Bill Summary

H.F. 728

Second Engrossment

Subject	**Redevelopment appropriation bonds**
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Overview

This bill authorizes the sale and issuance of $300 million of redevelopment appropriation bonds to redevelop areas of Minneapolis and St. Paul adversely affected by the civil unrest that occurred in Minneapolis, St. Paul, and surrounding communities between May 24, 2020, and June 16, 2020. The bond proceeds would be appropriated to the Department of Employment and Economic Development (DEED) for distribution as grants to the city of Minneapolis and the city of St. Paul to redevelop eligible areas.

Summary

Section	Description
1	**Redevelopment appropriation bonds.** Creates section 16A.692, which authorizes the sale and issuance of redevelopment appropriation bonds. **Subd. 1. Definitions.** Defines several terms for the purposes of the section. "Appropriation bond" or "bond" means a bond, note, or other instrument payable from (1) the general fund for debt service, (2) proceeds of the sale of the bonds, (3) payments received under certain agreements, and (4) investment earnings. "City" means Minneapolis or St. Paul. "Debt service" means the amount of principal, premium, interest, and any related fees, charges, and expenses payable on the appropriation bonds. "Eligible area" means an area in Minneapolis or St. Paul adversely affected by civil unrest during the peacetime emergency declared in Emergency Executive Order 20-64.

Section **Description**

"Redevelopment" includes acquisition of real property; site preparation; predesign, design, engineering, repair, renovation, or construction of buildings, infrastructure, and related site amenities; landscaping; street-scaping; land-banking for future development; or financing of any of these activities by a private party pursuant to an agreement with the city. Redevelopment does not include any project costs eligible for compensation from insurance policies, government entities, or other organizations.

Subd. 2. Authorization to issue appropriation bonds. Authorizes Minnesota Management & Budget (MMB) to sell and issue $300 million of redevelopment appropriation bonds to capitalize an account in the city of Minneapolis' commercial property development fund and an account in the St. Paul Housing and Redevelopment Authority's funds to pay for redevelopment in eligible areas. The proceeds of the appropriation bonds must be credited to a special appropriation redevelopment bond proceeds fund in the state treasury. The term of any series of appropriation bonds may not exceed 21 years. MMB may enter into various agreements relating to the appropriation bonds to meet legal requirements.

Subd. 3. Form; procedure. Specifies the form and procedure for issuance of the appropriation bonds.

Subd. 4. Refunding bonds. Authorizes MMB to refinance any appropriation bonds, if appropriate based on market conditions.

Subd. 5. Appropriation bonds as legal investments. Specifies who may legally invest in redevelopment appropriation bonds.

Subd. 6. No full faith and credit; state not required to make appropriations. Clarifies that redevelopment appropriation bonds, in contrast to general obligation bonds, are not public debt of the state and the legislature must appropriate for debt service for the bonds. Accordingly, the full faith, credit, and taxing powers of the state are not pledged to pay the bonds.

Subd. 7. Appropriation of proceeds. Provides for the bond proceeds to be appropriated to DEED for grants. The grant to the city of Minneapolis is $200 million and the grant to the city of St. Paul is $100 million. MMB may also use the bond proceeds for debt service on the bonds.

Subd. 8. Appropriation for debt service and other purposes. Authorizes payment from the general fund for the debt service on the appropriation bonds.

Subd. 9. Waiver of immunity. Permits the state to be sued on contracts related to the appropriation bonds.

Section	Description
	Subd. 10. Grant agreements. Creates four requirements for the grant agreements between DEED and the cities of Minneapolis and St. Paul. First, the city must keep the grant funds in a separate account. Second, any proceeds from the sale of property financed with grant funds must be paid to the state during the term of the grant agreement. Third, the city must require that the grant funds be used for redevelopment that rebuilds and retains existing small businesses and enhances economic opportunities for long-term residents in the area. Fourth, the city must annually report to DEED on the expenditures made with the grant funds, including any measures of success toward the third grant agreement requirement. **Subd. 11. Audit.** DEED must review a grant fund expenditures report submitted by the city. **Subd. 12. Report to the legislature.** Requires DEED to submit an annual report to the legislature, including to the committees in the house of representatives and the senate with jurisdiction over economic development and capital investment, beginning on or before December 31, 2022. The report must detail the use of the grants, including any measures of success toward rebuilding and retaining existing small businesses and enhancing economic opportunities for long-term residents in eligible areas.