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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-SIXTH  
SESSION

**HOUSE FILE No. 1298**

March 5, 2009

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The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act  
1.2 relating to public finance; providing terms and conditions relating to issuance  
1.3 of obligations and financing of public improvements; modifying restrictions on  
1.4 mail elections; amending Minnesota Statutes 2008, sections 204B.46; 360.036,  
1.5 subdivision 2; 366.095, subdivision 1; 373.01, subdivision 3; 373.40, subdivision  
1.6 1; 373.47, subdivision 1; 375.18, subdivision 3; 383B.117, subdivision 2; 410.32;  
1.7 412.301; 428A.02, subdivision 1; 428A.03, subdivision 1; 428A.08; 428A.09;  
1.8 428A.10; 469.005, subdivision 1; 469.034, subdivision 2; 469.040, subdivisions  
1.9 1, 2, 4; 471.191, subdivision 1; 475.67, subdivision 8; repealing Minnesota  
1.10 Statutes 2008, sections 428A.101; 428A.21.

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

1.12 Section 1. Minnesota Statutes 2008, section 204B.46, is amended to read:

1.13 **204B.46 MAIL ELECTIONS; QUESTIONS.**

1.14 A county, municipality, or school district submitting questions to the voters at a  
1.15 special election may conduct an election by mail with no polling place other than the office  
1.16 of the auditor or clerk. No ~~more than two questions may be submitted at a mail election~~  
1.17 ~~and no~~ offices may be voted on at a mail election. Notice of the election must be given  
1.18 to the county auditor at least 53 days prior to the election. This notice shall also fulfill  
1.19 the requirements of Minnesota Rules, part 8210.3000. The special mail ballot procedures  
1.20 must be posted at least six weeks prior to the election. No earlier than 20 or later than 14  
1.21 days prior to the election, the auditor or clerk shall mail ballots by nonforwardable mail  
1.22 to all voters registered in the county, municipality, or school district. Eligible voters not  
1.23 registered at the time the ballots are mailed may apply for ballots pursuant to chapter 203B.

1.24 Sec. 2. Minnesota Statutes 2008, section 360.036, subdivision 2, is amended to read:

2.1 Subd. 2. **Issuance of bonds.** (a) Bonds to be issued by a municipality under sections  
2.2 360.011 to 360.076, shall be authorized and issued in the manner and within the limitation  
2.3 prescribed by laws or the charter of the municipality for the issuance and authorization of  
2.4 bonds for public purposes generally, except as provided in paragraphs (b) and (c).

2.5 (b) No election is required to authorize the issuance of the bonds if:

2.6 (1) a board organized under section 360.042 recommends by a resolution adopted  
2.7 by a vote of not less than 60 percent of its members the issuance of bonds, and the  
2.8 bonds are authorized by a resolution of the governing body of each of the municipalities  
2.9 acting jointly pursuant to section 360.042, adopted by a vote of not less than 60 percent  
2.10 of its members; or

2.11 (2) the bonds are authorized by a resolution of the governing body of the  
2.12 municipality, adopted by a vote of not less than 60 percent of its members; or

2.13 (3) the bonds are being issued for the purpose of financing the costs of constructing,  
2.14 enlarging, or improving airports and other air navigation facilities; and

2.15 (i) the governing body estimates that passenger facility charges and other revenues  
2.16 pledged to the payment thereof will be at least 20 percent of the debt service payable  
2.17 on the bonds in any year;

2.18 (ii) the project will be funded in part by a state or federal grant for airport  
2.19 development; and

2.20 (iii) the principal amount of the bonds issued under this clause does not exceed 25  
2.21 percent of the amount of the state or federal grant.

2.22 (c) If the bonds are general obligations of the municipality, the levy of taxes required  
2.23 by section 475.61 to pay principal and interest on the bonds is not included in computing  
2.24 or applying any levy limitation applicable to the municipality.

2.25 Sec. 3. Minnesota Statutes 2008, section 366.095, subdivision 1, is amended to read:

2.26 Subdivision 1. **Certificates of indebtedness.** The town board may issue certificates  
2.27 of indebtedness within the debt limits for a town purpose otherwise authorized by law.  
2.28 The certificates shall be payable in not more than ~~five~~ ten years and be issued on the terms  
2.29 and in the manner as the board may determine. If the amount of the certificates to be  
2.30 issued exceeds 0.25 percent of the market value of the town, they shall not be issued for at  
2.31 least ten days after publication in a newspaper of general circulation in the town of the  
2.32 board's resolution determining to issue them. If within that time, a petition asking for an  
2.33 election on the proposition signed by voters equal to ten percent of the number of voters  
2.34 at the last regular town election is filed with the clerk, the certificates shall not be issued  
2.35 until their issuance has been approved by a majority of the votes cast on the question at

3.1 a regular or special election. A tax levy shall be made to pay the principal and interest  
3.2 on the certificates as in the case of bonds.

3.3 Sec. 4. Minnesota Statutes 2008, section 373.01, subdivision 3, is amended to read:

3.4 Subd. 3. **Capital notes.** (a) A county board may, by resolution and without  
3.5 referendum, issue capital notes subject to the county debt limit to purchase capital  
3.6 equipment useful for county purposes that has an expected useful life at least equal to the  
3.7 term of the notes. The notes shall be payable in not more than ten years and shall be  
3.8 issued on terms and in a manner the board determines. A tax levy shall be made for  
3.9 payment of the principal and interest on the notes, in accordance with section 475.61,  
3.10 as in the case of bonds.

3.11 (b) For purposes of this subdivision, "capital equipment" means:

3.12 (1) public safety, ambulance, road construction or maintenance, ~~and~~ medical  
3.13 equipment, and other capital equipment; and

3.14 (2) computer hardware and software, whether bundled with machinery or equipment  
3.15 or unbundled, together with application development services and training related to the  
3.16 use of the computer hardware and software and fiber-optic cable or other means of voice  
3.17 and data transmission among municipal buildings, provided that software, application,  
3.18 and development services and training shall be deemed to have the same useful life as the  
3.19 computer equipment to which they are related.

3.20 Sec. 5. Minnesota Statutes 2008, section 373.40, subdivision 1, is amended to read:

3.21 Subdivision 1. **Definitions.** For purposes of this section, the following terms have  
3.22 the meanings given.

3.23 (a) "Bonds" means an obligation as defined under section 475.51.

3.24 (b) "Capital improvement" means acquisition or betterment of public lands,  
3.25 buildings, or other improvements within the county for the purpose of a county  
3.26 courthouse, administrative building, health or social service facility, correctional facility,  
3.27 jail, law enforcement center, hospital, morgue, library, park, qualified indoor ice arena,  
3.28 roads and bridges, public works facilities, fairgrounds buildings, fiber-optic cable or other  
3.29 means of voice and data transmission among municipal buildings, and the acquisition  
3.30 of development rights in the form of conservation easements under chapter 84C. An  
3.31 improvement must have an expected useful life of five years or more to qualify. "Capital  
3.32 improvement" does not include light rail transit or any activity related to it or a recreation  
3.33 or sports facility building (such as, but not limited to, a gymnasium, ice arena, racquet

4.1 sports facility, swimming pool, exercise room or health spa), unless the building is part of  
 4.2 an outdoor park facility and is incidental to the primary purpose of outdoor recreation.

4.3 (c) "Metropolitan county" means a county located in the seven-county metropolitan  
 4.4 area as defined in section 473.121 or a county with a population of 90,000 or more.

4.5 (d) "Population" means the population established by the most recent of the  
 4.6 following (determined as of the date the resolution authorizing the bonds was adopted):

4.7 (1) the federal decennial census,

4.8 (2) a special census conducted under contract by the United States Bureau of the  
 4.9 Census, or

4.10 (3) a population estimate made either by the Metropolitan Council or by the state  
 4.11 demographer under section 4A.02.

4.12 (e) "Qualified indoor ice arena" means a facility that meets the requirements of  
 4.13 section 373.43.

4.14 (f) "Tax capacity" means total taxable market value, but does not include captured  
 4.15 market value.

4.16 Sec. 6. Minnesota Statutes 2008, section 373.47, subdivision 1, is amended to read:

4.17 Subdivision 1. **Authority to incur debt.** Subject to prior approval by the Statewide  
 4.18 Radio Board under section 403.36, the governing body of a county may finance the cost of  
 4.19 designing, constructing, and acquiring public safety communication system infrastructure  
 4.20 and equipment for use on the statewide, shared public safety radio system by issuing:

4.21 (1) capital improvement bonds under section 373.40, as if the infrastructure and  
 4.22 equipment qualified as a "capital improvement" within the meaning of section 373.40,  
 4.23 subdivision 1, paragraph (b), bonds issued under this section are exempt from and shall  
 4.24 not be included in calculating the limitations in section 373.40, subdivision 4; and

4.25 (2) capital notes under the provisions of section 373.01, subdivision 3, as if the  
 4.26 equipment qualified as "capital equipment" within the meaning of section 373.01,  
 4.27 subdivision 3.

4.28 Sec. 7. Minnesota Statutes 2008, section 375.18, subdivision 3, is amended to read:

4.29 Subd. 3. **Courthouse.** (a) Each county board may erect, furnish, and maintain a  
 4.30 suitable courthouse. Except as provided in paragraph (b), no indebtedness shall be created  
 4.31 for a courthouse in excess of an amount equal to a levy of 0.04030 percent of taxable  
 4.32 market value without the approval of a majority of the voters of the county voting on the  
 4.33 question of issuing the obligation at an election.

5.1           (b) No election is required if the amount of all bonds, other than bonds approved by  
5.2 the voters issued for this purpose, and interest on them, that are due and payable in any  
5.3 year does not exceed an amount equal to 0.015 percent of market value of taxable property  
5.4 within the county, as last determined before the bonds are issued.

5.5           Sec. 8. Minnesota Statutes 2008, section 383B.117, subdivision 2, is amended to read:

5.6           Subd. 2. **Equipment acquisition; capital notes.** The board may, by resolution and  
5.7 without public referendum, issue capital notes within existing debt limits for the purpose  
5.8 of purchasing ambulance and other medical equipment, road construction or maintenance  
5.9 equipment, public safety equipment and other capital equipment having an expected useful  
5.10 life at least equal to the term of the notes issued. The notes shall be payable in not more  
5.11 than ten years and shall be issued on terms and in a manner as the board determines. The  
5.12 total principal amount of the notes issued for any fiscal year shall not exceed one percent of  
5.13 the total annual budget for that year and shall be issued solely for the purchases authorized  
5.14 in this subdivision. A tax levy shall be made for the payment of the principal and interest  
5.15 on such notes as in the case of bonds. For purposes of this subdivision, "equipment"  
5.16 includes computer hardware and software, whether bundled with machinery or equipment  
5.17 or unbundled, together with application development services and training related to the  
5.18 use of the computer hardware and software and fiber-optic cable or other means of voice  
5.19 and data transmission among municipal buildings, provided that software, application,  
5.20 and development services and training shall be deemed to have the same useful life as  
5.21 the computer equipment to which they are related. For purposes of this subdivision, the  
5.22 term "medical equipment" includes computer hardware and software and other intellectual  
5.23 property for use in medical diagnosis, medical procedures, research, record keeping,  
5.24 billing, and other hospital applications, together with application development services  
5.25 and training related to the use of the computer hardware and software and other intellectual  
5.26 property, all without regard to their useful life. For purposes of determining the amount  
5.27 of capital notes which the county may issue in any year, the budget of the county and  
5.28 Hennepin Healthcare System, Inc. shall be combined and the notes issuable under this  
5.29 subdivision shall be in addition to obligations issuable under section 373.01, subdivision 3.

5.30           Sec. 9. Minnesota Statutes 2008, section 410.32, is amended to read:

5.31           **410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.**

5.32           (a) Notwithstanding any contrary provision of other law or charter, a home rule  
5.33 charter city may, by resolution and without public referendum, issue capital notes subject  
5.34 to the city debt limit to purchase capital equipment.

6.1 (b) For purposes of this section, "capital equipment" means:

6.2 (1) public safety equipment, ambulance and other medical equipment, road  
6.3 construction and maintenance equipment, and other capital equipment; and

6.4 (2) computer hardware and software, whether bundled with machinery or equipment  
6.5 or unbundled, together with application development services and training related to the  
6.6 use of the computer hardware and software and fiber-optic cable or other means of voice  
6.7 and data transmission among municipal buildings, provided that software, application,  
6.8 and development services and training shall be deemed to have the same useful life as the  
6.9 computer equipment to which they are related.

6.10 (c) The capital equipment ~~or software~~ must have an expected useful life at least  
6.11 as long as the term of the notes.

6.12 (d) The notes shall be payable in not more than ten years and be issued on terms and  
6.13 in the manner the city determines. The total principal amount of the capital notes issued  
6.14 in a fiscal year shall not exceed 0.03 percent of the market value of taxable property  
6.15 in the city for that year.

6.16 (e) A tax levy shall be made for the payment of the principal and interest on the  
6.17 notes, in accordance with section 475.61, as in the case of bonds.

6.18 (f) Notes issued under this section shall require an affirmative vote of two-thirds of  
6.19 the governing body of the city.

6.20 (g) Notwithstanding a contrary provision of other law or charter, a home rule charter  
6.21 city may also issue capital notes subject to its debt limit in the manner and subject to the  
6.22 limitations applicable to statutory cities pursuant to section 412.301.

6.23 Sec. 10. Minnesota Statutes 2008, section 412.301, is amended to read:

6.24 **412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.**

6.25 (a) The council may issue certificates of indebtedness or capital notes subject to the  
6.26 city debt limits to purchase capital equipment.

6.27 (b) For purposes of this section, "capital equipment" means:

6.28 (1) public safety equipment, ambulance and other medical equipment, road  
6.29 construction and maintenance equipment, and other capital equipment; and

6.30 (2) computer hardware and software, whether bundled with machinery or equipment  
6.31 or unbundled, together with application development services and training related to the  
6.32 use of the computer hardware and software and fiber-optic cable or other means of voice  
6.33 and data transmission among municipal buildings, provided that software, application,  
6.34 and development services and training shall be deemed to have the same useful life as the  
6.35 computer equipment to which they are related.

7.1 (c) The capital equipment ~~or software~~ must have an expected useful life at least as  
7.2 long as the terms of the certificates or notes.

7.3 (d) Such certificates or notes shall be payable in not more than ten years and shall be  
7.4 issued on such terms and in such manner as the council may determine.

7.5 (e) If the amount of the certificates or notes to be issued to finance any such purchase  
7.6 exceeds 0.25 percent of the market value of taxable property in the city, they shall not  
7.7 be issued for at least ten days after publication in the official newspaper of a council  
7.8 resolution determining to issue them; and if before the end of that time, a petition asking  
7.9 for an election on the proposition signed by voters equal to ten percent of the number of  
7.10 voters at the last regular municipal election is filed with the clerk, such certificates or notes  
7.11 shall not be issued until the proposition of their issuance has been approved by a majority  
7.12 of the votes cast on the question at a regular or special election.

7.13 (f) A tax levy shall be made for the payment of the principal and interest on such  
7.14 certificates or notes, in accordance with section 475.61, as in the case of bonds.

7.15 Sec. 11. Minnesota Statutes 2008, section 428A.02, subdivision 1, is amended to read:

7.16 Subdivision 1. **Ordinance.** The governing body of a city may adopt an ordinance  
7.17 establishing a special service district. Only property that is classified under section  
7.18 273.13 and used for residential, commercial, industrial, or public utility purposes, or  
7.19 is vacant land zoned or designated on a land use plan for commercial or industrial use  
7.20 and located in the special service district, may be subject to the charges imposed by the  
7.21 city on the special service district. Property that is classified under section 273.13 and  
7.22 used for residential purposes may be subject to such charges if no more than 50 percent  
7.23 of the total charges imposed by the city on the special service district are imposed on  
7.24 residential property. Other types of property may be included within the boundaries of  
7.25 the special service district but are not subject to the levies or charges imposed by the city  
7.26 on the special service district. ~~If 50 percent or more of the market value of a parcel of~~  
7.27 ~~property is classified under section 273.13 as commercial, industrial, or vacant land zoned~~  
7.28 ~~or designated on a land use plan for commercial or industrial use, or public utility for~~  
7.29 ~~the current assessment year, then the entire market value of the property is subject to a~~  
7.30 ~~service charge based on net tax capacity for purposes of sections 428A.01 to 428A.10.~~  
7.31 The ordinance shall describe with particularity the area within the city to be included in  
7.32 the district and the special services to be furnished in the district. The ordinance may not  
7.33 be adopted until after a public hearing has been held on the question. Notice of the hearing  
7.34 shall include the time and place of hearing, a map showing the boundaries of the proposed  
7.35 district, and a statement that all persons owning property in the proposed district that

8.1 would be subject to a service charge will be given opportunity to be heard at the hearing.  
8.2 Within 30 days after adoption of the ordinance under this subdivision, the governing body  
8.3 shall send a copy of the ordinance to the commissioner of revenue.

8.4 Sec. 12. Minnesota Statutes 2008, section 428A.03, subdivision 1, is amended to read:

8.5 Subdivision 1. **Hearing.** Service charges may be imposed by the city within the  
8.6 special service district at a rate or amount sufficient to produce the revenues required to  
8.7 provide special services in the district. To determine the appropriate rate for a service  
8.8 charge based on net tax capacity, taxable property or net tax capacity must be determined  
8.9 without regard to captured or original net tax capacity under section 469.177 or to the  
8.10 distribution or contribution value under section 473F.08. Service charges may not be  
8.11 imposed to finance a special service if the service is ordinarily provided by the city from  
8.12 its general fund revenues unless the service is provided in the district at an increased level.  
8.13 In that case, a service charge may be imposed only in the amount needed to pay for the  
8.14 increased level of service. A service charge may not be imposed on the receipts from the  
8.15 sale of intoxicating liquor, food, or lodging. Before the imposition of service charges in a  
8.16 district, for each calendar year, a hearing must be held under section 428A.02 and notice  
8.17 must be given and must be mailed to any owner, individual, or business organization  
8.18 subject to a service charge. For purposes of this section, the notice shall also include:

8.19 (1) a statement that all interested persons will be given an opportunity to be heard at  
8.20 the hearing regarding a proposed service charge;

8.21 (2) the estimated cost of improvements to be paid for in whole or in part by service  
8.22 charges imposed under this section, the estimated cost of operating and maintaining  
8.23 the improvements during the first year and upon completion of the improvements, the  
8.24 proposed method and source of financing the improvements, and the annual cost of  
8.25 operating and maintaining the improvements;

8.26 (3) the proposed rate or amount of the proposed service charge to be imposed in  
8.27 the district during the calendar year and the nature and character of special services to  
8.28 be rendered in the district during the calendar year in which the service charge is to be  
8.29 collected; and

8.30 (4) a statement that the petition requirements of section 428A.08 have either been  
8.31 met or do not apply to the proposed service charge.

8.32 Within six months of the public hearing, the city may adopt a resolution imposing  
8.33 a service charge within the district not exceeding the amount or rate expressed in the  
8.34 notice issued under this section.



9.1 Sec. 13. Minnesota Statutes 2008, section 428A.08, is amended to read:

9.2 **428A.08 PETITION REQUIRED.**

9.3 No action may be taken under section 428A.02 or 428A.03, unless owners of 25  
 9.4 percent or more of the land area of property that would be subject to service charges in the  
 9.5 proposed special service district and either: (1) owners of 25 percent or more of the net tax  
 9.6 capacity of property that would be subject to a proposed service charges in the proposed  
 9.7 special service district charge, based on net tax capacity; or (2) owners, individuals, and  
 9.8 business organizations subject to 25 percent or more of a proposed service charge based  
 9.9 on other than net tax capacity file a petition requesting a public hearing on the proposed  
 9.10 action with the city clerk. ~~No action may be taken under section 428A.03 to impose~~  
 9.11 ~~a service charge based on net tax capacity unless owners of 25 percent or more of the~~  
 9.12 ~~land area subject to a proposed service charge and owners of 25 percent or more of the~~  
 9.13 ~~net tax capacity subject to a proposed service charge file a petition requesting a public~~  
 9.14 ~~hearing on the proposed action with the city clerk. No action may be taken under section~~  
 9.15 ~~428A.03 to impose any other type of service charge unless 25 percent or more of the~~  
 9.16 ~~individual or business organizations subject to the proposed service charge file a petition~~  
 9.17 ~~requesting a public hearing on the proposed action with the city clerk. If the boundaries of~~  
 9.18 a proposed district are changed or the land area or net tax capacity subject to a service  
 9.19 charge or the individuals or business organizations subject to a service charge are changed  
 9.20 after the public hearing, a petition meeting the requirements of this section must be filed  
 9.21 with the city clerk before the ordinance establishing the district or resolution imposing  
 9.22 the service charge may become effective.

9.23 Sec. 14. Minnesota Statutes 2008, section 428A.09, is amended to read:

9.24 **428A.09 VETO POWER OF OWNERS.**

9.25 Subdivision 1. **Notice of right to file objections.** Except as provided in section  
 9.26 428A.10, the effective date of any ordinance or resolution adopted under sections 428A.02  
 9.27 and 428A.03 must be at least 45 days after it is adopted. Within five days after adoption  
 9.28 of the ordinance or resolution, a summary of the ordinance or resolution must be mailed  
 9.29 to the owner of each parcel included in the special service district and any individual or  
 9.30 business organization subject to a service charge in the same manner that notice is mailed  
 9.31 under section 428A.02. The mailing must include a notice that owners subject to a service  
 9.32 charge based on net tax capacity and owners, individuals, and business organizations  
 9.33 subject to a service charge imposed on another basis have a right to veto the ordinance  
 9.34 or resolution by filing the required number of objections with the city clerk before the

10.1 effective date of the ordinance or resolution and that a copy of the ordinance or resolution  
10.2 is on file with the city clerk for public inspection.

10.3 Subd. 2. **Requirements for veto.** If owners of 35 percent or more of the land  
10.4 area in the district subject to the service charge based on net tax capacity or owners  
10.5 ~~of, individuals, and business organizations subject to 35 percent or more of the net tax~~  
10.6 ~~capacity in the district subject to the service charge based on net tax capacity~~ service  
10.7 charges to be imposed in the district, file an objection to the ordinance adopted by the city  
10.8 under section 428A.02 with the city clerk before the effective date of the ordinance, the  
10.9 ordinance does not become effective. If owners of 35 percent or more of the land area  
10.10 subject to the service charge based on net tax capacity or owners of 35 percent or more  
10.11 of the net tax capacity subject to the service charge based on net tax capacity file an  
10.12 objection to the resolution adopted imposing a service charge based on net tax capacity  
10.13 under section 428A.03 with the city clerk before the effective date of the resolution, the  
10.14 resolution does not become effective. If ~~35 percent or more of owners,~~ individuals, and  
10.15 business organizations subject to ~~a 35 percent or more of the service charge~~ charges to  
10.16 be imposed in the district file an objection to the resolution adopted imposing a service  
10.17 charge on a basis other than net tax capacity under section 428A.03 with the city clerk  
10.18 before the effective date of the resolution, the resolution does not become effective. In the  
10.19 event of a veto, no district shall be established during the current calendar year and until a  
10.20 petition meeting the qualifications set forth in this subdivision for a veto has been filed.

10.21 Sec. 15. Minnesota Statutes 2008, section 428A.10, is amended to read:

10.22 **428A.10 EXCLUSION FROM PETITION REQUIREMENTS AND VETO**  
10.23 **POWER.**

10.24 The petition requirements of section 428A.08 ~~and do not apply to second or~~  
10.25 subsequent years' action to impose service charges under section 428A.03. The right of  
10.26 owners and those subject to a service charge to veto a resolution in section 428A.09  
10.27 ~~do does~~ not apply to second or subsequent years' applications of a service charge that  
10.28 is authorized to be in effect for more than one year under a resolution that ~~has met the~~  
10.29 ~~petition requirements of section 428A.08 and which~~ has not been vetoed under section  
10.30 428A.09 for the first year's application. A resolution imposing a service charge for more  
10.31 than one year must not be adopted unless the notice of public hearing required by section  
10.32 428A.03 and the notice mailed with the adopted resolution under section 428A.09 include  
10.33 the following information:

11.1 (1) in the case of improvements, the maximum service charge to be imposed in any  
11.2 year and the maximum number of years the service ~~charges~~ charge is imposed to pay  
11.3 for the improvement; and

11.4 (2) in the case of operating and maintenance services, the maximum service charge  
11.5 to be imposed in any year and the maximum number of years, or a statement that the  
11.6 service charge will be imposed for an indefinite number of years, the service charges will  
11.7 be imposed to pay for operation and maintenance services.

11.8 The resolution may provide that the maximum service charge to be imposed in any  
11.9 year will increase or decrease from the maximum amount authorized in the preceding  
11.10 year based on an indicator of increased cost or a percentage amount established by the  
11.11 resolution.

11.12 Sec. 16. Minnesota Statutes 2008, section 469.005, subdivision 1, is amended to read:

11.13 Subdivision 1. **County and multicounty authorities.** The area of operation of a  
11.14 county authority shall include all of the county for which it is created, and in case of  
11.15 a multicounty authority, it shall include all of the political subdivisions for which the  
11.16 multicounty authority is created; provided, that a county authority or a multicounty  
11.17 authority shall not undertake any project within the boundaries of any city which has not  
11.18 empowered the authority to function therein as provided in section 469.004 unless a  
11.19 resolution has been adopted by the governing body of the city, ~~and by any authority which~~  
11.20 ~~has been established in the city~~, declaring that there is a need for the county or multicounty  
11.21 authority to exercise its powers in the city. A resolution is not required for the operation of  
11.22 a Section 8 program or a public housing scattered site project.

11.23 Sec. 17. Minnesota Statutes 2008, section 469.034, subdivision 2, is amended to read:

11.24 Subd. 2. **General obligation revenue bonds.** (a) An authority may pledge the  
11.25 general obligation of the general jurisdiction governmental unit as additional security for  
11.26 bonds payable from income or revenues of the project or the authority. The authority  
11.27 must find that the pledged revenues will equal or exceed 110 percent of the principal and  
11.28 interest due on the bonds for each year. The proceeds of the bonds must be used for a  
11.29 qualified housing development project or projects. The obligations must be issued and  
11.30 sold in the manner and following the procedures provided by chapter 475, except the  
11.31 obligations are not subject to approval by the electors, and the maturities may extend to  
11.32 not more than 35 years for obligations sold to finance housing for the elderly and 40 years  
11.33 for other obligations issued under this subdivision. The authority is the municipality for  
11.34 purposes of chapter 475.

12.1 (b) The principal amount of the issue must be approved by the governing body of  
12.2 the general jurisdiction governmental unit whose general obligation is pledged. Public  
12.3 hearings must be held on issuance of the obligations by both the authority and the general  
12.4 jurisdiction governmental unit. The hearings must be held at least 15 days, but not more  
12.5 than 120 days, before the sale of the obligations.

12.6 (c) The maximum amount of general obligation bonds that may be issued and  
12.7 outstanding under this section equals the greater of (1) one-half of one percent of  
12.8 the taxable market value of the general jurisdiction governmental unit whose general  
12.9 obligation is pledged, or (2) \$3,000,000. In the case of county or multicounty general  
12.10 obligation bonds, the outstanding general obligation bonds of all cities in the county  
12.11 or counties issued under this subdivision must be added in calculating the limit under  
12.12 clause (1).

12.13 (d) "General jurisdiction governmental unit" means the city in which the housing  
12.14 development project is located. In the case of a county or multicounty authority, the  
12.15 county or counties may act as the general jurisdiction governmental unit. In the case of  
12.16 a multicounty authority, the pledge of the general obligation is a pledge of a tax on the  
12.17 taxable property in each of the counties.

12.18 (e) "Qualified housing development project" means a housing development project  
12.19 providing housing either for the elderly or for individuals and families with incomes not  
12.20 greater than 80 percent of the median family income as estimated by the United States  
12.21 Department of Housing and Urban Development for the standard metropolitan statistical  
12.22 area or the nonmetropolitan county in which the project is located. The project must be  
12.23 owned for the term of the bonds either by the authority or by a limited partnership or other  
12.24 entity in which the authority or another entity under the sole control of the authority is the  
12.25 sole general partner and the partnership or other entity must receive (1) an allocation from  
12.26 the Department of Finance or an entitlement issuer of tax-exempt bonding authority for  
12.27 the project and a preliminary determination by the Minnesota Housing Finance Agency  
12.28 or the applicable suballocator of tax credits that the project will qualify for four percent  
12.29 low-income housing tax credits or (2) a reservation of nine percent low-income housing  
12.30 tax credits from the Minnesota Housing Finance Agency or a suballocator of tax credits  
12.31 for the project. A qualified housing development project may admit nonelderly individuals  
12.32 and families with higher incomes if:

12.33 (1) three years have passed since initial occupancy;

12.34 (2) the authority finds the project is experiencing unanticipated vacancies resulting in  
12.35 insufficient revenues, because of changes in population or other unforeseen circumstances  
12.36 that occurred after the initial finding of adequate revenues; and

13.1 (3) the authority finds a tax levy or payment from general assets of the general  
 13.2 jurisdiction governmental unit will be necessary to pay debt service on the bonds if higher  
 13.3 income individuals or families are not admitted.

13.4 (f) The authority may issue bonds to refund bonds issued under this subdivision in  
 13.5 accordance with section 475.67. The finding of the adequacy of pledged revenues required  
 13.6 by paragraph (a) and the public hearing required by paragraph (b) shall not apply to the  
 13.7 issuance of refunding bonds. This paragraph applies to refunding bonds issued on and  
 13.8 after July 1, 1992.

13.9 Sec. 18. Minnesota Statutes 2008, section 469.040, subdivision 1, is amended to read:

13.10 Subdivision 1. **Declaration, essential public and governmental purposes.** The  
 13.11 property of an authority is public property used for essential public and governmental  
 13.12 purposes. The property and the authority shall be exempt from all real and personal  
 13.13 property taxes of the city, the county, the state, or any political subdivision thereof. "Taxes"  
 13.14 does not include charges for special assessments or for utilities and special services, such  
 13.15 as heat, water, electricity, gas, sewage disposal, or garbage removal. For purposes of this  
 13.16 subdivision, "special services" means those physical services provided to a project for  
 13.17 which the actual cost of the governing body providing the service can be calculated. ~~When~~  
 13.18 ~~the obligations issued by an authority to assist in financing the development of a project~~  
 13.19 ~~have been retired and federal contributions have been discontinued, or the authority is~~  
 13.20 ~~no longer obligated by contracts with the federal government to maintain a project as a~~  
 13.21 ~~low-income housing project, whichever is later, then the exemptions from taxes for that~~  
 13.22 ~~project shall terminate.~~

13.23 Sec. 19. Minnesota Statutes 2008, section 469.040, subdivision 2, is amended to read:

13.24 Subd. 2. **Leased property, exception.** Notwithstanding the provisions of  
 13.25 subdivision 1, any property other than property to be operated as a parking facility that  
 13.26 the authority leases to private individuals or corporations for development in connection  
 13.27 with a redevelopment project shall have the same tax status as if the leased property were  
 13.28 owned by the private individuals or corporations. This subdivision does not apply to  
 13.29 leases by the authority to individuals or families for residential use.

13.30 Sec. 20. Minnesota Statutes 2008, section 469.040, subdivision 4, is amended to read:

13.31 Subd. 4. **Facilities funded from multiple sources.** In the metropolitan area, as  
 13.32 defined in section 473.121, subdivision 2, the tax treatment provided in subdivision 3  
 13.33 applies to that portion of any multifamily rental housing facility represented by the ratio of

14.1 (1) the number of units in the facility that are ~~subject to the requirements of~~ constructed  
 14.2 with funds provided under Section 5 of the United States Housing Act of 1937, and are  
 14.3 receiving operating subsidy under Section 5 or rental assistance under Section 8 of the  
 14.4 United States Housing Act of 1937 as the result of the implementation of a federal court  
 14.5 order or consent decree to (2) the total number of units within the facility.

14.6 The housing and redevelopment authority for the city in which the facility is located,  
 14.7 any public entity exercising the powers of such housing and redevelopment authority, or  
 14.8 the county housing and redevelopment authority for the county in which the facility is  
 14.9 located, shall annually certify to the assessor responsible for assessing the facility, at the  
 14.10 time and in the manner required by the assessor, the number of units in the facility that  
 14.11 are ~~subject to the requirements of~~ constructed with funds provided under Section 5 of the  
 14.12 United States Housing Act of 1937, and are receiving operating subsidy under Section 5  
 14.13 or rental assistance under Section 8 of the United States Housing Act of 1937.

14.14 Nothing in this subdivision shall prevent that portion of the facility not subject to  
 14.15 this subdivision from meeting the requirements of section 273.128, and for that purpose  
 14.16 the total number of units in the facility must be taken into account.

14.17 Sec. 21. Minnesota Statutes 2008, section 471.191, subdivision 1, is amended to read:

14.18 Subdivision 1. **Lease to nonprofit.** Any city operating a program of public  
 14.19 recreation and playgrounds pursuant to sections 471.15 to 471.19 may acquire or lease,  
 14.20 equip, and maintain land, buildings, and other recreational facilities, including, but  
 14.21 without limitation, outdoor or indoor swimming pools, skating rinks and arenas, athletic  
 14.22 fields, golf courses, marinas, concert halls, museums, and facilities for other kinds of  
 14.23 athletic or cultural participation, contests, conventions, conferences, and exhibitions,  
 14.24 together with related automobile parking facilities as defined in section 459.14, and may  
 14.25 expend funds for the operation of such program and borrow and expend funds for capital  
 14.26 costs thereof pursuant to the provisions of this section. A school district operating a  
 14.27 program of public recreation and playgrounds has the rights provided in this section. Any  
 14.28 facilities to be operated by a nonprofit corporation, as contemplated in section 471.16,  
 14.29 may be leased to the corporation upon such rentals and for such term, not exceeding 30  
 14.30 years, and subject to such other provisions as may be agreed; including but not limited to  
 14.31 provisions (a) permitting the lessee, subject to whatever conditions are stated, to provide  
 14.32 for the construction and equipment of the facilities by any means available to it and in the  
 14.33 manner determined by it, without advertisement for bids as required for other municipal  
 14.34 facilities, and (b) granting the lessee the option to renew the lease upon such conditions  
 14.35 and rentals, or to purchase the facilities at such price, as may be agreed; provided that (c)

15.1 any such lease shall require the lessee to pay net rentals sufficient to pay the principal,  
15.2 interest, redemption premiums, and other expenses when due with respect to all city  
15.3 bonds issued for the acquisition or betterment of the facilities, less such amount of taxes  
15.4 and special assessments, if any, as may become payable in any year of the term of the  
15.5 lease, on the land, building, or other facilities leased, and (d) no option shall be granted  
15.6 to purchase the facilities at any time at a price less than the amount required to pay all  
15.7 principal and interest to become due on such bonds to the earliest date or dates on which  
15.8 they may be paid and redeemed, and all redemption premiums and other expenses of  
15.9 such payment and redemption.

15.10 Sec. 22. Minnesota Statutes 2008, section 475.67, subdivision 8, is amended to read:

15.11 Subd. 8. **Escrow account securities.** Securities purchased for the escrow account  
15.12 shall be limited to:

15.13 (a) general obligations of the United States, securities whose principal and interest  
15.14 payments are guaranteed by the United States, and securities issued by the following  
15.15 agencies of the United States: Banks for Cooperatives, Federal Home Loan Banks,  
15.16 Federal Intermediate Credit Banks, Federal Land Banks, and the Federal National  
15.17 Mortgage Association; or

15.18 (b) obligations issued or guaranteed by any state or any political subdivision of a  
15.19 state, which at the date of purchase are rated in the highest or the next highest rating  
15.20 ~~given~~ category by Standard and Poor's Corporation, Moody's Investors Service, or a  
15.21 similar nationally recognized rating agency, but not less than the rating on the refunded  
15.22 bonds immediately prior to the refunding.

15.23 "Rating category," as used in this subdivision, means a generic securities rating  
15.24 category, without regard in the case of a long-term rating category to any refinement or  
15.25 gradation of such long-term rating category by a numerical modifier or otherwise.

15.26 Sec. 23. **REPEALER.**

15.27 (a) Minnesota Statutes 2008, section 428A.101, is repealed.

15.28 (b) Minnesota Statutes 2008, section 428A.21, is repealed.

15.29 Sec. 24. **EFFECTIVE DATE.**

15.30 (a) The amendments made to Minnesota Statutes, section 469.040, subdivisions 1  
15.31 and 2, by sections 18 and 19, apply to housing projects and housing development projects  
15.32 constructed or acquired by an authority after July 1, 1987, for property taxes payable in  
15.33 2010 and thereafter.

16.1 (b) Section 6 applies to bonds issued after May 22, 2002.

16.2 (c) The remaining sections of this act are effective the day following final enactment.



**428A.101 DEADLINE FOR SPECIAL SERVICE DISTRICT UNDER GENERAL LAW.**

The establishment of a new special service district after June 30, 2009, requires enactment of a special law authorizing the establishment.

**428A.21 DEADLINE FOR HOUSING IMPROVEMENT DISTRICTS UNDER GENERAL LAW.**

The establishment of a new housing improvement area after June 30, 2009, requires enactment of a special law authorizing the establishment of the area.