



Special Legislation

Strategies for Minnesota Communities

Session Overview

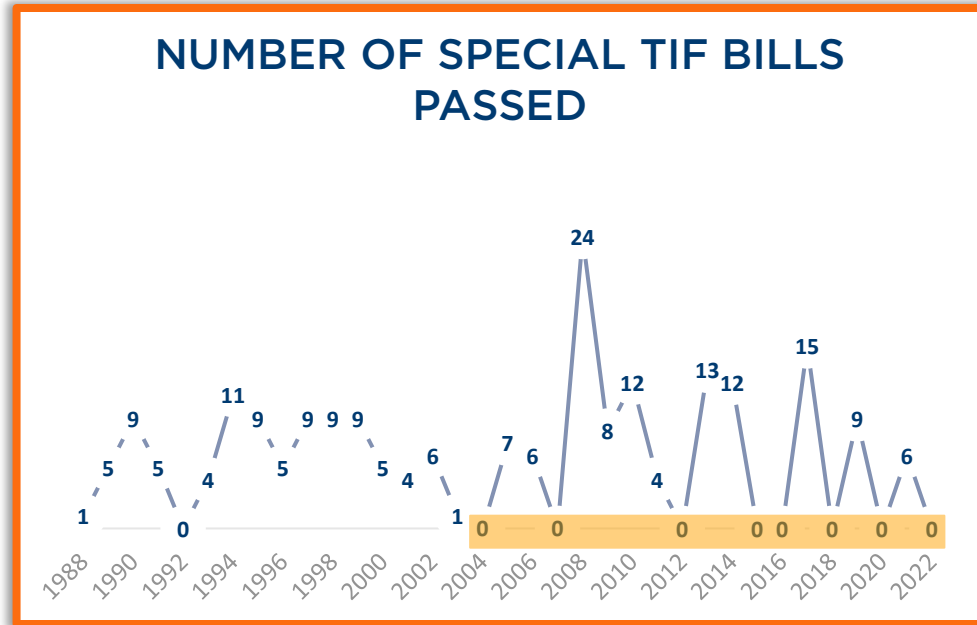
- Past statistics for TIF & Local Option Sales Tax (LOST)
- Special legislation “Top 10” list
- LOST & TIF details
- What *really* happens behind the scenes

Omnibus Tax Bill

- Captures all TIF & LOST considerations
- Originates in House of Representatives
- Encompasses all related legislation in a single package
 - ✓ Bill begins journey as single piece of legislation
 - ✓ Subject to eventual omnibus (short) hearing
 - ✓ Chair & committee determine what to include in omnibus bill
 - ✓ If denied - must go to floor in effort to get individual bill introduced

Special TIF Bills: By the Numbers

- 208 special TIF bills approved since 1988
- 55 approved in the last 10 years
- 8 years with **no tax bill** (1992 = no special TIF bills passed) →



TIF Legislation Generally Seeks To...

Adjust General Law

- Extend 4- or 5-year rule
- Extend term of district
- Change first year of TIF
- **Increase pooling percentage**

Introduce Wholesale Change

- Specify that district meets redevelopment qualifications
- Create new district type
- Allow use of TIF for atypical purposes
- Others

LOST: General Information

Entities with Sales Tax

- 66 cities, counties & taxing groups
 - ✓ 7 counties
 - ✓ 3 groups
 - ✓ 56 cities
 - 9 metro, 47 greater Minnesota

Rate

- Majority = 0.50%
 - ✓ 2 at 0.25%
 - ✓ 10 at 1.00% or more

Term

- Terms often vary (specific number or year)
 - ✓ Majority at 20 years or less

Obtaining Special Legislation: Top 10 Tips!

1. If you don't ask, you don't get.

2. Earlier is better...for everything.

3. Solid rationale & preparation are key.

4. Don't be greedy, presumptive or disrespectful.

5. Have a TIF attorney draft legislation or at least review it.

6. Assemble a strong team.

7. Keep it simple.

8. Relationships matter...so does legislative status.

9. Be patient, but persistent.

10. Legislation isn't final until the Governor signs it!

1. If You Don't Ask, You Don't Get.

Define the issue & whether its impact is local or regional.



Local
(city/community only)

TIF

Redevelopment/development
Financing



Regional

Infrastructure

Adjustments to economic
development or financing tools
Transportation, bus ways, airports,
etc.

1. If You Don't Ask, You Don't Get.

- Seek special legislation if:
 - ✓ The issue is specific solely to your community
 - Sometimes easier to obtain approval
 - Doesn't set precedent for other communities to seek same privilege
 - Legislature open to “pilot” project solutions
- Seek general legislation if:
 - ✓ Many communities have the same or similar issue
 - There is strength in numbers!

2. Earlier is Better...for Everything.

Legislative session starts early each year, complete by 3rd Monday in May

- Odd years (budget & long) = Early Jan.
- Even years (bond & short) = Late Jan. or early Feb.



Begin your meetings in summer prior to next session

- Build working team
- Outline potential legislation

Start meetings with local legislators early in the fall.

3. Solid Rationale & Preparation are Key.



4. Don't Act...Greedy, Presumptive or Disrespectful.

- Ask for the following:
 - ✓ Special benefit ***without*** setting precedent
 - ✓ Creative solution to your issue that isn't self-serving
 - ✓ Community benefit that **doesn't add cost for the State**
- Beware the precedent!
 - ✓ How will other communities be impacted?
 - ✓ Could legislation be used to the ***detriment*** of other cities?
 - ✓ Are there **regional** implications?

5. Have a TIF Attorney Draft the Legislation.

Rely on all subject matter experts. It's a team effort!

Ensure content is clear & concise.

Submit to the Revisor's Office for official draft.

Review, revise & review again.

6. Assemble a Strong Team.



Why consider a lobbyist?

- Translator
- Guide
- “Boots on the ground”

Your lobbyist should have:

- Comfortable relationships with key team members
- The ability to serve as your primary sales representative
- Familiarity with your community
- Contacts that can provide tangible benefit

6. Assemble a Strong Team: Tips for Testifying

Legislator who sponsored the bill

- Introduces bill and those who will testify

Mayor or other elected officials

- Their presence is key. Be sure to prep them!

Staff

- Know your stuff!

Others

- Attorneys, consultants or lobbyists?

7. Keep it Simple.

Develop a one-page summary document

Be judicious with meetings: legislators' time is very valuable

Be open to revising the bill: make sure you have a Plan B

Present your case articulately, passionately & above all, respectfully

Prepare for tough questions

8. Relationships Matter...So Does Legislative Status

Determine bill sponsors in House & Senate

Your key allies

Have most political capital to support your bill

Can offer guidance on co-sponsors

Choose majority party sponsor in each chamber

If possible, not technically necessary

Local legislator in the majority?

Consider co-sponsors carefully

Allowed up to 35 in the House, 5 in the Senate

Adjacent neighbors

Committee Chairs

9. Be Patient, But Persistent

Remember, the Omnibus Tax Bill...

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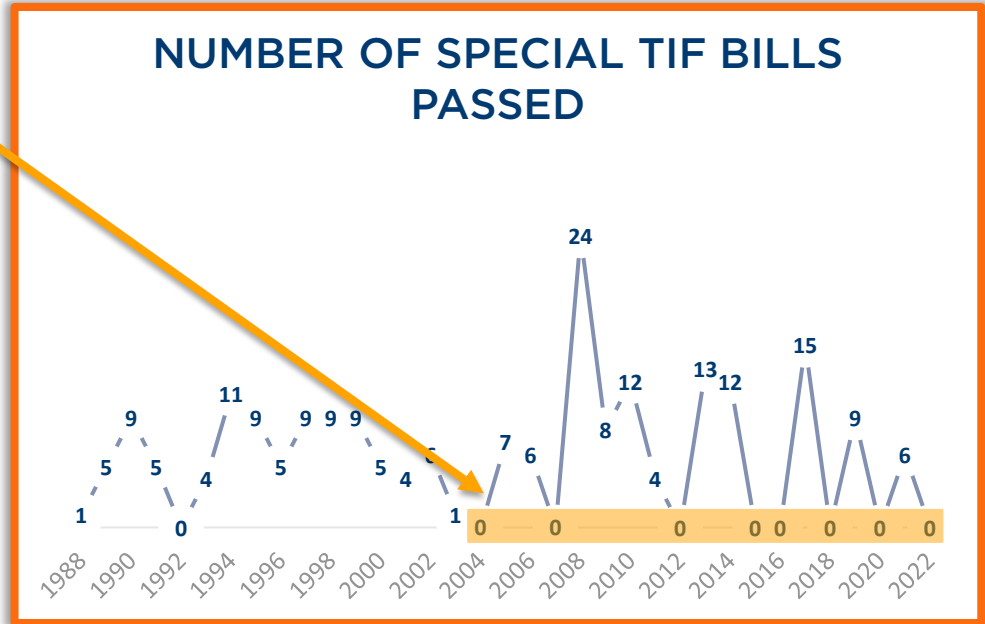
9. Be Patient, But Persistent

Because...

A. There may *not be* an Omnibus Tax Bill

-OR-

B. You may need to *amend* your proposed legislation



And Finally...

10. Legislation isn't final until the Governor signs it!

But wait! There's more...

- You must obtain a City resolution approving the legislation
 - ✓ If TIF bill extending term, you must also seek approval from local School District & County
 - ✓ Final resolution must be sent to the Secretary of State



Local Option Sales Tax (LOST)

- When can you pursue LOST?
 - ✓ Capital projects **ONLY**
 - ✓ Projects must have **“regional significance”** which you must demonstrate to the legislature



28%
population
growth

Maple Grove and the northwest metro region population has grown from 180,000 to 230,000 since the opening of the community center in 1997.

13%
increase in
diversity

Diversity in the Maple Grove community has increased by 13%. Currently 60% of students in the Osseo Area School district are students of color.

60%
students
of color

As population grows in the Maple Grove area so does the demand for services at the 25-year-old community center.



Expanded event space

The center is the site for 12 expos (craft, home improvement, health and wellness, etc.) annually that attract many vendors and visitors from outside the city. Expansion of the event space would allow for an increase in this growing industry.



Improved aquatics

During the summer, the center hosts daily field trips of which 60% are non-resident, as well as walk-in swimmers of which 60% are non-residents. Expansion of this facility provides for growth to serve a larger number of residents and visitors from the region.



The Community Center hosts many senior programs and drop-in activities; 34% of senior patrons come from outside the community. Demographic growth in this area is significant and expansion of facilities would build on our strong senior patronage.



New spaces to serve the arts

Currently, Maple Grove does not have a formal facility to serve the visual and performing arts. The expansion project includes spaces for providing these services and programs to the broader northwest metro community.



Expanded ice arenas

The current two sheets of ice annually hosts 230 games, 40 clinics, and 16 tournaments serving athletes in the metro and out-state Minnesota. The addition of a third sheet of ice would greatly increase the number of events.



Renovated banquet facility

The current banquet facility hosts 10 small business conferences and 30 weddings annually serving patrons throughout the metro and state. Expansion of these facilities will fill a gap in the northwest metro region for event venues of this type and bring numerous visitors to the community and local businesses.

Regional Significance!

A regional asset



650,000
regional visitors
annually



60% of walk in
swimmers are from
other cities



The arena hosts
230 games
40 clinics
16 tournaments
annually



45% of private
rentals are from
individuals &
businesses from
other cities



Who Pays the Local Sales Tax?

- Local taxes apply to the same items & services as the general state sales tax (**excludes vehicle sales**)
- Most studies conclude approx. **40-60%** of sales tax collected in a city comes from local resident & business purchases
- That means those outside a community could pay **60-40%** of taxes that fund local capital projects
- University of Minnesota Extension can complete a report

Projected Local Sales Tax

Tax Collection Year	Taxable Retail Sales ¹	(less) Motor Vehicle Sales ¹	Net Taxable Retail Sales	Annual Sales Tax Revenue		
				0.25%	0.50%	1.00%
2016	\$529,015,259	(\$32,957,619)	\$496,057,640	\$1,240,144	\$2,480,288	\$4,960,576
2017	\$534,014,370	(\$34,669,949)	\$499,344,421	\$1,248,361	\$2,496,722	\$4,993,444
2018	\$538,805,339	(\$36,949,720)	\$501,855,619	\$1,254,639	\$2,509,278	\$5,018,556
2019	\$548,253,921	(\$43,062,535)	\$505,191,386	\$1,262,978	\$2,525,957	\$5,051,914
2020	\$553,736,460	(\$43,493,160)	\$510,243,300	\$1,275,608	\$2,551,216	\$5,102,433
2021	\$559,273,825	(\$43,928,092)	\$515,345,733	\$1,288,364	\$2,576,729	\$5,153,457
Debt Potential²				\$21,000,000	\$42,000,000	\$84,000,000

¹ Source: Minnesota Department of Revenue

² Assumes 2% interest for 20 years

Shaded area indicates projections assuming 1% inflation from 2019

Sales Tax Impact

2023 Income Decile ¹	State of Minnesota			Brooklyn Center	Annual Sales Tax Impact		
	Households ¹	Individual sales tax ¹	MN Household Avg. Sales Tax ¹	Taxable Purchases per household ²	0.25%	0.50%	1.00%
\$46,141 & Under	1,146,606	\$716,475,000	\$625	\$6,228	\$16	\$31	\$62
\$46,142 - \$71,065	496,818	\$462,995,000	\$932	\$9,288	\$23	\$46	\$93
\$71,066 - \$96,948	345,259	\$428,869,000	\$1,242	\$12,380	\$31	\$62	\$124
\$96,949 - \$123,344	261,738	\$408,330,000	\$1,560	\$15,549	\$39	\$78	\$155
\$123,345 - 154,705	208,560	\$381,351,000	\$1,828	\$18,224	\$46	\$91	\$182
\$154,706 - \$198,962	164,830	\$355,235,000	\$2,155	\$21,480	\$54	\$107	\$215
\$198,963 - \$276,331	123,739	\$322,354,000	\$2,605	\$25,965	\$65	\$130	\$260
\$276,332 - \$417,188	82,452	\$283,224,000	\$3,435	\$34,236	\$86	\$171	\$342
\$471,189 - \$1,188,381	41,719	\$230,612,000	\$5,528	\$55,094	\$138	\$275	\$551
\$1,188,382 and over	9,173	\$170,626,000	\$18,601	\$185,391	\$463	\$927	\$1,854
	2,880,894	3,760,071,000					

¹Source: Minnesota Department of Revenue 2021 Tax incidence Study - 2023 Income Deciles - Effective Tax Rates table 4-3

²Assumes Owatonna Study Methodology - 75% of taxable purchases by residents are within the City (7.525% sales tax rate)

Median Household Income for \$59,550 - American Community Survey 2019 Estimate

Property Tax Impact: If No Sales Tax

Type of Property	Estimated Market Value	Market Value Exclusion	Taxable Market Value	Annual Property Tax Increase		
				\$21 Million Bond (0.25% equiv.)	\$42 Million Bond (0.5% equiv.)	\$84 Million Bond (\$1.0% equiv.)
Residential Homestead	125,000	25,990	99,010	64.39	128.77	257.54
	150,000	23,740	126,260	82.11	164.21	328.42
	175,000	21,490	153,510	99.83	199.65	399.30
	200,000	19,240	180,760	117.55	235.09	470.18
	223,000	17,170	205,830	133.85	267.70	535.40
	250,000	14,740	235,260	152.99	305.97	611.95
	300,000	10,240	289,760	188.43	376.85	753.71
Commercial/Industrial	300,000	-	300,000	208.94	417.86	835.72
Commercial/Industrial	400,000	-	400,000	288.53	577.04	1,154.09
	500,000	-	500,000	368.12	736.23	1,472.46
	1,000,000	-	1,000,000	766.10	1,532.15	3,064.31
Apartments (4 or more units)	\$ 200,000	\$ -	\$ 200,000	\$ 162.58	\$ 325.14	\$ 650.29
	300,000	-	300,000	243.86	487.72	975.43
	500,000	-	500,000	406.44	812.86	1,625.72

Enacting a Local Sales Tax: The Process

1. Adopt a Resolution

- Indicate proposed tax rate (**0.50% is typical**)
- Describe proposed projects (**up to 5**)
- Demonstrate **regional significance**
- Identify total amount to be used for each project & estimated time needed to raise it (**20 years or less is most common**)
- Estimate amount of revenue to be raised & time needed for all projects to be funded

Nexus test for non-resident users & tax proposed in 2022

Enacting a Local Sales Tax: The Process

2. Submit Resolution & Background Documents

- Must submit to House & Senate tax committees by January 31st in year the special law is requested
- Must include data & documentation regarding regional significance

3. Obtain Legislative Authorization

- Collaborate with local legislators to introduce request
- Seek & secure state legislative approval

Enacting a Local Sales Tax: The Process

4. Adopt a Second Resolution

- Acceptance of the new law
- Resolution must be filed with Secretary of State

5. Conduct a Referendum

- Must hold a referendum during a **general election** within **2 years** of receiving authority to impose new tax
- Must include **separate questions for each project** to be funded & **all questions must be approved** to use sales tax proceeds

6. Pass an Ordinance

- Approval to impose tax
- Must notify the state's Commissioner of Revenue

Local Sales Tax Administration: The Process

City notifies Department of Revenue of enacted local sales tax at least 90 days prior to imposing it



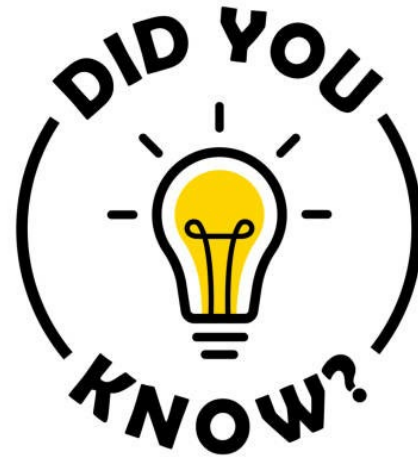
Department of Revenue collects local sales tax, along with all other sales taxes paid within the community



Department of Revenue remits local sales tax proceeds, less refunds & proportionate share of collection costs, to the community - at least quarterly

Little-Known Facts

- The amount stated in authorizing legislation can be greater than you expect to raise from the sales tax
 - ✓ Not-to-exceed amount
- You can pledge taxes to repay sales tax bonds
 - ✓ Current law states that “bonds are paid from or secured by **any funds** available...including the tax authorized.”



TIF Bills: General Process

- You will receive:
 - ✓ A hearing in both the House & Senate (Senate is more difficult of the two)
 - ✓ Conclusion that proposed legislation is laid over for consideration (this is a typical result on the day of hearing - be sure to THANK the City & State!)
 - ✓ Disposition of your proposed legislation when the Omnibus Tax Bill is released



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Let's Talk!



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