

Request for City Council Committee Action from the Department of Intergovernmental Relations

Date: January 29, 2009

To: Chair Council Member Betsy Hodges and IGR Committee Members

Subject: 2009 Legislative Agenda

Recommendation: Amend the 2009 Legislative Agenda, Local Government Finance Section to include support for legislation related to taxation and Downtown taxing district.

Prepared by: IGR

Approved by Gene Ranieri _____

Presenters in Committee: IGR, Finance and City Attorney staff. Representatives for impacted property will be present.

The 2009 Legislative Agenda would be amended to include the following proposed language to the Local Government Finance section, as the last bullet in the support items section:

- Supports legislation that excludes from the downtown taxing district after July 31, 2012, any property zoned for residential purposes on which a restaurant or liquor establishment is operated.

Supporting Information: Laws of Minnesota 1986, Chapter 400 established the downtown taxing district. The legislation authorized the city of Minneapolis to levy an additional 3% sales tax on food and liquor sold at restaurants within the district. A segment of the boundary of the downtown taxing district ran along the south side of University Avenue between I-35W and Bank Street. There were bars or restaurants on this stretch of University Avenue in 1986.

In 1999 Restaurant Alma opened for business at 528 University Avenue Southeast. The location is a renovated historic building and had been rezoned from commercial to residential. Because it is located in a residentially zoned area, the restaurant operates with such restrictions as to time of operation and parking.

At a later date it was found that the restaurant was located within the downtown taxing district and was subject to the special taxes. The restaurant had been paying all of its fees and taxes but was not aware of its presence within the taxing district. Therefore, the restaurant did not pay the special taxes.

The restaurant owners, city staff and the Minnesota Department of Revenue have been working on a solution that would have the restaurant pay back special taxes and upon payment restaurants located in residentially zoned property would be excluded from the district.

A bill (SF248; Sen. Pogemiller) incorporating the solution has been introduced. A copy of the bill is attached.