6.24 improvements, drainage systems, sewer and water systems, subgrade structures and  
6.25 associated improvements, landscaping, façade construction and restoration, wayfinding  
6.26 and signage, and other components of community infrastructure;

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

6.29 (6) to install, construct or reconstruct, and equip core elements of community  
6.30 infrastructure, to promote and encourage economic development and to anchor the medical  
6.31 center developmental district in accordance with the development plan, including, without  
6.32 limitation, parks, cultural facilities, community and recreational facilities, facilities to  
6.33 promote tourism and hospitality, conferencing and conventions, broadcast and related  
6.34 multimedia infrastructure, destination retail, urban residential housing, and instructional,  
6.35 educational, and other facilities with the primary purpose of attracting and fostering urban  
6.36 economic development within the medical center development district;

7.1 (7) to make related site improvements, including, without limitation, excavation,  
 7.2 earth retention, soil stabilization and correction, site improvements to support the medical  
 7.3 center development district;

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

7.5 (9) to build and equip suitable structures on land owned by the authority for sale or  
 7.6 lease for private development, except structures for sale or lease to a medical business  
 7.7 entity.

7.8 Subd. 12. **Project cost.** (a) "Project cost" with respect to a medical center  
 7.9 development district project means all costs of the project activities described in  
 7.10 subdivision 11, and includes, without limitation:

7.11 (1) costs of planning, engineering, legal, marketing, development, insurance,  
 7.12 finance, and other related professional services associated with a project;

7.13 (2) costs providing relocation benefits to the occupants of acquired properties;

7.14 (3) costs associated with the operational start-up and commissioning of a project; and

7.15 (4) the allocated administrative expenses of the authority for the project not to  
 7.16 exceed ..... in any year.

7.17 (b) Expenditures for project costs constitute either (1) public improvements to  
 7.18 buildings or lands owned by the state or local government that serve a public purpose and  
 7.19 do not principally benefit a single business or defined group of businesses at the time the  
 7.20 improvements are made or (2) assistance generally available to all businesses or general  
 7.21 classes of similar businesses within a medical center development district, subject to  
 7.22 approval by the authority.

7.23 Sec. 7. **[469.42] AUTHORITY ESTABLISHMENT; BOARD MEMBERS;**  
 7.24 **TERMS, VACANCIES, PAY, CONTINUITY.**

7.25 Subdivision 1. **Rochester Area Medical Center Development Authority;**  
 7.26 **establishment.** The Rochester Area Medical Center Development Authority is  
 7.27 established. The authority's governing board is comprised of nine members, as follows:

7.28 (1) the mayor and city council president of the city shall serve on the authority. In  
 7.29 addition, the mayor, with approval of the city council, shall appoint one representative  
 7.30 from any medical business entity;

7.31 (2) the chair of the county board of commissioners, with approval of the board of  
 7.32 commissioners, shall appoint one representative from the county board of commissioners,  
 7.33 which includes the chair of the county board, from among the commissioners who reside  
 7.34 in the city;

8.1 (3) the governor shall appoint one representative from any medical business entity,  
 8.2 one community representative who resides in the city, and one representative from a  
 8.3 statewide labor organization representing the building trades;

8.4 (4) the speaker of the house of representatives shall appoint one member of the  
 8.5 house of representatives; and

8.6 (5) the Subcommittee on Committees of the senate Committee on Rules and  
 8.7 Administration shall appoint one member of the senate.

8.8 Subd. 2. **Terms; vacancies.** The first members of the governing board of the  
 8.9 authority are appointed for initial terms as follows: county, speaker of the house, and senate  
 8.10 majority leader appointees for two years; gubernatorial appointees for four years; and city  
 8.11 appointees for six years. For subsequent terms, the term is six years. A vacancy is created  
 8.12 when a city council member of the authority ends council membership, when a county  
 8.13 board member of the authority ends county board membership or ceases to reside in the  
 8.14 city, when a community representative of the authority ceases to reside in the city; or when  
 8.15 a legislative member ceases to serve in the state legislature. A vacancy on the authority  
 8.16 board must be filled by the appointing authority for the balance of the term subject to the  
 8.17 same approval required for an appointment for a full term as provided in subdivision 1.

8.18 Subd. 3. **Pay.** Members must be compensated as provided in section 15.0575,  
 8.19 subdivision 3, for each regular or special authority board meeting attended. In addition,  
 8.20 the board members may be reimbursed for actual expenses incurred in doing official  
 8.21 business of the authority. All money paid for compensation or reimbursement must be  
 8.22 paid out of the authority's budget.

8.23 Subd. 4. **Removal for cause.** A member may be removed by the board for  
 8.24 inefficiency, neglect of duty, or misconduct in office. A member may be removed only  
 8.25 after a hearing of the board. A copy of the charges must be given to the board member at  
 8.26 least ten days before the hearing. The board member must be given an opportunity to be  
 8.27 heard in person or by counsel at the hearing. When written charges have been submitted  
 8.28 against a board member, the board may temporarily suspend the member. If the board finds  
 8.29 that those charges have not been substantiated, the board member shall be immediately  
 8.30 reinstated. If a board member is removed, a record of the proceedings, together with the  
 8.31 charges and findings, shall be filed with the office of the appointing authority.

8.32 **Sec. 8. [469.43] CHARACTERISTICS AND JURISDICTION.**

8.33 Subdivision 1. **Public body characteristics.** The authority is a body politic and  
 8.34 corporate and a political subdivision of the state, with the right to sue and be sued in its



9.1 own name. The authority carries out an essential government function of the state when it  
9.2 exercises its power, but the authority is not immune from liability because of this.

9.3 Subd. 2. **Boundaries.** The boundary for activities and the use of the powers of the  
9.4 authority must be within a medical center development district. The authority also has the  
9.5 power to finance activities outside of a medical center development district, if necessary;  
9.6 provided, however, that the financing of activities outside of a medical center development  
9.7 district must be included in the development plan and must be approved by, and subject to  
9.8 the planning, zoning, sanitary and building laws, ordinances, regulations, and land use  
9.9 plans applicable to, the city, county, or town in which such activities are undertaken.

9.10 **Sec. 9. [469.44] OFFICERS; DUTIES; ORGANIZATIONAL MATTERS.**

9.11 Subdivision 1. **Bylaws, rules, seal.** The authority may adopt bylaws and rules of  
9.12 procedure and may adopt an official seal.

9.13 Subd. 2. **Officers.** The authority shall annually elect a president or chair, and a  
9.14 vice-president or vice-chair, and a treasurer. A member may not serve as president or  
9.15 chair and vice-president or vice-chair at the same time. The authority shall appoint a  
9.16 secretary and assistant treasurer. The secretary and assistant treasurer need not, but may,  
9.17 be members of the board, including the president or chair or vice-president or vice-chair.

9.18 Subd. 3. **Duties and powers.** The officers have the usual duties and powers of their  
9.19 offices. They may be given other duties and powers by the authority.

9.20 Subd. 4. **Treasurer's duties.** The treasurer:

9.21 (1) shall receive and is responsible for authority money;

9.22 (2) is responsible for the acts of the assistant treasurer;

9.23 (3) shall disburse authority money by check or electronic procedures;

9.24 (4) shall keep an account of the source of all receipts, and the nature, purpose, and  
9.25 authority of all disbursements; and

9.26 (5) shall file the authority's detailed financial statement with its secretary at least  
9.27 once a year at times set by the authority.

9.28 Subd. 5. **Assistant treasurer.** The assistant treasurer has the powers and duties of  
9.29 the treasurer if the treasurer is absent or disabled.

9.30 Subd. 6. **Treasurer's bond.** The treasurer shall give bond to the state conditioned  
9.31 for the faithful discharge of official duties. The bond must be approved as to form and  
9.32 surety by the authority and filed with its secretary. The bond must be for twice the amount  
9.33 of money likely to be on hand at any one time, as determined at least annually by the  
9.34 authority, except that the bond must not exceed \$300,000.

9.35 Subd. 7. **Public money.** Authority money is public money.

10.1 Subd. 8. **Checks.** An authority check must be signed by the treasurer and by one  
10.2 other officer named by the authority in a resolution. The check must state the name of the  
10.3 payee and the nature of the claim for which the check is issued.

10.4 Subd. 9. **Financial statements; filing with state auditor.** The financial statements  
10.5 of the authority must be prepared, audited, filed, and published or posted in the manner  
10.6 required for the financial statements of the city. The authority shall employ a certified  
10.7 public accountant to annually examine and audit its books. The report of the exam and audit  
10.8 must be filed with the state auditor by June 30 of each year. The state auditor shall review  
10.9 the report and may accept it or, in the public interest, audit the books of the authority.

10.10 Sec. 10. **[469.45] DEPOSITORIES; DEFAULT; COLLATERAL.**

10.11 Subdivision 1. **Named; bond.** Every two years the authority shall name national  
10.12 or state banks within the state as depositories. Before acting as a depository, a named  
10.13 bank shall give the authority a bond approved as to form and surety by the authority.  
10.14 The bond must be conditioned for the safekeeping and prompt repayment of deposits.  
10.15 The amount of the bond must be at least equal to the maximum sum expected to be on  
10.16 deposit at any one time.

10.17 Subd. 2. **Default; collateral.** When authority funds are deposited by the treasurer  
10.18 in a bonded depository, the treasurer and the surety on the treasurer's official bond are  
10.19 exempt from liability for the loss of the deposits because of the failure, bankruptcy, or any  
10.20 other act or default of the depository. The authority may accept assignments of collateral  
10.21 from its depository to secure deposits in the same manner as assignments of collateral are  
10.22 permitted by law to secure deposits of the city.

10.23 Sec. 11. **[469.46] LIABLE IN CONTRACT OR TORT.**

10.24 Subject to the provisions of chapter 466, the authority shall be liable in contract or in  
10.25 tort in the same manner as a private corporation. A member of the authority board is not  
10.26 personally liable on the contracts of the authority, or for torts not committed or directly  
10.27 authorized by the member. The property or funds of the authority shall not be subject to  
10.28 attachment, or to levy and sale on execution, but, if the authority refuses to pay a judgment  
10.29 entered against it in any court of competent jurisdiction, the district court for the county  
10.30 in which the authority is situated may, by writ of mandamus, direct the treasurer of the  
10.31 authority to pay the judgment from any unencumbered funds available for that purpose.

10.32 Sec. 12. **[469.47] TAX LEVIES; CITY OR COUNTY APPROPRIATIONS;**  
10.33 **OTHER FISCAL MATTERS.**

11.1 Subdivision 1. **Obligations.** The authority must not levy a tax or special assessment,  
 11.2 pledge the credit of the state or the state's municipal corporations or other subdivisions, or  
 11.3 incur an obligation enforceable on property not owned by the authority.

11.4 Subd. 2. **Budget.** The authority shall annually send its budget to the city, county,  
 11.5 governor, and legislature.

11.6 Subd. 3. **Fiscal year.** The fiscal year of the authority may be established by the  
 11.7 authority.

11.8 Subd. 4. **City or county appropriations; levy.** The city council of the city or the  
 11.9 county board of the county may appropriate money for the use of the authority and may  
 11.10 levy the amount of its appropriation in its general levy. The levy is a special levy within  
 11.11 the meaning of, and as if specifically enumerated in, section 275.70, subdivision 5.

11.12 Subd. 5. **Outside budget laws.** Money appropriated to the authority by the city  
 11.13 or county under this section is not subject to a budget law that applies to the city or  
 11.14 county, respectively.

11.15 Subd. 6. **City or county payment.** The city or county treasurer shall pay money  
 11.16 appropriated by a city or county under subdivision 4 when and in the manner directed by  
 11.17 the city council or county board, as applicable.

11.18 Subd. 7. **Local government tax base not reduced.** Nothing in sections 469.41 to  
 11.19 469.53 reduces the tax base or affects the taxes due and payable to the city, the county, or  
 11.20 Independent School District No. 535, including, without limitation, the city's 0.5 percent  
 11.21 local sales tax.

11.22 Sec. 13. **[469.48] DEVELOPMENT PLAN; MEDICAL CENTER**  
 11.23 **DEVELOPMENT DISTRICTS.**

11.24 Subdivision 1. **Development plan; adoption by authority; notice; findings.** The  
 11.25 authority, in consultation with the medical center economic development corporation,  
 11.26 shall prepare a development plan with the city's involvement. The development plan must  
 11.27 be adopted by the board of the authority only after holding a public hearing. At least 45  
 11.28 days before the hearing, the authority shall file a copy of the proposed development plan  
 11.29 with the city. The city shall make copies of the proposed plan available to the public at  
 11.30 the city offices during normal business hours and as otherwise determined appropriate  
 11.31 by city council or city officials. At least ten days before the hearing, the authority shall  
 11.32 publish notice of the hearing in a daily newspaper of general circulation in the city. The  
 11.33 development plan may not be adopted unless the authority finds by resolution that:

12.1 (1) the plan provides an outline for the development of the city as a global destination  
 12.2 medical center, and the plan is sufficiently complete, including the identification of planned  
 12.3 and anticipated projects, to indicate its relationship to definite state and local objectives;

12.4 (2) the proposed development affords maximum opportunity, consistent with the  
 12.5 needs of the city, county, and state, for the development of the city by private enterprise as  
 12.6 a global destination medical center;

12.7 (3) the proposed development conforms to the general plan for the development  
 12.8 of the city; and

12.9 (4) the plan includes:

12.10 (i) strategic planning consistent with a global destination medical center in the  
 12.11 core areas of commercial research and technology, learning environment, hospitality  
 12.12 and convention, sports and recreation, livable communities, including mixed-use urban  
 12.13 development and neighborhood residential development, retail/dining/entertainment,  
 12.14 and health and wellness;

12.15 (ii) estimates of short- and long-range fiscal and economic impacts;

12.16 (iii) a framework to identify and prioritize short- and long-term public investment  
 12.17 and infrastructure development and to facilitate private investment and development;

12.18 (iv) land use planning;

12.19 (v) transportation and transit planning;

12.20 (vi) operational planning required to support the medical center development  
 12.21 district; and

12.22 (vii) ongoing market research plans.

12.23 **Subd. 2. Development plan; approval by city; finding.** After adoption by the  
 12.24 authority under subdivision 1, the authority shall submit the development plan to the city  
 12.25 for approval by the city only in accordance with this subdivision. The city shall approve  
 12.26 the development plan by written resolution upon making the finding that the development  
 12.27 plan is consistent with the adopted comprehensive plan of the city. The city shall consider  
 12.28 the approval of the development plan and make its finding regarding consistency with  
 12.29 the adopted comprehensive plan of the city within 45 days of submission of the adopted  
 12.30 development plan. If the city determines, by written resolution, that the development plan  
 12.31 is not consistent with the adopted comprehensive plan of the city, the resolution shall state  
 12.32 the reasons and supporting facts for each determination, and the city shall transmit the  
 12.33 resolution to the authority within seven days of adoption. A revised development plan  
 12.34 may be submitted by the authority for approval by the city in the manner provided in this  
 12.35 subdivision. The city may incorporate the approved development plan into the city's  
 12.36 comprehensive plan.

13.1 Subd. 3. **Modification of development plan.** The authority may modify the  
13.2 development plan at any time. The authority shall update the original development plan  
13.3 not less than every five years. A modification or update under this subdivision must be  
13.4 prepared with the city's involvement and adopted by the authority upon the notice and  
13.5 after the public hearing and findings required for the original adoption of the development  
13.6 plan and upon approval by the city as provided in subdivision 2.

13.7 Subd. 4. **Medical center development districts; creation; notice; findings.** As  
13.8 part of the development plan, the authority may create and define the boundaries of  
13.9 medical center development districts and subdistricts at any place or places within the  
13.10 city. Projects may be undertaken within defined medical center development districts  
13.11 consistent with the development plan.

13.12 Subd. 5. **Policy.** It is state policy in the public interest to have the authority exercise  
13.13 the power of eminent domain, and advance and spend money for the purposes in sections  
13.14 469.41 to 469.53.

13.15 Sec. 14. **[469.49] POWERS AND DUTIES.**

13.16 Subdivision 1. **Powers generally.** The authority has the powers of a city under  
13.17 chapter 462C and the powers of a redevelopment agency under sections 469.152 to  
13.18 469.1651, in connection with private development in the city for which the authority  
13.19 has previously undertaken or concurrently undertakes a project financed in whole or in  
13.20 part with authority revenue or obligations issued pursuant to section 469.50; provided,  
13.21 however, the authority shall not enter into any revenue agreement pursuant to section  
13.22 469.155, subdivision 5, with a medical business entity.

13.23 Subd. 2. **Projects; project costs.** The authority may, within a medical center  
13.24 development district, undertake projects and finance project costs. The authority must  
13.25 find by resolution that the project is consistent with and in furtherance of the approved  
13.26 development plan. Subject to other applicable law, revenue derived by the authority  
13.27 from any source may be used by the authority to make loans or grants, or to provide  
13.28 direct or indirect financial support to state public bodies or to private entities in payment  
13.29 or reimbursement of project costs; provided, however, projects as defined under section  
13.30 469.41, subdivision 11, clauses (4), (5), and (6), which will be owned, operated, or  
13.31 maintained by the city, must be approved by written resolution of the city.

13.32 Subd. 3. **Medical center economic development corporation.** (a) The authority  
13.33 shall engage a medical center economic development corporation to advise the authority  
13.34 on matters related to a project. The provisions of section 465.717 do not apply to any  
13.35 entity serving as the medical center economic development corporation. The medical

14.1 center economic development corporation shall assist the authority in the preparation of  
14.2 the development plan and shall provide services to assist the authority in implementing,  
14.3 consistent with the development plan, the goals, objectives, and strategies in the  
14.4 development plan, including, without limitation:

14.5 (1) developing and updating the criteria for evaluating and underwriting  
14.6 development proposals;

14.7 (2) implementing the development plan, including soliciting and evaluating  
14.8 proposals for development and evaluating and making recommendations to the authority  
14.9 regarding those proposals;

14.10 (3) providing transactional services in connection with approved projects;

14.11 (4) developing patient, visitor, and community outreach programs for a medical  
14.12 center development district;

14.13 (5) working with the authority to acquire and facilitate the sale, lease, or other  
14.14 transactions involving land and real property;

14.15 (6) seeking financial support for itself, the authority, and a project;

14.16 (7) partnering with other development agencies and organizations and the city and  
14.17 county in joint efforts to promote economic development and establish a destination  
14.18 medical center;

14.19 (8) supporting and administering the planning and development activities required to  
14.20 implement the development plan;

14.21 (9) preparing and supporting the marketing and promotion of the medical center  
14.22 development district;

14.23 (10) preparing and implementing a program for community and public relations in  
14.24 support of the medical center development district;

14.25 (11) assisting the authority and others in applications for federal grants, tax credits,  
14.26 and other sources of funding to aid both private and public development; and

14.27 (12) making other general advisory recommendations to the authority's governing  
14.28 board, as requested.

14.29 (b) The authority may contract with the medical center economic development  
14.30 corporation to provide administrative services to the authority. The authority may agree to  
14.31 provide reasonable compensation to the medical center economic development corporation  
14.32 for the services described in this section. The authority may pay for such services out of  
14.33 any revenue sources available to it, including amounts received from the city or the county  
14.34 under section 469.47 or from payments received from the state under section 469.53.

14.35 Subd. 4. **Revenue pooling.** The authority may deposit all its money from any  
14.36 source in one bank account.

15.1 Subd. 5. **Acquire property; exemption for taxes.** (a) The authority may acquire by  
15.2 lease, purchase, gift, devise, and condemnation proceedings the needed right, title, and  
15.3 interest in property to create medical center development districts and undertake projects.  
15.4 It shall pay for the property out of money it receives under sections 469.41 to 469.53. It  
15.5 may hold and dispose of the property subject to the limits and conditions in sections  
15.6 469.41 to 469.53. The title to property acquired by condemnation or purchase must be in  
15.7 fee simple, absolute. The authority may accept an interest in property acquired in another  
15.8 way subject to any condition of the grantor or donor. The condition must be consistent  
15.9 with the proper use of the property under sections 469.41 to 469.53. The authority may  
15.10 sign options to purchase, sell, or lease property.

15.11 (b) Property acquired, owned, leased, controlled, used, or occupied by the authority  
15.12 for any of the purposes of this section is for public governmental and municipal purposes  
15.13 and is exempt from taxation by the state or its political subdivisions, except to the extent  
15.14 that the property is subject to the sales and use tax under chapter 297A. The exemption in  
15.15 this paragraph applies only while the authority holds property for its own purpose, and is  
15.16 subject to section 272.02, subdivisions 38 and 39. When the property is sold it becomes  
15.17 subject to taxation.

15.18 Subd. 6. **Subject to city requirements.** All projects and development plans are  
15.19 subject to the planning, zoning, sanitary, and building laws, ordinances, regulations,  
15.20 and land use plans applicable to the city.

15.21 Subd. 7. **Sale of property.** The authority may sell, convey, and exchange any real or  
15.22 personal property owned or held by it in any manner and on any terms it wishes. Real  
15.23 property owned by the authority must not be sold, conveyed, exchanged, or have its title  
15.24 transferred without approval of two-thirds of the members of the board. All members  
15.25 must have ten days' written notice of a regular or special meeting at which a vote on sale,  
15.26 conveyance, exchange, or transfer of real property is to be taken. The notice must contain  
15.27 a complete description of the affected real property. The resolution authorizing the real  
15.28 property transaction is not effective unless a quorum is present.

15.29 Subd. 8. **Contracts.** The authority may make contracts for the purpose of economic  
15.30 development within the powers given it in sections 469.41 to 469.53. The authority  
15.31 may contract or arrange with the federal government, or any of its departments, with  
15.32 persons, public corporations, the state, or any of its political subdivisions, commissions, or  
15.33 agencies, for separate or joint action, on any matter related to using the authority's powers  
15.34 or performing its duties. The authority may contract to purchase and sell real and personal  
15.35 property. An obligation or expense must not be incurred by the authority unless existing  
15.36 appropriations together with the reasonably expected revenue of the authority from other

16.1 sources are sufficient to discharge the obligation or pay the expense when due. The state  
16.2 and its municipal subdivisions are not liable on the obligations of the authority.

16.3 Subd. 9. **Contract for services.** The authority may contract for the services of  
16.4 consultants, agents, public accountants, legal counsel, and other persons needed to perform  
16.5 its duties and exercise its powers. The authority may contract with the city or county to  
16.6 provide administrative, clerical, and accounting services to the authority.

16.7 Subd. 10. **Supplies.** The authority may purchase the supplies and materials it needs  
16.8 to carry out sections 469.41 to 469.53.

16.9 Subd. 11. **City purchasing.** The authority may, by agreement with the city, use the  
16.10 facilities and services of the city's purchasing and public works departments in connection  
16.11 with construction work and to purchase equipment, supplies, or materials.

16.12 Subd. 12. **City facilities, services.** The city may furnish offices, structures and  
16.13 space, and clerical, engineering, or other services or assistance to the authority.

16.14 Subd. 13. **Delegation power.** The authority may delegate to one or more of its  
16.15 agents powers or duties as it deems proper.

16.16 Subd. 14. **Government agent.** The authority may cooperate with or act as agent  
16.17 for the federal or state government, a state public body, or an agency or instrumentality  
16.18 of a government or a public body to carry out sections 469.41 to 469.53 or any other  
16.19 related federal, state, or local law.

16.20 Subd. 15. **Studies, analysis, research.** The authority may study and analyze  
16.21 development needs in a medical center development district and ways to meet the needs.  
16.22 The authority may study the desirable patterns for land use and community growth and  
16.23 other factors affecting local development in a medical center development district and  
16.24 make the result of the studies available to the public and to potential developers. The  
16.25 authority may engage in research and disseminate information on development in its  
16.26 medical center development districts.

16.27 Subd. 16. **Acceptance of public land.** The authority may accept conveyances of  
16.28 land from all other public agencies, commissions, or other units of government, if the land  
16.29 can be properly used by the authority in a medical center development district, to carry  
16.30 out the purposes of sections 469.41 to 469.53. The city council of the city may transfer  
16.31 or cause to be transferred to the authority any property owned or controlled by the city  
16.32 and located within the jurisdiction of the authority. The transfer must be approved by  
16.33 majority vote of the city council and may be with or without consideration. The city may  
16.34 also put the property in the possession or control of the authority by a lease or other  
16.35 agreement for a limited period or in fee.



17.1 Subd. 17. **Loans in anticipation of bonds.** After authorizing bonds under section  
17.2 469.50, the authority may borrow to provide money immediately required for the bond  
17.3 purposes. The loans may not exceed the amount of the bonds. The authority shall by  
17.4 resolution decide the terms of the loans. The loans must be evidenced by negotiable  
17.5 notes due in not more than 12 months from the date of the loan payable to the order of  
17.6 the lender, to be repaid with interest from the proceeds of the bonds when the bonds are  
17.7 issued and delivered to the bond purchasers. The loan must not be obtained from any  
17.8 board member of the authority or from any corporation, association, or other institution of  
17.9 which an authority board member is a stockholder or officer.

17.10 Subd. 18. **Reporting requirements.** On or before January 1 of each odd-numbered  
17.11 year, the authority shall provide a report to the legislature, the commissioners of  
17.12 management and budget, revenue, and employment and economic development, the city  
17.13 council, and the county board of commissioners. The report must provide calculations  
17.14 of dedicated state taxes for the prior two fiscal years of the authority, a current draft of  
17.15 the development plan, and debt service schedules for all outstanding bonds or notes of  
17.16 the authority.

17.17 Subd. 19. **No tax increment financing powers.** The authority is not an authority as  
17.18 defined in section 469.174, subdivision 2.

17.19 **Sec. 15. [469.50] REVENUE OBLIGATIONS; PLEDGE; COVENANTS.**

17.20 Subdivision 1. **Powers.** The authority may decide by resolution to issue its revenue  
17.21 bonds, notes, or other obligations either at one time or in series from time to time. The  
17.22 revenue bonds may be issued to provide money to pay project costs. The issued bonds  
17.23 may include the amount the authority considers necessary to establish an initial reserve to  
17.24 pay principal of and interest on the bonds, including capitalized interest, and to pay the  
17.25 costs of issuance. The resolution shall state how the bonds are to be executed.

17.26 Subd. 2. **Form.** The bonds of each series issued by the authority under this section  
17.27 must bear interest at the rate or rates, mature at times not later than 30 years from the date  
17.28 of issuance, and be fully registered bonds in the form determined by the authority. All  
17.29 bonds issued under this section must be negotiable instruments.

17.30 Subd. 3. **Sale.** The sale of revenue bonds issued by the authority may be at public or  
17.31 private sale. The bonds may be sold in the manner and for the amount that the authority  
17.32 determines to be in the best interest of the authority. The bonds may be made callable upon  
17.33 terms as determined by the authority and may be refunded as provided in section 475.67.

17.34 Subd. 4. **Agreements.** The authority may by resolution make an agreement or  
17.35 covenant with the bondholders or their trustee if it determines that the agreement or

18.1 covenant is needed or desirable to carry out the powers given to the authority under this  
18.2 section and to ensure that the revenue bonds are marketable and promptly paid.

18.3 Subd. 5. **Revenue pledge.** (a) In issuing bonds under this section, the authority may  
18.4 secure payment of the principal and interest on the bonds by:

18.5 (1) a pledge of and lien on authority revenue. The revenue must come from the  
18.6 facility to be acquired, constructed, or improved with the bond proceeds or from other  
18.7 facilities named in the bond-authorizing resolutions. The authority also may secure the  
18.8 payment with its promise to impose, maintain, and collect enough rentals, rates, and  
18.9 charges, for the use and occupancy of the facilities and for services furnished in connection  
18.10 with the use and occupancy, to pay its current expenses to operate and maintain the named  
18.11 facilities, and to produce and deposit sufficient net revenue in a special fund to meet the  
18.12 interest and principal requirements of the bonds, and to collect and keep any more money  
18.13 required by the resolutions. The authority shall decide what constitutes "current" expense  
18.14 under this subdivision based on what is normal and reasonable under generally accepted  
18.15 accounting principles. Revenues pledged by the authority must not be used or pledged for  
18.16 any other authority purpose unless the other use or pledge is specifically authorized in the  
18.17 bond-authorizing resolutions; or

18.18 (2) the payments to be made by the state to the authority under section 469.53.  
18.19 The aggregate principal amount of bonds issued under this clause may not exceed  
18.20 \$585,000,000, less the principal amount of any city grant, bond, or note given or issued to  
18.21 finance project costs consistent with the development plan up to \$60,000,000.

18.22 (b) No bonds may be issued by the authority under this subdivision later than  
18.23 20 years from the date of final enactment of this act, and no bond issued under this  
18.24 subdivision may have a maturity later than December 31, 2049.

18.25 Subd. 6. **Approval of commissioner of employment and economic development.**

18.26 (a) Prior to issuance of each series of bonds, notes, or other obligations under subdivision  
18.27 5, clause (2), the authority shall furnish to the commissioner of employment and economic  
18.28 development, in the form prescribed by the commissioner, the following information  
18.29 regarding a project:

18.30 (1) the amount of bonds to be issued for the project;

18.31 (2) the maximum annual debt service payable on the bonds in any year;

18.32 (3) the proposed use, location, and ownership of the project;

18.33 (4) other sources of funds for the project; and

18.34 (5) the specific uses of the proceeds of the bonds.

19.1 For purposes of determining the maximum annual debt service under clause (2), for  
19.2 variable rate obligations, interest rates must be determined as the maximum rate of interest  
19.3 payable on the obligations in accordance with their terms.

19.4 (b) In addition, the authority shall certify that the project is consistent with the  
19.5 development plan and that debt service in any year on all bonds then outstanding and the  
19.6 bonds proposed to be issued under subdivision 5, clause (2), does not exceed the value  
19.7 capture amount calculated within the prior 12 months as determined under section 469.53,  
19.8 subdivision 2, paragraph (b).

19.9 (c) Based upon the information provided by the authority, the commissioner  
19.10 of employment and economic development shall approve the issuance of that series  
19.11 of authority bonds as consistent with the requirements of sections 469.41 to 469.53,  
19.12 and the commissioner of employment and economic development shall promptly  
19.13 notify the authority and the commissioner of management and budget of its approval;  
19.14 provided, however, that the approval is not deemed an approval by the commissioner of  
19.15 employment and economic development or by the state of the feasibility of the project.  
19.16 The commissioner of employment and economic development shall keep a record of the  
19.17 information, which shall be available to the public at times the department prescribes.

19.18 Subd. 7. **Not city, county, or state debt.** Revenue bonds, notes, or other obligations  
19.19 issued under this section are not a debt of the city, county, or state, nor a pledge of the full  
19.20 faith and credit of the city, county, or state. All obligations under this section are payable  
19.21 only from revenues described in subdivision 5. A revenue bond must contain on its face a  
19.22 statement to the effect that the authority does not have to pay the bond or the interest on it  
19.23 except from the revenues pledged thereto and that the faith, credit, and taxing power of the  
19.24 city, the county, and the state are not pledged to pay the principal of or interest on the bond.

19.25 Sec. 16. **[469.51] CITY BONDS; PUBLIC IMPROVEMENTS.**

19.26 The city may issue bonds and appropriate bond proceeds to pay project costs  
19.27 consistent with the development plan within a medical center development district. The city  
19.28 may undertake public improvements and infrastructure projects to be owned by the city or  
19.29 make grants to the authority for such public improvements and infrastructure projects in the  
19.30 same manner as if the facilities were owned or to be owned or operated solely by the city.

19.31 Sec. 17. **[469.52] WHEN BOND ALLOCATION ACT APPLIES.**

19.32 Sections 474A.01 to 474A.21 apply to obligations issued under sections 469.41 to  
19.33 469.53 that are limited by a federal tax law as defined in section 474A.02, subdivision 8.

20.1 Sec. 18. **[469.53] PAYMENTS TO AUTHORITY; CONDITIONS.**

20.2 **Subdivision 1. Conditions of payment; amount.** Before the commissioner of  
20.3 management and budget may make any payments authorized in this section to the  
20.4 authority, the commissioner must have received, for payments to be made in state fiscal  
20.5 year 2016 and later years, the consultant's reports required by subdivision 2, paragraph  
20.6 (b), a request from the authority showing the amount of the payment requested for debt  
20.7 service on bonds, notes, and other obligations of the authority and for operating and  
20.8 administrative expenses of the authority and, if not previously received, the approval by  
20.9 the commissioner of employment and economic development of the bonds for which  
20.10 payment is being requested; provided, however, in no event shall the commissioner  
20.11 of management and budget transfer an appropriation of more than \$75,000,000 to the  
20.12 authority in any state fiscal year.

20.13 **Subd. 2. Calculation of designated state tax amount.** (a) The commissioner of  
20.14 revenue, working with a third-party, independent consultant selected and paid by the  
20.15 authority and acceptable to the commissioner of revenue, shall determine the amount  
20.16 of each of the designated state taxes attributable to calendar year 2011, which shall be  
20.17 referred to as the "baseline designated state tax amounts." The calculation of designated  
20.18 state tax amounts must be based on (1) direct employment tax data provided by any  
20.19 medical business entity, and (2) other direct and indirect methods of measurement used by  
20.20 the independent consultant that are acceptable to the authority and the commissioner of  
20.21 revenue. The commissioner of revenue shall make the determination and provide to the  
20.22 legislature, the commissioners of management and budget, and employment and economic  
20.23 development, the city, and the county a report showing the baseline designated state  
20.24 tax amounts no later than July 15, 2013.

20.25 (b) On or before April 1, 2014, the commissioner of revenue, working with a  
20.26 third-party, independent consultant selected and paid by the authority and acceptable  
20.27 to the commissioner of revenue, shall determine the amount of designated state taxes  
20.28 attributable to calendar year 2013, and shall provide to the legislature, the commissioners  
20.29 of management and budget, and employment and economic development, the city, and  
20.30 the county a report showing the designated state taxes attributable to calendar year 2013,  
20.31 and the increases, if any, over the baseline designated state tax amounts. The report shall  
20.32 also show the results of the following formula: designated state taxes attributable to  
20.33 calendar year 2013 minus baseline designated state tax amounts, the difference of which is  
20.34 divided by 1.5. The result of the application of this formula to designated state taxes for  
20.35 any calendar year constitutes the "value capture amount." A similar report showing the  
20.36 designated state taxes attributable to the preceding calendar year and the value capture

21.1 amount based on such taxes shall be prepared and delivered as described in this paragraph  
21.2 not later than April 1 in each subsequent year if requested by the authority no later than  
21.3 March 1 of that year.

21.4 Subd. 3. **Payments.** After the report in subdivision 2, paragraph (a), showing the  
21.5 baseline designated state tax amounts is provided to the commissioner of management and  
21.6 budget by the commissioner of revenue, the commissioner of management and budget  
21.7 shall transfer to the authority, on July 15 of each year commencing July 15, 2015, and  
21.8 for so long thereafter as any bonds, notes, or other obligations issued by the authority  
21.9 under section 469.50, subdivision 5, clause (2), remain outstanding, the annual payments  
21.10 requested by the authority under subdivision 1.

21.11 Subd. 4. **Appropriations.** In each state fiscal year, beginning in fiscal year 2016 to  
21.12 and including fiscal year 2049, there is appropriated to the commissioner of management  
21.13 and budget for transfer to the authority the amount of debt service for the state fiscal year  
21.14 on outstanding authority bonds issued pursuant to section 469.50, subdivision 5, clause  
21.15 (2), plus operating and administrative expense of the authority for such year, but subject to  
21.16 the limitations of subdivision 1 of this section.