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State of Minnesota

Printed Page No. 186

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 728

- 02/04/2021 Authored by Lee, Noor, Moran, Gomez, Xiong, J., and others
The bill was read for the first time and referred to the Committee on Capital Investment
- 02/18/2021 Adoption of Report: Amended and re-referred to the Committee on Workforce and Business Development Finance and Policy
- 03/11/2021 Adoption of Report: Amended and re-referred to the Committee on Ways and Means
- 05/14/2021 Adoption of Report: Placed on the General Register as Amended
Read for the Second Time
- 05/17/2021 Pursuant to Rule 4.20, returned to the Committee on Ways and Means

1.1 A bill for an act

1.2 relating to capital investment; authorizing the issuance of redevelopment

1.3 appropriation bonds for areas damaged by civil unrest; appropriating money;

1.4 requiring a report; proposing coding for new law in Minnesota Statutes, chapter

1.5 16A.

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

1.7 Section 1. PURPOSE.

1.8 The financing provided by Minnesota Statutes, section 16A.962, is for the public purpose

1.9 of redeveloping the areas in Minneapolis and St. Paul damaged in May and June of 2020,

1.10 by civil unrest which led to severe damage or destruction to small businesses, private

1.11 property, and public property in Minneapolis and St. Paul. The public purpose of the

1.12 redevelopment is to create or retain jobs, preserve the tax base and support enterprise

1.13 development and wealth creation for persons adversely affected by long-standing structural

1.14 racial discrimination and poverty, and prevent displacement of small businesses owned by

1.15 people of color and indigenous people.

1.16 Sec. 2. [16A.962] REDEVELOPMENT APPROPRIATION BONDS.

1.17 Subdivision 1. Definitions. (a) The definitions in this subdivision apply to this section.

1.18 (b) "Appropriation bond" or "bond" means a bond, note, or other similar instrument of

1.19 the state payable during a biennium from one or more of the following sources:

1.20 (1) money appropriated by law from the general fund in any biennium for debt service

1.21 due with respect to obligations described in subdivision 2, paragraph (a);

1.22 (2) proceeds of the sale of obligations described in subdivision 2, paragraph (a);

2.1 (3) payments received for that purpose under agreements and ancillary arrangements
2.2 described in subdivision 2, paragraph (d); and

2.3 (4) investment earnings on amounts in clauses (1) to (3).

2.4 (c) "City" means Minneapolis or St. Paul, or an agency of Minneapolis or St. Paul.

2.5 (d) "Debt service" means the amount payable in any biennium of principal, premium,
2.6 if any, and interest on appropriation bonds, and the fees, charges, and expenses related to
2.7 the bonds.

2.8 (e) "Eligible area" means an area in Minneapolis or St. Paul adversely affected by civil
2.9 unrest during the events leading up to and surrounding the peacetime emergency declared
2.10 in Emergency Executive Order 20-64.

2.11 (f) "Redevelopment" may include the acquisition of real property; site preparation;
2.12 predesign, design, engineering, repair, or renovation of facilities damaged during the civil
2.13 unrest and construction of buildings, infrastructure, and related site amenities, including
2.14 energy conservation improvements as defined in section 216B.241, subdivision 1, paragraph
2.15 (e); landscaping; street-scaping; land-banking for future development or redevelopment; or
2.16 financing any of these activities taken on by a private party pursuant to an agreement with
2.17 the city. Redevelopment does not include project costs eligible for compensation or assistance
2.18 available through insurance policies or from other organizations or government agencies.

2.19 Subd. 2. **Authorization to issue appropriation bonds.** (a) Subject to the limitations of
2.20 this subdivision, the commissioner may sell and issue appropriation bonds of the state under
2.21 this section for public purposes as provided by law, including for the purposes of capitalizing
2.22 an account in the city of Minneapolis' commercial property development fund and an account
2.23 in the St. Paul housing and redevelopment authority's funds to pay for redevelopment in
2.24 the eligible areas. Appropriation bonds may be sold and issued in amounts that, in the
2.25 opinion of the commissioner, are necessary to provide sufficient money to the commissioner
2.26 of employment and economic development under subdivision 7, not to exceed \$300,000,000
2.27 net of costs of issuance, for the purposes as provided under this subdivision; to pay debt
2.28 service including capitalized interest, costs of issuance, and costs of credit enhancement;
2.29 or to make payments under other agreements entered into under paragraph (d).

2.30 (b) Proceeds of the appropriation bonds must be credited to a special appropriation
2.31 redevelopment bond proceeds fund in the state treasury. All income from investment of the
2.32 bond proceeds is appropriated to the commissioner for the payment of principal and interest
2.33 on the appropriation bonds.

3.1 (c) Appropriation bonds may be issued in one or more issues or series on the terms and
3.2 conditions the commissioner determines to be in the best interests of the state, but the term
3.3 on any series of appropriation bonds may not exceed 21 years. The appropriation bonds of
3.4 each issue and series thereof shall be dated and bear interest from the date of issuance, and
3.5 may be includable in or excludable from the gross income of the owners for federal income
3.6 tax purposes.

3.7 (d) At the time of, or in anticipation of, issuing the appropriation bonds, and at any time
3.8 thereafter so long as the appropriation bonds are outstanding, the commissioner may enter
3.9 into agreements and ancillary arrangements relating to the appropriation bonds, including
3.10 but not limited to trust indentures, grant agreements, lease or use agreements, operating
3.11 agreements, management agreements, liquidity facilities, remarketing or dealer agreements,
3.12 letter of credit agreements, insurance policies, guaranty agreements, reimbursement
3.13 agreements, indexing agreements, or interest exchange agreements. Any payments made
3.14 or received according to the agreement or ancillary arrangement shall be made from or
3.15 deposited as provided in the agreement or ancillary arrangement. The determination of the
3.16 commissioner, included in an interest exchange agreement, that the agreement relates to an
3.17 appropriation bond, shall be conclusive.

3.18 (e) The commissioner may enter into written agreements or contracts relating to the
3.19 continuing disclosure of information necessary to comply with or facilitate the issuance of
3.20 appropriation bonds in accordance with federal securities laws, rules, and regulations,
3.21 including Securities and Exchange Commission rules and regulations in Code of Federal
3.22 Regulations, title 17, section 240.15c 2-12. An agreement may be in the form of covenants
3.23 with purchasers and holders of appropriation bonds set forth in the order or resolution
3.24 authorizing the issuance of the appropriation bonds, or a separate document authorized by
3.25 the order or resolution.

3.26 (f) The appropriation bonds are not subject to chapter 16C.

3.27 Subd. 3. **Form; procedure.** (a) Appropriation bonds may be issued in the form of bonds,
3.28 notes, or other similar instruments in the manner provided in section 16A.672. In the event
3.29 that any provision of section 16A.672 conflicts with this section, this section shall control.

3.30 (b) Every appropriation bond shall include a conspicuous statement of the limitation
3.31 established in subdivision 6.

3.32 (c) Appropriation bonds may be sold at either public or private sale upon such terms as
3.33 the commissioner shall determine are not inconsistent with this section and may be sold at
3.34 any price or percentage of par value. Any bid received may be rejected.

4.1 (d) Appropriation bonds must bear interest at a fixed or variable rate.

4.2 (e) Notwithstanding any other law, appropriation bonds issued under this section shall
4.3 be fully negotiable.

4.4 Subd. 4. **Refunding bonds.** The commissioner may issue appropriation bonds for the
4.5 purpose of refunding any appropriation bonds issued under subdivision 2 then outstanding,
4.6 including the payment of any redemption premiums on the bonds, any interest accrued or
4.7 to accrue to the redemption date, and costs related to the issuance and sale of the refunding
4.8 bonds. The proceeds of any refunding bonds may, at the discretion of the commissioner,
4.9 be applied to the purchase or payment at maturity of the appropriation bonds to be refunded,
4.10 to the redemption of the outstanding appropriation bonds on any redemption date, or to pay
4.11 interest on the refunding bonds and may, pending application, be placed in escrow to be
4.12 applied to the purchase, payment, retirement, or redemption. Any escrowed proceeds,
4.13 pending such use, may be invested and reinvested in obligations that are authorized
4.14 investments under section 11A.24. The income earned or realized on the investment may
4.15 also be applied to the payment of the appropriation bonds to be refunded or interest or
4.16 premiums on the refunded appropriation bonds, or to pay interest on the refunding bonds.
4.17 After the terms of the escrow have been fully satisfied, any balance of the proceeds and any
4.18 investment income may be returned to the general fund or, if applicable, the special
4.19 appropriation redevelopment bond proceeds fund for use in any lawful manner. All refunding
4.20 bonds issued under this subdivision must be prepared, executed, delivered, and secured by
4.21 appropriations in the same manner as the appropriation bonds to be refunded.

4.22 Subd. 5. **Appropriation bonds as legal investments.** Any of the following entities may
4.23 legally invest any sinking funds, money, or other funds belonging to them or under their
4.24 control in any appropriation bonds issued under this section:

4.25 (1) the state, the investment board, public officers, municipal corporations, political
4.26 subdivisions, and public bodies;

4.27 (2) banks and bankers, savings and loan associations, credit unions, trust companies,
4.28 savings banks and institutions, investment companies, insurance companies, insurance
4.29 associations, and other persons carrying on a banking or insurance business; and

4.30 (3) personal representatives, guardians, trustees, and other fiduciaries.

4.31 Subd. 6. **No full faith and credit; state not required to make appropriations.** The
4.32 appropriation bonds are not public debt of the state, and the full faith, credit, and taxing
4.33 powers of the state are not pledged to the payment of the appropriation bonds or to any
4.34 payment that the state agrees to make under this section. Appropriation bonds shall not be

5.1 obligations paid directly, in whole or in part, from a tax of statewide application on any
5.2 class of property, income, transaction, or privilege. Appropriation bonds shall be payable
5.3 in each fiscal year only from amounts that the legislature may appropriate for debt service
5.4 for any fiscal year, provided that nothing in this section shall be construed to require the
5.5 state to appropriate money sufficient to make debt service payments with respect to the
5.6 appropriation bonds in any fiscal year. Appropriation bonds shall be canceled and shall no
5.7 longer be outstanding on the earlier of (1) the first day of a fiscal year for which the
5.8 legislature shall not have appropriated amounts sufficient for debt service, or (2) the date
5.9 of final payment of the principal of and interest on the appropriation bonds.

5.10 Subd. 7. **Appropriation of proceeds.** The proceeds of appropriation bonds issued under
5.11 subdivision 2, paragraph (a), and interest credited to the special appropriation redevelopment
5.12 bond proceeds fund are appropriated as follows:

5.13 (1) to the commissioner of employment and economic development for a grant of
5.14 \$200,000,000 to the city of Minneapolis and a grant of \$100,000,000 to the Saint Paul
5.15 Housing and Redevelopment Authority, and as further specified in subdivision 2, paragraph
5.16 (a); and

5.17 (2) to the commissioner of management and budget for debt service on the bonds
5.18 including capitalized interest, nonsalary costs of issuance of the bonds, costs of credit
5.19 enhancement of the bonds, and payments under any agreements entered into under
5.20 subdivision 2, paragraph (d), as permitted by state and federal law.

5.21 Subd. 8. **Appropriation for debt service and other purposes.** An amount needed to
5.22 pay principal and interest on appropriation bonds issued under subdivision 2, paragraph (a),
5.23 is appropriated each fiscal year from the general fund to the commissioner, subject to repeal,
5.24 unallotment under section 16A.152, or cancellation, otherwise pursuant to subdivision 6,
5.25 for deposit into the bond payments account established for such purpose in the special
5.26 appropriation redevelopment bond proceeds fund. The appropriation is available beginning
5.27 in fiscal year 2022 and remains available through fiscal year 2043.

5.28 Subd. 9. **Waiver of immunity.** The waiver of immunity by the state provided for by
5.29 section 3.751, subdivision 1, shall be applicable to the appropriation bonds and any ancillary
5.30 contracts to which the commissioner is a party.

5.31 Subd. 10. **Grant requirements.** In addition to any other terms in a grant agreement with
5.32 the commissioner of employment and economic development, a grant of special appropriation
5.33 redevelopment bonds proceeds must:

5.34 (1) require the city to segregate the grant money in a separate account;

6.1 (2) require the payment to the state, for deposit into the bond payments account
6.2 established for such purpose in the special appropriation redevelopment bond proceeds
6.3 fund, the proceeds of the sale of any property financed with a grant under this section in an
6.4 amount up to the amount of the grant, if the sale of the property occurs during the term of
6.5 the grant agreement, except that a sale of a property to a qualified person as determined by
6.6 the grant recipient's program or project funding criteria is exempt from the requirements of
6.7 this clause;

6.8 (3) require each grant recipient in subdivision 7, to enhance economic opportunities for
6.9 long-term residents, to prioritize businesses owned or operated by a minority person as
6.10 defined in section 116M.14, and to prioritize the retention and rebuilding of impacted
6.11 businesses and infrastructure in the eligible area;

6.12 (4) require that all new and substantially reconstructed buildings receiving grant money,
6.13 which includes projects encompassing at least 10,000 square feet or no less than the
6.14 replacement of the mechanical, ventilation, or cooling system of a building or a building
6.15 section, meet the building performance standards described in section 216B.241, subdivision
6.16 9; and

6.17 (5) beginning on December 1, 2022, and each year thereafter until all grant money has
6.18 been expended, require an annual report to the commissioner of employment and economic
6.19 development from each grant recipient on the expenditures made from the accounts funded
6.20 with a grant made under this section in the form that the commissioner prescribes and include
6.21 any documentation of and supporting information regarding the expenditures that the
6.22 commissioner requires. This report must include any measures of success toward achieving
6.23 the goals and standards outlined in clauses (3) and (4).

6.24 Subd. 11. **Audit.** The commissioner of employment and economic development must
6.25 review the report of expenditures made by the cities.

6.26 Subd. 12. **Prevailing wage requirement.** During the construction, installation,
6.27 remodeling, and repair of any project funded by bonds sold under this section, laborers and
6.28 mechanics at the site must be paid the prevailing wage rate as defined in section 177.42,
6.29 subdivision 6, and the project is subject to the requirements of sections 177.30 and 177.41
6.30 to 177.44.

6.31 Subd. 13. **Zoning exemption.** (a) A property financed with a grant under this section is
6.32 exempt from minimum height and minimum floor area ratio standards through June 30,
6.33 2025, provided that a proposed redevelopment on a property that conformed to such standards
6.34 on May 1, 2020, is subject to all other applicable zoning standards.

7.1 (b) Notwithstanding section 462.357, subdivision 1e, or municipal ordinance, a property
7.2 financed with a grant under this section may apply through June 30, 2025, for a building
7.3 permit to reconstruct a nonconforming use or nonconforming structure that is comparable
7.4 to a use or structure that existed on the property on May 1, 2020.

7.5 (c) A property subject to the zoning and building permit exemptions in this subdivision
7.6 is exempt from public hearing processes to obtain approval unless the request expands a
7.7 nonconforming use. The city may impose reasonable conditions upon a zoning or building
7.8 permit to mitigate any newly created impact on adjacent property.

7.9 Subd. 14. **Report to the legislature.** By December 31, 2023, and every December 31
7.10 thereafter, the commissioner of employment and economic development must submit a
7.11 report as required under section 3.195 that details the use of money under this section,
7.12 including any measures of success toward achieving the goals under subdivision 10, clause
7.13 (3). A copy of this report must also be sent to the chairs and ranking minority members of
7.14 the committees of the house of representatives and the senate having jurisdiction over
7.15 economic development and capital investment.

7.16 Sec. 3. **APPROPRIATIONS TO ONLY COUNT ONCE.**

7.17 If an appropriation in this act is enacted more than once in the 2021 legislative session,
7.18 the appropriation must be given effect only once.

7.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.