

Subject Rebuilding areas damaged by civil unrest

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Overview

As amended, this bill would provide state assistance to individuals, nonprofits, and businesses impacted by civil unrest in late May and early June of this year.

Article 1: Community Repair Panel; Civil Unrest Damage Awards

This article establishes a community repair panel to consider claims for damages resulting from the civil unrest that occurred in Minneapolis and St. Paul in late May and early June of 2020. The panel is empowered to determine and issue awards to eligible persons to cover damages that are not otherwise covered by applicable insurance policies.

To be eligible for an award, several eligibility requirements must be met, including that the damage is reasonably the result of the civil unrest, that it occurred in an eligible zone where widespread damage occurred, and that the person is connected to the damage in some way – as an owner or employee, or as resident at the property where damage occurred. Both physical and economic damage is eligible for an award.

Award claims must be made by September 1, 2020, and a determination of award amounts for eligible claimants must be made by March 1, 2021.

While the circumstances leading to this bill are different, the process established here is roughly similar to a process used to provide damage settlements to victims of the I-35W bridge collapse in Minneapolis in 2007.

Section Description - Article 1: Community Repair Panel; Civil Unrest Damage Awards

1 Purpose; emergency assistance for damage due to civil unrest.

Establishes legislative findings that recognize the circumstances that led to civil unrest in Minneapolis and St. Paul in May and June of 2020, and the subsequent damage to businesses and other private property that occurred as a result. This section also states the intent of the award process established by this bill: to provide a onetime disaster assistance payment to provide support to eligible persons for losses not covered by insurance.

2 Definitions.

Establishes definitions for key terms used in the bill, including “damage,” “eligible person,” and “eligible zone.”

3 Consideration and payment of damage awards.

Creates a community repair panel, consisting of between three and nine attorneys, to administer a damage award process for eligible applicants.

Subd. 1. Community repair panel; appointment. Provides details on the appointment of the community repair panel. Members of the panel are appointed by the governor, and must be attorneys experienced in legal and business issues involving the calculation of damage awards. Members of the panel must also be knowledgeable and representative of the impacted communities. Standards for pay and expenses are also provided.

Subd. 2. Staff; community outreach. Permits the commissioner of management and budget to hire staff to assist the panel in its work. Current state employees and contractors may also be used to support the work. The panel is also required to engage nonprofit organizations to assist with community outreach and in providing technical assistance to applicants when submitting a claim.

Subd. 3. General duties; procedure. Directs the panel to make damage awards, and authorizes it to establish procedures, rules, and forms necessary for eligible applicants to make a claim. These procedures, rules, and forms are not subject to the rulemaking provisions of law.

Subd. 4. Deadlines. Establishes a September 1, 2020, deadline for the submission of claim requests, and a deadline of March 1, 2021, for the panel to make determination of an award amount for each eligible applicant. The panel is permitted to consider late-arriving claims on a case-by-case basis.

Subd. 5. Calculation of award amount. Establishes the method of determining an award amount for each eligible applicant.

A person’s award would start with a base amount, determined after considering the amount of damages suffered that are not covered by insurance. After that

Section Description - Article 1: Community Repair Panel; Civil Unrest Damage Awards

base amount is calculated, the panel is permitted to provide an equity adjustment – up or down – based on the totality of the person’s circumstances. Award determinations for any individual person may not be made until the panel has received and considered all of the claims filed prior to the September 1 deadline. If the total amount of eligible claims exceeds the available funding for making awards, the panel must proportionally reduce awards as necessary to match the available amount. The panel is not permitted to consider or determine whether the applicant, or any other person, is responsible for the damage when making an award calculation.

Subd. 6. Payment. Requires the commissioner of management and budget to make payments to the eligible person within 30 days after receiving proper documentation from the panel describing the award amount.

Subd. 7. Immunity; indemnification. Provides that members of the panel are subject to the same immunity and indemnification protections provided in law to other state employees.

Subd. 8. Data practices; open meetings. Establishes data practices and open meeting standards for the panel. The only public data related to an award is the amount awarded and the name of the recipient. The panel’s meetings are not subject to the open meetings law.

Subd. 9. Effect of awards process. Provides that the panel’s determination of an award amount is final and may not be appealed. The award may also not be used in a future court proceeding to determine the rights, responsibilities, or duties of any person. Members of the panel are prohibited from testifying in a civil or administrative proceeding regarding their work.

Subd. 10. Panel recommendations for future action; truth and reconciliation. Require the panel, upon conclusion of its work making award determinations, to make certain recommendations to the legislature and governor.

4 Relationship to other law.

Describes how the work of the panel interacts with obligations provided in other state laws.

Subd. 1. No state liability or duty created. Provides that the awards process is not an admission of liability on the part of the state or a local government for any damage that occurred.

Section Description - Article 1: Community Repair Panel; Civil Unrest Damage Awards

Subd. 2. Payments as additional compensation. Specifies that the award process is intended to supplement any payments that are required to be paid by another person under law or a contract.

Subd. 3. Payments from other sources. Specifies that the awards process does not negate the obligation of other third-parties, particularly insurance companies, from making payments required under the terms of their agreement with an eligible person. These payments may not be stopped or reduced as a result of an award under this section. A list of industries specifically included in this requirement is provided.

Subd. 4. Qualification for public assistance programs. Provides that amounts received from an award under this section are not counted when determining a person's eligibility for certain health care, income maintenance, and other public assistance programs provided in law.

5 Appropriation.

Provides appropriations to the commissioner of management and budget to make awards, as well as for the administrative expenses of the panel. A legislative report is required by April 15, 2021.

Article 2: Rebuilding General Development Programs

This article creates a program to assist areas affected by the recent civil unrest. It preserves existing entities and encourages new economic development in these areas through locally designed programs focused on providing grants and loans to businesses and nonprofits. It also sets baseline terms for this assistance while preserving significant flexibility for responding to local needs and requires monitoring of performance measures and annual reports to the legislature.

Section Description - Article 2: Rebuilding General Development Programs

1 Civil unrest immediate relief program.

Creates a program to assist areas affected by the recent civil unrest by providing a funding mechanism to meet local rebuilding needs.

Subd. 1. Definitions. Defines key terms for the program:

- Defines "community organization" very broadly to mean any organization with the experience and capacity to provide grants and loans to entities and outreach and technical assistance to applicants. Allows the inclusion of nonprofits, community development organizations, or even traditional

Section Description - Article 2: Rebuilding General Development Programs

financial institutions. Specifically identifies the cities of Minneapolis and Saint Paul as qualifying community organizations under the section.

- Defines “entity” also very broadly to include any business or nonprofit organization that would receive a grant or loan under the program.

Subd. 2. Establishment. Directs the commissioner of employment and economic development to create a program to make grants to community organizations to develop their own local economic relief programs to serve the areas adversely impacted by the recent civil unrest addressed in governor’s Executive Order No. 20-64. Sets the primary goal of all such programs as preserving existing businesses and encouraging new entities to locate to those areas. Declares subordinate goals of providing outreach to cultural communities and special support to microenterprises and those harmed by the pandemic.

Subd. 3. Available relief. Requires a community organization to first develop a plan for its local program, including details on how the application process will work and the terms of assistance offered. Directs the commissioner of employment to review such plans for approval. Retains great flexibility to design these local programs to meet local needs, but sets some overall requirements:

- Caps grants at \$250,000 per entity and requires a determination that a loan was not appropriate for that applicant.
- Caps loans at \$500,000 per entity and requires a plan for the entity’s continued operation. Allows loans to be with or without interest, deferred for up to three years, or forgivable. Requires entities to remain in the community for a minimum of three years for a loan to be deferred or forgivable. Sends all loan repayments back to the general fund.

Subd. 4. Monitoring and reporting. Specifies that community organizations must establish performance measures for each program that the commissioner must monitor for compliance. Requires an annual report of performance measures to the commissioner for a report to the legislature.

Subd. 5. Business subsidy requirements. Exempts this section from existing business subsidy requirements, though goals for job creation, job retention, wages, and benefits must be provided.

Subd. 6. Administrative costs. Allows the agency to use up to four percent of the appropriation for this program for the administrative costs of the department and the participating community organizations.

Section Description - Article 2: Rebuilding General Development Programs

Effective date: This section is effective the day following final enactment and expires the day after the last loan is repaid or forgiven.

2 Civil unrest immediate relief program.

Makes a onetime appropriation to the commissioner of employment and economic development for the civil unrest immediate relief program outlined in section 1. Carves out a portion of that amount for a grant to the city of Minneapolis and the same amount for a grant to the city of Saint Paul. Allows the money to remain available until the end of fiscal year 2021.

Effective date: This section is effective the day following final enactment.

Article 3: Metropolitan Area Redevelopment Corporation

This bill creates the Metropolitan Area Redevelopment Corporation as a political subdivision of the state to develop short- and long-term redevelopment plans and to make grants to nonprofit organizations led by people of color and indigenous people that are engaged in rebuilding the areas damaged by the civil unrest to aid in the redevelopment of areas damaged by the civil unrest following the death of George Floyd. It also provides for a sales and use tax to fund the corporation and the grants made.

Section Description - Article 3: Metropolitan Area Redevelopment Corporation

1 Definitions.

Defines terms for the purposes of the new Metropolitan Area Redevelopment Corporation statute.

“City” has a two-part definition. Until December 31, 2025, it means Minneapolis, St. Paul, and surrounding communities affected by civil unrest and included in the Executive Order No. 20-64. After 2025, it means any city in the seven metropolitan counties.

2 Metropolitan Area Redevelopment Corporation.

Subd. 1. Legislative findings; created; purpose. States legislative findings. Creates the Metropolitan Area Redevelopment Corporation as a public corporation and political subdivision of the state with jurisdiction in the seven metropolitan counties to identify and address the adverse impacts of racial discrimination and poverty, and foster equitable economic development.

Subd. 2. Membership; qualifications; appointment. Provides for a nine member board appointed by the Executive Council. (Minn. Stat. § 9.011, subd. 1, “The

Section Description - Article 3: Metropolitan Area Redevelopment Corporation

Executive Council consists of the governor, lieutenant governor, secretary of state, state auditor, and attorney general. The governor is chair.”) Specifies qualifications for appointment.

Subd. 3. Chair; other officers. Provides for the nine members to select from among themselves a person to serve as chair each year.

Subd. 4. Terms. Provides for four-year, staggered terms.

Subd. 5. Vacancies. Provides for when there is a vacancy and that it is filled by the appointing authority for the balance of the term in the same manner as a regular appointment. (Based on the Destination Medical Center statute, Minn. Stat. § 469.41.)

Subd. 6. Removal. Specifies how a member may be removed. (Based on the Destination Medical Center statute, Minn. Stat. § 469.41.)

Subd. 7. Compensation. Provides for board members to be paid \$10,000 per year plus expenses.

Subd. 8. Audits. Directs the state auditor to audit the finances of the corporation.

Effective the day after enactment.

3 Powers; duties.

Subd. 1. General authority. Gives the corporation all powers necessary or convenient to accomplish its purposes and fulfill its duties.

Subd. 2. Bylaws. Requires the corporation to adopt bylaws.

Subd. 3. Meetings; data practices; records. Requires meetings at least once a month. Provides that the open meeting law, government data practices act, and records retention law apply to the corporation.

Subd. 4. Executive director; staff; facilities. Provides for the commissioner of employment and economic development to serve as executive director of the corporation until the board hires an executive director. Requires the mayors of the cities to appoint liaisons to the corporation. Requires the Metropolitan Council and any state agency upon request to assist the corporation.

Subd. 5. Redevelopment plans. Directs the corporation to develop short and long term plans for redevelopment of the cities. The plans must provide for grant amounts, purposes for grants, and other actions.

Section Description - Article 3: Metropolitan Area Redevelopment Corporation

Subd. 6. Grants. Directs the board to develop criteria for awarding grants and requires board approval of all grants awarded.

Provides that only nonprofit organizations are eligible for grants and requires the nonprofit to be led and administered by African-Americans, Asian-Americans, Latino-Americans, or American-Indians.

Sets aside 40 percent of funds for nonprofit organizations with annual operating budgets of less than \$500,000.

Lists general purposes for eligible projects, such as conducting community engagement processes, and improving a grantee's organizational infrastructure.

Subd. 7. Report. Requires an annual report to the legislature.

Effective the day after enactment.

4 Financing; bonding.

Subd. 1. Account. Establishes a metropolitan area redevelopment account within the special revenue fund. Appropriates the sales and use tax as provided for in section 5 to the Metropolitan Area Redevelopment Corporation to be used for compensation, expenses, and grants.

Subd. 2. Bonds. Allows a city, county, or the Metropolitan Council to issue bonds without an election and outside debt limits to provide money for grants approved by the corporation. The bonds may be general obligation sales tax revenue bonds or any other debt obligation available to the issuing entity. Requires debt to be defeased or retired before December 31, 2030.

Effective the day after enactment.

5 Metropolitan County Sales and Use Tax.

Requires that all counties within the seven-county metro area impose a sales and use tax at a rate of 0.125 percent. The proceeds of this tax will go to fund purposes authorized by the Metropolitan Area Redevelopment Corporation.

Provides for a reverse referendum if a petition signed by at least 20 percent of the voters who voted in the last state general election is filed with the county auditor requesting that the imposition of the tax is submitted to voters on the ballot in the November 3, 2020, general election. At that point the tax will not be enacted unless the majority of voters approve the measure.

Effective the day following final enactment.

Article 4: Rebuilding Insurance Provisions

This article requires the Department of Commerce to assist the public in resolving insurance claims related to the civil unrest and requires certain insurers to submit information to the Department.

Section Description - Article 4: Rebuilding Insurance Provisions

1 Insurance claims.

Subd. 1. Commissioner; responsibilities. Requires the commissioner of commerce to assist the public to resolve property, casualty, and liability claims for businesses affected by civil unrest related to the peacetime emergency declared by Executive Order 20-64.

Subd. 2. Insurers; responsibilities. Requires insurers that write property, casualty, or liability insurance to submit to the commissioner of commerce the number of claims related to businesses affected by civil unrest that the insurer has rejected or not fulfilled. This information is due by January 1, 2021, and the commissioner must review it for compliance with relevant laws and regulations.

Effective date: This section is effective the day following final enactment.

Article 5: Rebuilding Lease Provisions

This article caps the rent for both commercial and residential properties that are eligible for or who receive state funding related to damage and fire during the civil unrest in May and June of 2020. It limits the rent for those properties to the average of the rent in the first quarter of 2020, or to the last annual rent payment if rent is paid annually. It also provides residential tenants with enforcement provisions if this section is violated using existing tenant's remedies provisions. The rent restriction affects new and renewed leases after July 1, 2020, and lasts until April 1, 2024. Property owners can increase the rent annually during that period based on inflation.

Article 6: Redevelopment Tools

Section Description - Article 6: Redevelopment Tools

1 Limited use of eminent domain.

Allows Minneapolis and St. Paul to acquire by eminent domain property in specified affected areas and then resell the property to private parties subject to a redevelopment agreement that supports the ability of the businesses and uses directly and adversely affected by the civil unrest to be reestablished consistent with

Section Description - Article 6: Redevelopment Tools

the needs of the neighborhoods and property owners. Allows the cities to issue bonds without an election and outside of any debt limits.

Effective the day after enactment and expires December 31, 2022.

2 Redevelopment moratorium.

Designates part of each city's grant for land-banking activities in affected areas. Allows Minneapolis, St. Paul, and other cities affected by civil unrest to impose a moratorium on redevelopment in order to provide time for property owners (which includes lessees) to determine whether and how to redevelop property damaged or destroyed. The moratorium may exclude actions to reopen commercial and industrial businesses and rental housing at substantially the same level and rents as before the events. The moratorium may apply to all permits and applications submitted to the city on or after May 26, 2020.

Effective date: This section is the day after enactment and expires December 31, 2022.

Article 7: Tax Provisions for Affected Properties

This article provides sales tax exemptions and property tax relief for properties and businesses damaged or destroyed during the unrest in the cities included in the peacetime emergency declared in the governor's Executive Order No. 20-64.

Section Description - Article 7: Tax Provisions for Affected Properties

1 Properties destroyed or damaged during protests and unrest in May and June of 2020.

Provides a refundable sales tax exemption for the following:

- construction materials, supplies, and equipment for rebuilding or repair of damaged buildings, including purchases by contractors and subcontractors;
- replacement of capital equipment; and
- cleaning and disinfecting services related to smoke damage and graffiti.

The damage must have occurred during the period after May 24 and before June 16, 2020. To qualify for the exemption, the damaged or destroyed building must have been owned by, or occupied by, at least one of the following:

Section Description - Article 7: Tax Provisions for Affected Properties

- a small business, defined by their annual gross income in the previous year;
- a nonprofit; or
- a qualifying low-income housing development

Both the building owner and building tenants at the time of the damage may apply for a refund on any qualifying purchases they make. It does not apply to purchases of a new owner if the building is sold. The exemption covers sales and purchases made after May 25, 2020, and before June 30, 2022. This provision is effective the day after final enactment.

2 Tax collected.

Adds the refundable sales tax exemption in subdivision 1 to the list of sales tax exemptions subject to general rules on sales tax refunds. Effective the day after final enactment.

3 Refund; eligible persons.

States that only an owner or occupant of a building at the time of its damage or destruction may apply for a refund of sales taxes paid under section 1. Effective the day after final enactment.

4 Property tax relief for properties damaged by fire or vandalism.

This section provides property tax abatements and a five-year valuation freeze for properties that were damaged during the unrest in Minneapolis and St. Paul. This relief would be available to properties located in the area included in the peacetime emergency declared for the unrest (Executive Order No. 20-64) that sustained damage equal to at least 25 percent of the property's estimated market value.

Subd. 1. Definitions. Defines "qualifying property" as a property located in the area where the peacetime emergency was declared related to the unrest in Minneapolis and St. Paul, that suffered damage equal to at least 25 percent of the property's value, and which does not receive other disaster abatements or credits. Other terms are also defined in this section.

Subd. 2. Application. Requires the owner of a qualifying property to apply by September 1, 2020, for abatements under this section.

Subd. 3. Abatements. Requires county boards and the commissioner of revenue to grant abatements to qualifying properties for property taxes paid in 2020. For properties with damage amounts between 25 percent and 50 percent of the property's value, the abatement would be equal to 50 percent of the net property tax paid in 2020. For properties with damage amounts of 50 percent or

Section Description - Article 7: Tax Provisions for Affected Properties

more, the abatement would be equal to 100 percent of the net property tax paid in 2020.

Subd. 4. Reassessment required. Requires assessors to reassess all damaged property for which an application was filed for an abatement under this section. This reassessment would be used to determine each property's damage amount.

Subd. 5. Valuation increase prohibited. Freezes the estimated market value for property tax purposes of properties that qualify under this section. The estimated market value for damaged properties would be frozen at the reassessed value of the property after the damage occurred. This estimated market value would be frozen until assessment year 2025.

Subd. 6. Reimbursement and appropriation. Appropriates from the general fund in fiscal year 2021 an amount necessary to reimburse local jurisdictions for abatements granted under this section.

Effective date: This section is effective the day following final enactment.



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