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### Overview

Establishes a Regional exchange district around the hospitals in Duluth and provides development in the district funded with both city and state money in a fashion similar to the Destination Medical Center (DMC) plan in Rochester. No state payments may be made for this development project after fiscal year 2054.

Unless explicitly stated otherwise, the sections of this bill are effective the day after local approval by the city of Duluth is filed with the state.

#### Section

- 1 Construction materials, public infrastructure and improvements in the regional exchange district.** Provides an upfront sales tax exemption for both public and private construction in the Duluth regional exchange district for a 17-year period.  
Effective for sales and purchases after June 30, 2018, and before July 1, 2035.
- 2 Definitions.** Defines terms used in the describing and funding development in the Duluth regional exchange district. The medical business entity east is St. Luke's Hospital while the medical business entity west is Essentia. "Public infrastructure project" is defined broadly to include site improvements to support the district, preparing land and building structures for private development, and paying relocation costs to occupants of acquired properties.

## Section

### **3 Regional exchange district; regional exchange district advisory board (REDAB).**

**Subd. 1. Creation boundaries.** Defines the borders of the regional exchange district (also referred to as the medical district).

**Subd. 2. Purpose; findings.** States that the purpose of creating the district is to repurpose and redevelop vacant and underutilized public and private land, to increase private investment and job growth, grow the tax base, and help with community needs such as housing. Another purpose is to encourage development by health care organizations and higher education to help the economy and attract and retain the regional workforce.

**Subd. 3. Advisory board.** Establishes REDAB, the advisory board, that will prepare a proposed development plan for the district and advise the city council on how public infrastructure projects fit into the overall plan. The board consists of eight appointed members—the mayor, a city council member, a county board member, three members appointed by Essentia, one representative for St. Luke's, and a member appointed by the governor.

**Subd. 4. Development plan.** States that REDAB will propose a development plan and outlines what must be included in the plan. The plan and any modifications to the plan are subject to city council approval. However, the city may not spend any money from the state for the projects in the district until a plan is approved.

**Subd. 5. Project approval, notice; hearing.** Limits the city to undertaking only public infrastructure projects listed in the approved development plan, or recommended to the city by REDAB as meeting development criteria listed in the plan. Requires the city council to hold a public hearing before approving a project.

### **4 City powers; duties; authority to issue bonds.**

**Subd. 1. Port authority powers.** Allows the city to excise the powers of a port authority to implement the development in the district.

**Subd. 2. City may issue debt.** Allows the city to issue debt to pay for public infrastructure projects within the regional exchange district without being subject to statutory debt limits or voter approval. Allows the city to pledge revenue from the special abatement and TIF rules under section 5, the state appropriation support payments under section 6, or any city unrestricted revenues to secure the bonds.

**Subd. 3. Steel products.** Requires that a reasonable effort be made to use steel made from iron ore mined from the taconite assistance area in any public infrastructure project.

**Subd. 4. City contracts; construction contracts.** Requires that a reasonable effort be made to use women and minorities on the public infrastructure construction projects in the district.

**Subd. 5. Public bidding exemption.** Provides an exemption to the competitive bidding process for certain joint public-private development projects.

## Section

**Subd. 6. Support to the advisory board.** Allows the city to provide REDAB with nonmonetary and monetary support.

**5 Local value recapture authority.** Exempts a county or city from certain limitations on the use of economic development abatements and tax increment financing.

**Subd. 1. Special abatement rules.** Exempts economic development abatements used by the city or county for public infrastructure projects from the 15- or 20-year duration limit and the limit on the total amount abated.

**Subd. 2. Special tax increment financing rules.** Exempts TIF districts established in the regional exchange district to fund public infrastructure projects from a number of provisions regulating TIF districts, including:

- definitional requirements for redevelopment districts;
- definitional requirements for increment (sale proceeds from property purchased with increment are excluded);
- requirements for expenditures to correct conditions giving rise to a redevelopment district;
- the prohibition on the use of increment to fund public facilities;
- percentage ownership requirements for property purchased with bond proceeds;
- the pooling and five-year rules; and
- decertification requirements.

**6 State value capture.** Provides that the state will make appropriation support payments to the city to help the city finance up to \$184 million of public infrastructure projects in the regional exchange district. The payments will start when at least \$360 million in public and private construction contracts (qualified expenditures) have been executed for projects in the district and increase over time as additional construction occurs.

The payment in each year is equal to the sum of:

- 2 percent of the first \$360 million of projects; plus
- 1.5 percent of the amount of the qualified expenditures between \$360 and \$540 million; plus
- 1.25 percent of the amount of qualified expenditures between \$540 and \$720 million; plus
- 1 percent of the qualified expenditures between \$720 million and \$1 billion.

The maximum annual state payment is \$15 million, minus the city contributions under sections 7 and 8. Payments are made to the city by September 1 of each year.

List three projects that must be funded from the state support payments: (1) 6<sup>th</sup> Avenue E improvements (\$15.6 million); (2) parking structures and related improvements (\$32.6 million); and (3) a cap on I-35 (\$41.8 million).

A prevailing wage requirement is imposed in subdivision 5 on all public infrastructure projects funded by the appropriation support payments.

Payments may not be made after fiscal year 2054 and may expire earlier if the amount needed to fund the \$184 million in projects has been paid.

**Section**

- 7**      **Duluth food and beverage tax.** Requires that if the city of Duluth adopts a development plan for the regional exchange district the ½ cent portion of its existing food and beverage tax that would currently expire when funds are sufficient to pay for \$18 million in tourism and recreation projects in West Duluth will be extended for an additional 10 years. The revenues from the 10-year extension will be used to offset a portion of the appropriation support payments under section 6.
- 8**      **Duluth lodging tax.** Requires that if the city of Duluth adopts a development plan for the regional exchange district the ½ cent portion of its existing lodging tax that would currently expire when funds are sufficient to pay for \$18 million in tourism and recreation projects in West Duluth will be extended for an additional 10 years. The revenues from the 10-year extension will be used to offset a portion of the appropriation support payments under section 6.