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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 27

01/08/2015 Authored by Davids and Pierson

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance

01/14/2015 Adoption of Report: Re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to economic development; destination medical center; clarifying the
1.3 computation of state aid payments; amending Minnesota Statutes 2014, sections
1.4 469.40, subdivision 11; 469.44, subdivision 5; 469.47, subdivisions 1, 3, 4, 5.

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

1.6 Section 1. Minnesota Statutes 2014, section 469.40, subdivision 11, is amended to read:

1.7 Subd. 11. **Public infrastructure project.** (a) "Public infrastructure project" means
1.8 a project financed in part or in whole with public money in order to support the medical
1.9 business entity's development plans, as identified in the DMCC development plan. A
1.10 public infrastructure project may:

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

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

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

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

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

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

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

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

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

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

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

2.14 (c) Public infrastructure project includes the preparation and modification of
 2.15 the development plan under section 469.43, and the cost of that preparation and any
 2.16 modification is a capital cost of the public infrastructure project.

2.17 Sec. 2. Minnesota Statutes 2014, section 469.44, subdivision 5, is amended to read:

2.18 Subd. 5. **Project implementation before plan adoption.** The city may exercise the
 2.19 powers under subdivision 3 with respect to any public infrastructure project commenced
 2.20 within the area that will be in the destination medical center development district after June
 2.21 22, 2013, but before the development plan is adopted subject to approval by the corporation.
 2.22 Actions taken under this authority must be approved by the corporation to be credited
 2.23 against the local contribution required under section 469.47, subdivision 4, or to qualify
 2.24 for reimbursement of the city out of state aid paid under section 469.47, subdivision 3 or 5.

2.25 Sec. 3. Minnesota Statutes 2014, section 469.47, subdivision 1, is amended to read:

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

2.28 (b) "Commissioner" means the commissioner of employment and economic
 2.29 development.

2.30 (c) "Construction projects" means:

2.31 (1) for expenditures by a medical business entity, construction of buildings in the
 2.32 city for which the building permit was issued after June 30, 2013; and

3.1 (2) for any other expenditures, construction of privately owned buildings and other
 3.2 improvements that are undertaken pursuant to or as part of the development plan and are
 3.3 located within a medical center development district.

3.4 (d) "Expenditures" means expenditures made by a medical business entity or by an
 3.5 individual or private entity on construction projects for the capital cost of the project
 3.6 including, but not limited to:

3.7 (1) design and predesign, including architectural, engineering, and similar services;

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

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

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

3.12 (5) equipment and furnishings that are attached to or become part of the real property.

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

3.16 (e) "~~Qualified expenditures" has the following meaning. In the first year in~~
 3.17 ~~which aid is paid under this section, qualified expenditures for the year~~" means the
 3.18 total certified expenditures since June 30, 2013, through the end of the preceding year,
 3.19 minus \$200,000,000. ~~For subsequent years, qualified expenditures means the certified~~
 3.20 ~~expenditures for the preceding year.~~

3.21 (f) "Transit costs" means the portions of a public infrastructure project that are for
 3.22 public transit intended primarily to serve the district, such as transit stations, equipment,
 3.23 rights-of-way, and similar costs.

3.24 Sec. 4. Minnesota Statutes 2014, section 469.47, subdivision 3, is amended to read:

3.25 Subd. 3. **General state infrastructure aid.** (a) ~~General state infrastructure aid may~~
 3.26 ~~not be paid out under this section until total expenditures exceed \$200,000,000.~~

3.27 (b) The amount of the general state infrastructure aid for a fiscal year equals the sum
 3.28 of qualified expenditures for the year, as certified by the commissioner, multiplied by 2.75
 3.29 percent. The maximum amount of state aid payable in any year is limited to no more
 3.30 than \$30,000,000. ~~If the aid entitlement for the year exceeds the maximum annual limit,~~
 3.31 ~~the excess is an aid carryover to later years. The carryover aid must be paid in the first~~
 3.32 ~~year in which the aid entitlement for the current year is less than the maximum annual~~
 3.33 ~~limit, but only to the extent the carryover, when added to the current year aid, is less~~
 3.34 ~~than the maximum annual limit.~~ If the commissioner determines that the city has made
 3.35 the required matching local contribution under subdivision 4, the commissioner must pay

4.1 to the city the amount of general state infrastructure aid for the year by September 1. If
 4.2 the commissioner determines that the city has not made the full required matching local
 4.3 contribution for the year, the commissioner must pay only the aid permitted under the
 4.4 agreement for the matching contribution made and any unpaid amount is a carryover aid.
 4.5 The carryover aid must be paid in the first year after the required matching contribution
 4.6 is made and in which the aid entitlement for the current year is less than the maximum
 4.7 annual limit, but only to the extent the carryover, when added to the current year aid, is
 4.8 less than the maximum annual limit.

4.9 ~~(e)~~ (b) The city must use general state infrastructure aid it receives under this
 4.10 subdivision for improvements and other capital costs related to the public infrastructure
 4.11 projects approved or adopted by the corporation, other than transit costs. The city must
 4.12 maintain appropriate records to document the use of the funds under this requirement.

4.13 ~~(d)~~ (c) The commissioner, in consultation with the commissioner of management
 4.14 and budget, and representatives of the city and the corporation, must establish a total limit
 4.15 on the amount of state aid payable under this subdivision that will be adequate to finance,
 4.16 in combination with the local contribution, \$455,000,000 of general public infrastructure
 4.17 projects.

4.18 Sec. 5. Minnesota Statutes 2014, section 469.47, subdivision 4, is amended to read:

4.19 Subd. 4. **General aid; local matching contribution.** In order to qualify for general
 4.20 state infrastructure aid, the city must enter a written agreement with the commissioner
 4.21 that requires the city to make a qualifying local matching contribution to pay for
 4.22 \$128,000,000 of the cost of public infrastructure projects approved by the corporation,
 4.23 including financing costs, using funds other than state aid received under this section.
 4.24 The \$128,000,000 required local matching contribution is reduced by one-half of the
 4.25 amounts the city pays for operating and administrative costs of the corporation up to a
 4.26 maximum amount agreed to by the board and the city. The agreement must provide for the
 4.27 manner, timing, and amounts of the city contributions, including the city's commitment
 4.28 for each year. Notwithstanding any law to the contrary, the agreement may provide that
 4.29 the city contributions for public infrastructure project principal costs may be made over a
 4.30 20-year period at a rate not greater than \$1 from the city for each \$2.55 from the state.
 4.31 The local match contribution may be provided by the city from any source identified in
 4.32 section 469.45 and any other local tax proceeds or other funds from the city and may
 4.33 include providing funds to prepare the development plan, to assist developers undertaking
 4.34 projects in accordance with the development plan₂ or by the city directly undertaking
 4.35 public infrastructure projects in accordance with the development plan, provided the

5.1 projects have been approved by the corporation. City contributions that are in excess of
5.2 this ratio carry forward and are credited toward subsequent years. The commissioner and
5.3 city may agree to amend the agreement at any time in light of new information or other
5.4 appropriate factors. The city may enter into arrangements with the county to pay for or
5.5 otherwise meet the local matching contribution requirement. Any public infrastructure
5.6 project within the area that will be in the destination medical center development district
5.7 whose implementation is started or funded by the city after June 22, 2013, but before
5.8 the development plan is adopted, as provided by section ~~469.46, subdivision 5~~ 469.43,
5.9 subdivision 1, will be included for the purposes of determining the amount the city has
5.10 contributed as required by this section and the agreement with the commissioner, subject
5.11 to approval by the corporation.

5.12 Sec. 6. Minnesota Statutes 2014, section 469.47, subdivision 5, is amended to read:

5.13 Subd. 5. **State transit aid.** (a) The city qualifies for state transit aid under this section
5.14 if the county contributes the required local matching contribution under subdivision 6 or the
5.15 city or county has agreed to make an equivalent contribution out of other funds for the year.

5.16 (b) If the city qualifies for aid under paragraph (a), the commissioner must pay the
5.17 city the state transit aid in the amount calculated under this paragraph. The amount of the
5.18 state transit aid for a ~~fiscal~~ year equals the ~~sum of~~ sum of qualified expenditures for the year, as
5.19 certified by the commissioner ~~for the prior year~~, multiplied by 0.75 percent, reduced by
5.20 the amount of the local contribution under subdivision 6. The maximum amount of state
5.21 transit aid payable in any year is limited to no more than \$7,500,000. ~~If the aid entitlement~~
5.22 ~~for the year exceeds the maximum annual limit, the excess is an aid carryover to later~~
5.23 ~~years. The carryover aid must be paid in the first year in which the aid entitlement for the~~
5.24 ~~current year is less than the maximum annual limit, but only to the extent the carryover,~~
5.25 ~~when added to the current year aid, is less than the maximum annual limit. If the~~
5.26 commissioner determines that the city or county has not made the full required matching
5.27 local contribution for the year, the commissioner must pay state aid only in proportion to
5.28 the amount of the matching contribution made for the year and any unpaid amount is a
5.29 carryover aid. The carryover aid must be paid in the first year after the required matching
5.30 contribution for that prior year is made and in which the aid entitlement for the current
5.31 year is less than the maximum annual limit, but only to the extent the carryover, when
5.32 added to the current year aid, is less than the maximum annual limit.

5.33 (c) The commissioner, in consultation with the commissioner of management and
5.34 budget, and representatives of the city and the corporation, must establish a total limit on

6.1 the amount of state aid payable under this subdivision that will be adequate to finance, in
6.2 combination with the local contribution, \$116,000,000 of transit costs.

6.3 (d) The city must use state transit aid it receives under this subdivision for transit
6.4 costs. The city must maintain appropriate records to document the use of the funds
6.5 under this requirement.

6.6 Sec. 7. **EFFECTIVE DATE.**

6.7 Sections 1 to 6 are effective after the governing body of the city of Rochester and its
6.8 chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions
6.9 2 and 3, and apply retroactively to the original effective dates of the provisions of law
6.10 that are amended.