

House Research Act Summary

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TOPIC: Local government debt authority

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Overview

This Act makes various changes in the rules governing issuance of local governments debt obligations. Among other things, the provisions of the act:

- allow original issue discount bonds
- allow limited liability companies to be conduits for holding property exempt from property taxes
- renames the Dakota county Housing and Redevelopment Authority as the Dakota County Community

Development
Agency and
gives it the
power of an
economic
development
authority
allow issuance
of refunding
bonds for
nonprofit
corporations in
health care
related
businesses
(Prior law was
limited to
hospitals and
nursing
homes.)
repeal the
publication
requirement for
competitive
sales of bonds
allows
refunding of
revenue bonds
for youth
athletic
facilities (e.g.,
Mighty Ducks
ice rinks) with
general
obligation
bonds without
obtaining
referendum
approval
reenact
provisions of
the 1997
Omnibus Tax
Act that relate
to issuance of
locallocal
government
debt
obligations

because of the ongoing single subject challenge to that act provide special law exemptions from the requirement of referendum approval of bonds by the cities of Duluth, Long Prairie, and Woodbury ratify the creation of and various powers of the Cuyuna Range joint powers economic development authority.

Section

- 1** State payment of school debt obligations. Provides that for purposes of the state guarantee program for school bonds, amounts in a refunding escrow account are deemed to be on deposit three days before the due date of principal and interest payments. This ensures that these amounts meet the requirements to avoid triggering the payment provisions.
- 2** Limited liability companies, property tax exemptions. Provides that for purposes of the property tax exemption statute, property owned by a single member limited liability company is treated as being owned by the member. This would permit, for example, a nonprofit organization or governmental entity to form a limited liability company to purchase property and still qualify for the exemption for property owned by a public entity or an institution of purely public charity.
- 3** Name change; economic development authority powers. Changes the name of the Dakota county HRA to the Dakota county community development agency and gives the agency the powers of a economic development authority (EDA).
- 4** Jurisdiction. Eliminates the prohibition on the Dakota County HRA exercising jurisdiction in a municipality with an HRA. However, section 5 requires the city to approve projects.
- 5** City and authority approvals. Requires all housing, redevelopment, and economic development projects of the Dakota county community development agency located in a city to be approved by the governing body of the city. In addition, housing and housing development projects must be approved by the HRA for the city, if the HRA did not request the agency to undertake the project. Redevelopment projects must be approved by the city HRA.
- 6** Dakota county community development agency. Provides that the Dakota county community

development agency (CDA) may exercise any of the powers of an HRA. The agency may also exercise the powers of an EDA, except that the CDA may not levy the EDA authorized property tax. However, with the approval of the Dakota county board, the agency may levy a HRA property up to the level permitted for an EDA (i.e., 0.01813 percent of net tax capacity). The HRA special tax levy is limited to a lower rate, 0.0144.

- 7** Offers of tax-forfeited lands. Directs the county to make nonconservation tax-forfeited land available to the community development agency before offering the land to cities in Dakota county.
- 8** Refinancing nonprofit facilities. Authorizes issuance of industrial revenue bonds to refinance debt of a 501(c) organization engaged in a health care related activities or activities for mentally or physically handicapped persons. Under prior law, this authority was limited to hospital and nursing home facilities.
- 9** Enterprise zones; use of money. Allows the commissioner of trade and economic development to use grant funds in Minneapolis and St. Paul for "workforce development initiatives" to promote hiring of city residents.
- 10** Metropolitan council; transit obligations. Authorizes the council to issue \$36 million of obligations to fund capital expenditures in the council's capital improvement plan. The funds must be spent proportionately on projects recommended by capital evaluation committee. These obligations may not be used to finance equipment or facilities for or the operation of light rail transit.
- 11** Application. Provides section 10 applies in the Twin Cities (7 county) metropolitan area.
- 12** Metropolitan council; radio system obligations. Authorizes the metropolitan council to issue an additional \$3,306,300 of revenue bonds (plus issuance costs) to pay for the public safety radio communications system. The bonds may not be used to finance portable or subscribe radio sets.
- 13** Original issue discount bonds. Authorizes municipalities to issue original issue discount obligations with principal amounts that exceed the sale price by up to 2 percent. The underwriting and other sales fees may not exceed two percent of the sale prices for these obligations. In addition, the maximum interest rate on the obligations may not exceed 10 percent or the maximum permitted by law. No maximum interest rate limit applies generally under state law to municipal obligations. Special laws or home rule charters, however, may contain interest rate limits.
- 14** Youth ice facilities. Provides a referendum exemption for general obligation bonds used to refinance revenue bonds that financed youth athletic facilities. The municipality must make a finding that the facilities revenues will be sufficient to pay the obligations with relying on a property tax levy.
- 15** Premium limit and published notice. Prohibits selling obligations at more than 2 percent over the authorized amount plus accrued interest. The publication requirement for public sales is eliminated. Section 16 specifies the notice rules.
- 16** Published notice eliminated. Eliminates the requirement that notice of a competitive sale for a bond issue be published. Instead notice can be given directly to a minimum of five prospective bidders as an alternative to publication. This notice can be given as little as 2 business days before the day for submitting bids. Present law requires four days and published notice of between 10 and 60 days, in addition.
- 17** Cuyuna Range joint powers economic development authority. Ratifies establishment of the Cuyuna Range joint powers economic development authority and authorizes it to exercise the powers of an EDA that are delegated to it by the member cities, including the authority to own and operate a civic center facility.

- 18** Class 4d. Reenacts the provisions of the 1997 Omnibus Tax Act that established class 4d for low income rental housing.
- Background information. Sections 18 to 20 reenact provisions of the 1997 Omnibus Tax Act ("the Act") that relate to public debt. This responds to an ongoing legal challenge to the Act on the basis of the single subject requirements of the constitution. *Associated Builders and Contractors v. Carlson*, 590 N.W.2d 130 (Minn. App. 1999), *rev. granted* (April 20, 1999). The case challenged the provision of the Act that subjected school district projects to the prevailing wage rules. The Minnesota Supreme Court has granted review of the case.
- In *Associated Builders* the Minnesota Court of Appeals held that the Act was enacted in violation of the single subject requirement of the constitution. The Court of Appeals, however, held that this invalidated only the prevailing wage provision and not the remainder of the act. Because the standard remedy in a single subject case is to invalidate the entire act, this case casts some doubt as to the validity of the rest of the Act. As a result, bond counsel in Minnesota are generally refusing to issue bond opinions on issues that are dependent on the provisions of the 1997 Act. Sections 18 to 20 attempt to remove this impediment to issuing bonds by reenacting the provisions of the Act that relate to bond issuance.
- 19** Property tax abatement. Reenacts the provisions of the 1997 Omnibus Tax Act that authorized property tax abatement for economic development, housing, and other purposes.
- 20** Tax increment financing. Reenacts the provisions of the 1997 Omnibus Tax Act that related to tax increment financing.
- 21** Duluth refunding bonds. Authorizes the city of Duluth to refund the revenue bonds for the convention center and IMAX theater with general obligation bonds without obtaining referendum approval.
- 22** Long Prairie HRA bonds. Permits the Long Prairie housing and redevelopment authority (HRA) to issue bonds for the Hotel Reichert without the HRA owning the property. This will allow general obligation bonds to be issued with referendum approval.
- 23** Minneapolis, competitive bidding exemption. Allows an HRA to contract for the construction of a parking ramp without going through the competitive bidding process, if (1) the ramp is immediately adjacent to the development it serves, (2) the other requirements of general law are met, and (3) the bonds are issued before February 1, 2000. This exemption is for a project in the city of Minneapolis. Similar exemptions apply under general law if the ramp is directly above or below the development.
- 24** Woodbury bonds. Allows the city of Woodbury to issue general obligation bonds to finance the Tamarack Road and I-494 interchange without holding a referendum.
- 25** Instruction to the revisor. Instructs the revisor to replace references to "Dakota county housing and redevelopment authority" with "Dakota county community development agency."
- 26** Effective date. Provides the changes are effective the day following final enactment.