Overview

This bill makes various changes in the rules governing how and for what local governments may issue debt obligations. The provisions of the bill (among other things):

- allow original issue discount bonds
- allow limited liability companies to be conduits for holding property exempt from property taxes
- renames the Dakota County Housing and Redevelopment Authority as the Dakota County Community Authority
Development Agency and gives it the power of an economic development authority to repeal the publication requirement for competitive sales of bonds. 

reenacts provisions of the 1997 Omnibus Tax Act that relate to issuance of local government debt because of the ongoing single subject challenge to that act.

Section
1  State payment of school debt obligations. Provides that for purposes of the state guarantee program for school bonds, amounts in a refunding escrow account are deemed to be on deposit three days before the due date of principal and interest payments. This ensures that these amounts meet the requirements to avoid triggering the payment provisions.

2  Limited liability companies, property tax exemptions. Provides that for purposes of the property tax exemption statute, property owned by a single member limited liability company is treated as being owned by the member. This would permit, for example, a nonprofit organization or governmental entity to form a limited liability company to purchase property and still qualify for the exemption for property owned by a public entity or an institution of purely public charity.

3  Name change; economic development authority powers. Changes the name of the Dakota county HRA to the Dakota county community development agency and gives the agency the powers of an economic development authority (EDA).

4  Jurisdiction. Eliminates the prohibition on the Dakota County HRA exercising jurisdiction in a municipality with an HRA. However, section 5 requires the city approval of projects.

5  City and authority approvals. Requires all housing, redevelopment, and economic development projects of the Dakota county community development agency located in a city to be approved by the governing body of the city. In addition, housing and housing development projects must be approved by the HRA for the city, if the HRA did not request the agency to undertake the
Redevelopment projects must be approved by the city HRA. Dakota county community development agency. Provides that the Dakota county community development agency (CDA) may exercise any of the powers of an HRA. The agency may also exercise the powers of an EDA, except that the CDA may not levy the EDA authorized property tax. However, with the approval of the Dakota county board, the agency may levy a HRA property up to the level permitted for an EDA (i.e., 0.01813 percent of net tax capacity). The HRA special tax levy is limited to a lower rate, 0.0144.

Offers of tax-forfeited lands. Directs the county to make nonconservation tax-forfeited land available to the community development agency before offering the land to cities in Dakota county.

Metropolitan council obligations. Authorizes the council to issue $36 million of obligations to fund capital expenditures in the council's capital improvement plan. The funds must be spent proportionately on projects recommended by capital evaluation committee. These obligations may not be used to finance equipment or facilities for or the operation of light rail transit.

Application. Provides section 8 applies in the Twin Cities (7 county) metropolitan area.

Original issue discount bonds. Authorizes municipalities to issue original issue discount obligations with principal amounts that exceed the sale price by up to 2 percent. The underwriting and other sales fees may not exceed two percent of the sale prices for these obligations. In addition, the maximum interest rate on the obligations may not exceed 10 percent or the maximum permitted by law. No maximum interest rate limit applies generally under state law to municipal obligations. Special laws or home rule charters, however, may contain interest rate limits.

Premium limit and published notice. Prohibits selling obligations at more than 2 percent over the authorized amount plus accrued interest. The publication requirement for public sales is eliminated. Section 12 specifies the notice rules.

Published notice eliminated. Eliminates the requirement that notice of a competitive sale for a bond issue be published. Instead notice can be given directly to a minimum of five prospective bidders as an alternative to publication. This notice can be given as little as 2 business days before the day for submitting bids. Present law requires four days and published notice of between 10 and 60 days, in addition.

Cuyuna Range joint powers economic development authority. Ratifies establishment of the Cuyuna Range joint powers economic development authority and authorizes it to exercise the powers of an EDA that are delegated to it by the member cities, including the authority to own and operate a civic center facility.

Class 4d. Reenacts the provisions of the 1997 Omnibus Tax Act that established class 4d for low income rental housing.

Background information. Sections 14 to 16 reenact provisions of the 1997 Omnibus Tax Act ("the Act") that relate to public debt. This responds to an ongoing legal challenge to the Act on the basis of the single subject requirements of the constitution. Associated Builders and Contractors v. Carlson, 590 N.W.2d 130 (Minn. App. 1999), rev. granted (April 20, 1999). The case challenged the provision of the Act that subjected school district projects to the prevailing wage rules. The Minnesota Supreme Court has granted review of the case.

In Associated Builders the Minnesota Court of Appeals held that the Act was enacted in violation of the single subject requirement of the constitution. The Court of Appeals, however, held that this invalidated only the prevailing wage provision and not the remainder of the act. Because the standard remedy in a single subject case is to invalidate the entire act, this case casts some doubt as to the validity of the rest of the Act. As a result, bond counsel in Minnesota
are generally refusing to issue bond opinions on issues that are dependent on the provisions of the 1997 Act. Sections 14 to 16 attempt to remove this impediment to issuing bonds by reenacting the provisions of the Act that relate to bond issuance.

15 Property tax abatement. Reenacts the provisions of the 1997 Omnibus Tax Act that authorized property tax abatement for economic development, housing, and other purposes.

16 Tax increment financing. Reenacts the provisions of the 1997 Omnibus Tax Act that related to tax increment financing.

17 Instruction to the revisor. Instructs the revisor to replace references to "Dakota county housing and redevelopment authority" with "Dakota county community development agency."

18 Effective date. Provides the changes are effective the day following final enactment.