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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 2455

03/02/2023

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The bill was read for the first time and referred to the Committee on State and Local Government Finance and Policy

1.1 A bill for an act
1.2 relating to local government; establishing, expanding, or enlarging special service
1.3 districts; allowing multiunit residential property to pay service charges; amending
1.4 Minnesota Statutes 2022, sections 428A.01, by adding subdivisions; 428A.02,
1.5 subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 428A.

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

1.7 Section 1. Minnesota Statutes 2022, section 428A.01, is amended by adding a subdivision
1.8 to read:

1.9 Subd. 7. Multiunit residential petitioners. "Multiunit residential petitioners" means a
1.10 group of owners, individuals, or business organizations that may be subject to service charges
1.11 on multiunit residential property due to the election made by nonresidential petitioners under
1.12 section 428A.021.

1.13 EFFECTIVE DATE. This section is effective for the establishment or expansion of a
1.14 special service district after July 1, 2023.

1.15 Sec. 2. Minnesota Statutes 2022, section 428A.01, is amended by adding a subdivision to
1.16 read:

1.17 Subd. 8. Multiunit residential property. "Multiunit residential property" means:
1.18 (1) property classified as class 4a under section 273.13, subdivision 25, paragraph (a);
1.19 (2) condominiums, as defined under section 515A.1-103, clause (7), that are classified
1.20 as class 1a under section 273.13, subdivision 22, paragraph (a); class 4b under section
1.21 273.13, subdivision 25, paragraph (b), clause (1); or class 4bb under section 273.13,
1.22 subdivision 25, paragraph (c), clause (1);

2.1 (3) condominium-type storage units classified as class 4bb under section 273.13,
 2.2 subdivision 25, paragraph (c), clause (3); and

2.3 (4) duplex or triplex property classified as class 1a under section 273.13, subdivision
 2.4 22, paragraph (a); or classified as class 4b under section 273.13, subdivision 25, paragraph
 2.5 (b), clause (1).

2.6 Multiunit residential property does not include any unit that is an affordable housing unit.

2.7 **EFFECTIVE DATE.** This section is effective for the establishment or expansion of a
 2.8 special service district after July 1, 2023.

2.9 Sec. 3. Minnesota Statutes 2022, section 428A.01, is amended by adding a subdivision to
 2.10 read:

2.11 Subd. 9. **Nonresidential property.** "Nonresidential property" means property that is
 2.12 classified under section 273.13 and used for commercial, industrial, or public utility purposes,
 2.13 or is zoned for vacant land or designated on a land use plan for commercial or industrial
 2.14 use.

2.15 **EFFECTIVE DATE.** This section is effective for the establishment or expansion of a
 2.16 special service district after July 1, 2023.

2.17 Sec. 4. Minnesota Statutes 2022, section 428A.01, is amended by adding a subdivision to
 2.18 read:

2.19 Subd. 10. **Nonresidential owners.** "Nonresidential owners" means the owners of 50
 2.20 percent or more of the land area of property subject to service charges on nonresidential
 2.21 property in a proposed or existing special service district and either the: (1) owners of 50
 2.22 percent or more of the net tax capacity of property subject to a proposed or existing service
 2.23 charge, based on net tax capacity; or (2) owners, individuals, and business organizations
 2.24 subject to 50 percent or more of a proposed or existing service charge using a basis other
 2.25 than net tax capacity.

2.26 **EFFECTIVE DATE.** This section is effective for the establishment or expansion of a
 2.27 special service district after July 1, 2023.

2.28 Sec. 5. Minnesota Statutes 2022, section 428A.01, is amended by adding a subdivision to
 2.29 read:

2.30 Subd. 11. **Affordable housing unit.** "Affordable housing unit" means a residential unit
 2.31 affordable to households with incomes at or below 80 percent of area median income.

3.1 Sec. 6. Minnesota Statutes 2022, section 428A.02, subdivision 1, is amended to read:

3.2 Subdivision 1. **Ordinance.** The governing body of a city may adopt an ordinance
 3.3 establishing a special service district. Except as otherwise provided in section 428A.021,
 3.4 only nonresidential property that is classified under section 273.13 and used for commercial,
 3.5 industrial, or public utility purposes, or is vacant land zoned or designated on a land use
 3.6 plan for commercial or industrial use and located in the special service district, may be
 3.7 subject to the charges imposed by the city on the special service district. Other types of
 3.8 property may be included within the boundaries of the special service district but are not
 3.9 subject to the levies or charges imposed by the city on the special service district, unless
 3.10 nonresidential owners, as defined in section 428A.01, subdivision 10, make an election
 3.11 under section 428A.021. If 50 percent or more of the estimated market value of a parcel of
 3.12 property is classified under section 273.13 as commercial, industrial, or vacant land zoned
 3.13 or designated on a land use plan for commercial or industrial use, or public utility for the
 3.14 current assessment year, then the entire taxable market value of the property is subject to a
 3.15 service charge based on net tax capacity for purposes of sections 428A.01 to 428A.10. The
 3.16 ordinance shall describe with particularity the area within the city to be included in the
 3.17 district and the special services to be furnished in the district. The ordinance may not be
 3.18 adopted until after a public hearing has been held on the question. Notice of the hearing
 3.19 shall include the time and place of hearing, a map showing the boundaries of the proposed
 3.20 district, and a statement that all persons owning property in the proposed district that would
 3.21 be subject to a service charge will be given opportunity to be heard at the hearing. Within
 3.22 30 days after adoption of the ordinance under this subdivision, the governing body shall
 3.23 send a copy of the ordinance to the commissioner of revenue.

3.24 **EFFECTIVE DATE.** This section is effective for the establishment or expansion of a
 3.25 special service district after July 1, 2023.

3.26 Sec. 7. **[428A.021] ELECTION TO INCLUDE MULTIUNIT RESIDENTIAL**
 3.27 **PROPERTY.**

3.28 Subdivision 1. **Multiunit residential property; new districts; election.** Prior to filing
 3.29 a petition with the city clerk under section 428A.08, nonresidential owners may elect to
 3.30 subject multiunit residential property to the charges imposed by the city on a special service
 3.31 district. The election must be filed with the city clerk. If an election is made, for purposes
 3.32 of section 428A.08, "property" includes multiunit residential property.

3.33 Subd. 2. **Multiunit residential property; in-district expansion.** Nonresidential owners
 3.34 may elect to expand the district to subject multiunit residential property to the charges for

4.1 the district. The election must be filed with the city clerk. The city must provide for a hearing
4.2 and notice on the expansion as required in sections 428A.02 and 428A.03. Notice must be
4.3 served in the original district and must include the property proposed to be added to the
4.4 district. Multiunit residential property added to the district is subject to all service charges
4.5 imposed within the district after the property becomes a part of the district. On the question
4.6 of whether to expand a district to include multiunit residential property, the petition
4.7 requirement in section 428A.08 and the veto power in section 428A.09 apply to all owners,
4.8 individuals, and business organizations that would be subject to the charges for the district.

4.9 Subd. 3. **Multiunit residential property; enlargement of boundaries.** Prior to the
4.10 hearing and notice requirements in section 428A.04, a majority of the petitioners seeking
4.11 enlargement of a district under section 428A.04 may elect to expand the proposed
4.12 enlargement to subject multiunit residential property to the charges imposed by the city on
4.13 a special service district. The election must be filed with the city clerk.

4.14 Subd. 4. **Common interest communities.** A unit in a common interest community, as
4.15 defined under section 515B.1-103, clause (10), may only be included in a district under this
4.16 section if the district will provide services not provided by the unit owner's association, as
4.17 defined in section 515B.1-103, clause (4).

4.18 **EFFECTIVE DATE.** This section is effective for the establishment, expansion, or
4.19 enlargement of a special service district after July 1, 2023.