

**Subject** Tourism improvement districts authorized

**Authors** Davnie and others

**Analyst** Christopher Kleman

**Date** February 24, 2021

## Overview

This bill would create a new chapter of law that would allow counties, cities, and towns to establish tourism improvement districts. The districts could only be established by petition of the business owners paying a majority of the potential fees, which the municipality may authorize. A tourism improvement association made up of businesses subject to the fees would be responsible for managing the district and would have to be designated by ordinance. The bill also provides a variety of rules relating to the types of activities that may be funded by the districts, as well as provisions for public hearings, notice, veto, modification, and disestablishment of these districts.

## Summary

Section	Description
---------	-------------

1	<b>Definitions.</b>
---	---------------------

This section provides various definitions for use in the proposed new tourism improvement district chapter of Minnesota Statutes.

**Subd. 1. Applicability.** Provides definitions for tourism improvement districts.

**Subd. 2. Activity.** Defines the activities that may be funded by a district which includes promotion of tourism; promotion of business activity; marketing, sales, and economic development; and other services to benefit businesses served by the district.

**Subd. 3. Business.** A lodging business that is of a class or type designated by the city ordinance establishing a tourism improvement district and that is benefitted by the district.

**Subd. 4. Business owner.** A person recognized by a municipality as the owner.

**Subd. 5. City.** A home rule charter or statutory city.

**Section**   **Description**

---

**Subd. 6. Clerk.** The chief clerical officer of a municipality.

**Subd. 7. Governing body.** A city council, town board, or county board of commissioners.

**Subd. 8. Impacted business owners.** Those who pay more than 50 percent of the service charges in the city.

**Subd. 9. Municipality.** A county, city, or town.

**Subd. 10. Tourism improvement association.** A tax-exempt nonprofit charged with promoting tourism in the district that also administers the district and implements the district's activities.

**Subd. 11. Tourism improvement district.** A district established under the proposed chapter.

**2      Establishment of tourism improvement district.**

**Subd. 1. Ordinance.** Allows a municipality to adopt an ordinance establishing a tourism improvement district by petition from impacted business owners, after a hearing. The ordinance must include: a map of the district; the name of the tourism improvement association; a list of the proposed activities and improvements; payment and penalty information; a definition of the class or type of businesses subject to the charge; the rate, method, and basis for the charge; and the number of years the charge will be in effect. Also allows the municipality to impose measures the tourism improvement district must take if it overlaps with a special service district.

**Subd. 2. Notice.** Requires a public notice for the hearing required in subdivision 1.

**Subd. 3. Business owner determination.** Requires the businesses in the district to provide ownership information to the municipality and allows the municipality to finally determine business ownership for purposes of establishing a district.

**Subd. 4. Service charges; relationship to services.** Requires service charges to be based on gross revenue, a fixed amount per transaction, or any other method based upon the benefit of activities and improvements to a business, but each business does not have to benefit equally. In addition, service charges may include the cost of collection and other administrative costs.

**Subd. 5. Public hearing.** Allows affected persons to testify at the hearing and requires the ordinance to be adopted within six months of the hearing.

Section	Description
	<p><b>Subd. 6. Appeal to district court.</b> Allows an appeal to the district court within 45 days of the adoption of the ordinance establishing a district.</p>
3	<p><b>Service charge authority; notice; hearing requirement.</b></p> <p><b>Subd. 1. Authority.</b> Allows a service charge to be imposed to pay for activities and improvements.</p> <p><b>Subd. 2. Annual hearing requirement; notice.</b> Requires an annual hearing and notice on the continuation of the service charge, similar to the initial notice described in section 2, subdivision 1.</p>
4	<p><b>Modification of ordinance.</b></p> <p><b>Subd. 1. Adoption of ordinance; request for modification.</b> Allows a tourism improvement district to be modified if requested by the tourism improvement association. Changes to the service charge or expansion of the district must be done by petition of the impacted business owners.</p> <p><b>Subd. 2. Notice of modification.</b> Requires a notice and hearing for modification of a district.</p> <p><b>Subd. 3. Hearing on modification.</b> Allows affected persons to testify at the hearing and requires the modification ordinance to be adopted within six months of the hearing.</p> <p><b>Subd. 4. Objection.</b> Requires that modification is subject to the notice and veto requirements in section 8. For expansions of a district, only the objections of the impacted business owners in the expanded area are taken into account.</p>
5	<p><b>Collection of service charges; penalties.</b></p> <p>Allows service charges, penalties, and interest to be collected by the municipality, tourism improvement association, or other designated entity.</p>
6	<p><b>Tourism improvement association.</b></p> <p><b>Subd. 1. Composition and duties.</b> Requires the association to be designated by ordinance. The association's governing board must be composed of business owners paying the service charges. The board is responsible for managing funds and fulfilling the obligations of the district.</p> <p><b>Subd. 2. Annual report.</b> Requires the tourism improvement association to submit an annual report to the municipality, which must include a financial statement.</p>

Section	Description
7	<b>Petition required.</b> Requires that tourism improvement districts can only be established by petition.
8	<b>Veto power of owners.</b> <b>Subd. 1. Notice of right to file objections.</b> Allows and provides for the manner in which business owners may veto the ordinance establishing a district. <b>Subd. 2. Requirements for veto.</b> Delays the effective date of an ordinance if an objection under subdivision 1 is provided prior to the ordinance's effective date.
9	<b>Disestablishment.</b> <b>Subd. 1. Procedure for disestablishment.</b> Annually requires a 30-day period in which the district may be disestablished by petition, following a notice and hearing. <b>Subd. 2. Objection.</b> Applies the notice and veto requirements of section 8 to an ordinance disestablishing a district. <b>Subd. 3. Refund to business owners.</b> Requires and provides for the manner in which refunds are made when a district is disestablished.
10	<b>Coordination of districts.</b> Prohibits counties and cities and towns from creating overlapping districts in the same geographical area.  All sections of the bill are effective the day following final enactment.



**MN HOUSE  
RESEARCH**

*Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.*

www.house.mn/hrd | 651-296-6753 | 155 State Office Building | St. Paul, MN 55155