

HOUSE RESEARCH

Bill Summary

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Overview

Establishes a Rochester Area Medical Center Development Authority.

Section

- 1 **Economic development; public purpose.** Exempts the Rochester Area Medical Center Development Authority project properties held for economic development purposes from property taxes. This exemption is limited, under current law, to a 9-year period.
- 2 **Project.** Includes a medical center development authority project as a project for the purposes of tax increment financing (TIF).
- 3 **Duration limits; terms.** Provides TIF duration limits on an economic development district within the medical center development district as follows: 15 years for housing subdistricts and medical/healthcare industry subdistricts or ten years for commercial/industrial/retail subdistricts. Under present law, economic development districts are subject to 8-year duration limit.
- 4 **Economic development districts.** Expands the authorized uses of TIF revenues derived from an economic development district in a medical center development district, established under section 12 by the Medical Center Development Authority. Under present law, economic development districts are limited to assisting manufacturing, warehousing, research and development, telemarketing, and tourism (limited to selected counties) projects. This would permit projects for:
 - Market-rate housing, both rental and owner-occupied (under current law, low-income housing meeting federal income limits may be assisted with housing district TIF) –

Section

15-year duration limit applies under section 3.

- Provision of medical or health care services or products – 15-year duration limit applies under section 3.
- General office and retail developments – 10-year duration limit applies under section 3.

5 Purposes. Provides a purpose statement for the bill.

6 Definitions.

Subd. 1. Generally. States that the terms defined apply in the bill.

Subd. 2. Authority. Means the Rochester Area Medical Center Development Authority.

Subd. 3. City. Means Rochester.

Subd. 4. County. Means Olmsted County.

Subd. 5. Designated state taxes. Means taxes attributable to medical businesses in Rochester (personal income, corporate franchise, commercial-industrial property, and sales taxes).

Subd. 6. Development; developing. Includes redevelopment and redeveloping.

Subd. 7. Development plan. Means the long-range plan for the medical center development district.

Subd. 8. Medical business entity. Means the Mayo Clinic.

Subd. 9. Medical center development district. Means a geographic area in the city created to facilitate at least one project.

Subd. 10. Medical center economic development corporation. Means a nonprofit corporation organized by a medical business entity that, in partnership with representatives of the city experienced in planning, etc., will assist the authority and the city to help secure the state's status as a global medical destination.

Subd. 11. Project. Means the following activities to develop a medical center development district:

- acquisition of real property and associated assets;
- demolition, repair, or rehabilitation of buildings;
- remediation of land and buildings;
- installation, construction, or reconstruction of community infrastructure

Section

such as sewers and roads;

- acquisition, construction, or reconstruction of parking facilities and other facilities related to transportation and transit;
- installation, construction, reconstruction, or equipping of community infrastructure such as facilities for cultural and recreational activities, tourism and hospitality, retail, housing, education, and other facilities to promote economic development;
- related site improvements;
- preparation of land for private development and the sale or leasing of land; and
- building and equipping suitable structures on authority-owned land for sale or lease, except for structures for sale or lease to a medical business entity.

Subd. 12. Project cost. Means the unlimited costs of project activities to include:

- costs of planning, engineering, legal, marketing, development, insurance, finance, and other related professional services associated with the project;
- costs for relocation benefits to occupants of acquired properties;
- costs associated with the operational start-up and commissioning of a project; and
- the allocated administrative expenses of the authority for the project not to exceed an unspecified amount in any year.

Expenditures for project costs constitute either:

- public improvements to building or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or group of businesses at the time the improvements are made or;
- assistance generally available to all businesses or similar businesses within a medical center development district.

7 Authority establishment; board members; terms; vacancies; pay; continuity.

Subd. 1. Rochester Area Medical Center Development Authority; establishment. Establishes the Authority with eight voting members and two nonvoting members. Specifies who makes the appointments and qualifications for being appointed.

Subd. 2. Terms; vacancies. Provides that a member appointed due to his or her position as elected official serves a term coterminous with the term of office. Other

Section

members serve six-year staggered terms. The nonvoting legislative members serve two-year terms.

Subd. 3. Vacancies. States when a vacancy occurs and how it is filled.

Subd. 4. Removal. Provides for removal of members. Substantially the same as provided in the Housing and Redevelopment statute in Minn. Stat. § 469.010.

Subd. 3. Pay. Provides for compensation of board members as under section 15.0575 (\$55 per day plus expenses).

Subd. 5. Conflict of interest. Except for members appointed to represent the Mayo Clinic, members must not be employed by, be on the board of directors of, or otherwise represent the Mayo Clinic or the medical center economic development corporation while serving on the authority. or for one year before that. Prohibits authority members from being lobbyists.

8 Characteristics and jurisdiction. Substantially similar to port authority law in Minn. Stat. § 469.049.

Subd. 1. Public body characteristics. Provides that the authority is a body politic and political subdivision of the state with the right to sue and be sued. Specifies that the authority carries out the functions of the state and is not immune from liability.

Subd. 2. Boundaries. Specifies that the boundaries for activities and use of powers of the authority are limited to the medical center development district, except that the authority can finance activities outside of the development district if necessary.

9 Officers; duties; organizational matters. Provides for the organization, operation, and responsibilities of the authority. Requires that the treasurer for the authority give the state an annual bond not to exceed \$300,000. Substantially similar to port authority law in Minn. Stat. § 469.051.

10 Depositories; default; collateral. Requires the authority every two years to name national or state banks as depositories. Provides an exemption from liability for loss of deposits due to bank failure, bankruptcy, or other act or default of the depository when funds of the authority are deposited in a bonded depository. Substantially similar to port authority law in Minn. Stat. § 469.052.

11 Tax levies; city or county appropriations; other fiscal matters. Substantially similar to port authority law in Minn. Stat. § 469.053.

Subd. 1. Obligations. Prohibits the authority from:

- levying a tax or assessment;
- pledging the credit of the state or municipal corporation or other subdivision;

Section

or

- incurring obligations enforceable on property not owned by the authority.

Subd. 2. Budget. Requires the authority to send its budget to the city, county, governor, and legislature each year.

Subd. 3. Fiscal year. Allows the authority to set its fiscal year.

Subd. 4. City or county appropriations; levy. Authorizes the city council or county board to appropriate money for the use of the authority and allows them to levy for the appropriations in their general levies. Provides that those levies are special levies.

Subd. 5. Outside budget laws. Provides that money appropriated to the authority by the city or county is not subject to a city or county budget law.

Subd. 6. City or county payment. Directs the city or county treasurer to pay money appropriated by the city or county.

Subd. 7. Local government tax base. Says that nothing in the bill reduces the tax base or affects the taxes due and payable to the city, county, or school district, including the city's 0.5 percent local sales tax.

12 **Development plan; medical center development districts.**

Subd. 1. Development plan; adoption by authority; notice; findings. Directs the authority to prepare a development plan in consultation with the medical center economic development corporation. The plan must be adopted by the board after a public hearing is held. A copy of the plan must be posted 45 days prior to the hearing. Ten days prior to the hearing a notice must be published. Requires that before the plan is adopted, the authority must find that:

- the plan provides an outline for the development of the city as a global destination medical center with identification of planned and anticipated projects;
- the proposed development gives maximum opportunity for the development of the city by private enterprise as a global destination medical center;
- the proposed development conforms to the general plan for the development of the city; and
- the plan includes: strategic planning consistent with a global destination medical center in cores areas of commercial research and technology, learning environment, hospitality and convention, sports and recreation, livable communities, retail/dining/entertainment, and health and wellness; estimates of fiscal and economic impacts; a framework to identify and prioritize public investment and infrastructure development; land use planning; transportation and transit planning; operational

Section

planning; and ongoing market research plans.

Subd. 2. Development plans; approval by city; finding. Requires the authority to send the adopted development plan to the city for approval but only if the city finds it consistent with the city's adopted comprehensive plan. Provides a timeline for approval or rejection of the plan by the city.

Subd. 3. Modification of plan. Allows the authority to change the plan at any time. Requires updates at least every five years.

Subd. 4. Districts; creation; notice; findings. Allows the authority to create and define the development district and subdistrict boundaries anywhere within the city.

Subd. 5. Policy. Authorizes the authority to use eminent domain, and advance and spend money.

13 Powers and duties.

Subd. 1. Powers generally. Gives the authority the powers of a city under the municipal housing statutes and a redevelopment agency under the municipal industrial development statutes in connection with authority projects. Prohibits revenue agreements with a medical business entity under the municipal industrial development law.

Subd. 2. Projects; project costs. Permits the authority to undertake and finance projects within a medical center development district that are consistent with its development plan. Permits the authority to make grants or loans or provide direct or indirect financial support to state or private entities, but requires transportation and other community infrastructure owned, operated, or maintained by Rochester to be approved by the city.

Subd. 3. Medical center economic development corporation. Requires the authority to engage a medical center economic development corporation (defined in section 6 as a nonprofit corporation organized by a medical business entity, i.e. Mayo Clinic, to assist the authority and Rochester) to advise the authority on projects. States that the law prohibiting political subdivisions from creating nonprofit corporations does not apply to any entity serving as the corporation.

Requires the corporation to assist the authority in preparation of the development plan and assist in its implementation.

Permits the authority to contract with the corporation to provide administrative services to the authority and pay for those services out of money from Rochester, Olmsted County, or the state general fund standing appropriation.

Subd. 4. Revenue pooling. Permits all money of the authority to go into one bank account.

Subd. 5. Acquire property; exemption for taxes. Permits the authority to

Section

acquire property, including by use of eminent domain. Exempts authority property from ad valorem taxes.

Subd. 6. Subject to city requirements. Makes projects subject to Rochester planning, zoning, sanitary, and building laws, and land use plans.

Subd. 7. Sale of property. Permits the authority to dispose of any real or personal property. Requires disposal of real property to be approved by two-thirds of authority members. Requires ten days written notice of a meeting at which a real property transfer will be up for vote.

Subd. 8. Contracts. Permits the authority to enter into contracts for economic development purposes.

Subd. 9. Contract for services. Permits the authority to contract for professional services and to contract with the city or county to provide administrative, clerical, and accounting services. Provides that a contract for services with the medical center economic development corporation gives the authority and the state auditor the right to audit the books and records of the corporation that are necessary to certify the nature and extent of the services provided and that payment complies with all state laws and terms of the contract.

Subd. 10. Supplies. Permits the authority to buy supplies and materials.

Subd. 11. City purchasing. Permits the authority to use city purchasing.

Subd. 12. City facilities, services. Permits Rochester to provide space and assistance to the authority.

Subd. 13. Delegation power. Permits the authority to delegate to one or more of its agents powers or duties.

Subd. 14. Government agent. Permits the authority to cooperate with or be the government agent.

Subd. 15. Studies, analysis, research. Permits the authority to conduct studies and analysis related to medical center development districts.

Subd. 16. Acceptance of public land. Permits the authority to accept a conveyance of land from other government units. Permits the city to convey land to the authority.

Subd. 17. Loans in anticipation of bonds. Permits the authority to borrow money in anticipation of receipt of bond proceeds but not from a member of the authority or any entity in which the member is a stockholder or officer. The loans may not exceed the amount of the bonds and their maturity is limited to 12 months.

Subd. 18. Reporting requirements. Requires the authority to report on or before January 1 of each odd-numbered year to the legislature, the commissioners of management and budget and employment and economic development, Rochester,

Section

and Olmsted County, on the calculation of dedicated state taxes, a draft of the development plan, and debt service schedules for all outstanding debt of the authority.

Subd. 19. No tax increment financing powers. The authority is not an authority for the purposes of the TIF law.

14 Revenue obligations; pledge; covenants.

Subd. 1. Powers. Permits the authority to issue revenue obligations (bonds, notes) to finance projects.

Subd. 2. Form. Permits bond terms up to 30 years and requires the bonds issued to be fully registered. Requires all bonds to be negotiable instruments.

Subd. 3. Sale. Permits public or private sale of the revenue bonds. Permits bonds to be callable as determined by the authority and refunded under Minn. Stat. § 475.67.

Subd. 4. Agreements. Authorizes agreements with bondholders or their trustees.

Subd. 5. Revenue pledge. (a) Permits the authority to pledge revenues from projects for bond repayment.

Permits the authority to pledge state general fund appropriations of up to \$75 million per year to pay up to \$585 million in authority bonds (see section 17). The amount of authority bonds backed by state general fund appropriations may be reduced by up to \$60 million of funds contributed by Rochester.

(b) The authority may issue bonds for 20 years after the effective date of the act and all bonds must mature by December 31, 2049.

Subd. 6. Approval by DEED commissioner. Requires the commissioner of employment and economic development (DEED) to review and approve issuance of authority bonds, and to notify the authority and the commissioner of management and budget (MMB) of approval. Provides that DEED approval of the bond issue is not approval of the feasibility of the project.

Subd. 7. Not city, county, or state debt. States that the debt of the authority is not debt of the city, county or state, and there is no pledge of the full faith and credit of the city, county, or state.

15 City bonds; public improvements. Permits Rochester to issue bonds and use the proceeds for authority projects. Permits Rochester to make and own public improvements for projects or to make grants to the authority to do so.

16 When bond allocation act applies. Provides that the bond allocation act applies to authority bonds that are private activity bonds under federal tax law, assuming the authority is allowed to issue under the allocation process. This means that those private activity bonds of the authority will be included in the annual volume cap for the state and may limit the ability of other bond allocation act issuers to issue debt if demand for allocations exceeds

Section

supply and the authority qualifies for an allocation. This section does not make the authority an entitlement issuer.

- 17** **Payments to authority; conditions.** Provides for a standing statutory appropriation of general fund money attributable to approximately 60 percent of the taxes generated in the authority's area in 2013 (and each subsequent year) that are over the 2011 baseline designated state tax amount. This is the "value capture amount" and is to pay debt service on authority debt.

The first transfer would be in state fiscal year 2016 and the last would be in 2049.

Limits any state general fund transfer to the authority to no more than \$75 million in any state fiscal year.