

**Request for City Council Action**

Date: September 30, 2003

To: Council Member Lisa Goodman, Community Development Committee  
Council Member Barbara Johnson, Ways and Means/Budget Committee  
Council Member Scott Benson, Intergovernmental Relations Committee

Prepared by Jim Forsyth, Phone 612-673- 5179

Approved by Lee Sheehy, MCDA Executive Director  
Chuck Lutz, MCDA Deputy Executive Director \_\_\_\_\_

**Subject: Authorization to apply for State Bioscience Zone designation and approval of attached resolutions authorizing the application**

<p><b>Previous Directives:</b> None</p> <p><b>Ward:</b> 2, 6, 7, 8, and 9</p> <p><b>Neighborhood Group Notification:</b> On September 10, 2003 the South East Economic Development (SEED) Committee approved the attached resolution (exhibit 1) endorsing an application for Zone designation of SEMI.</p> <p><b>Consistency with <i>Building a City That Works</i>:</b> Goal 1: Increase the city's economic competitiveness and extend the benefits of the growing economy to all Minneapolis residents. Objective B: Attract and expand new and existing services, infrastructure, developments and employers that position Minneapolis and the region to compete in the economy of the 21st century. Strategy 3: Develop an economic partnership with the University of Minnesota.</p> <p><b>Comprehensive Plan Compliance:</b> Not applicable</p> <p><b>Zoning Code Compliance:</b> Not applicable</p> <p><b>Impact on MCDA Budget:</b> (Check those that apply)</p> <p><input type="checkbox"/> No financial impact</p> <p><input type="checkbox"/> Action requires an appropriation increase to the MCDA Budget</p> <p><input type="checkbox"/> Action provides increased revenue for appropriation increase</p> <p><input type="checkbox"/> Action requires use of contingency or reserves</p> <p><input checked="" type="checkbox"/> Other financial impact: The resolution required by the State for Zone designation mandates City sales tax exemptions for qualifying expenses for qualifying businesses. There is no way of determining the amount of the exemption prior to executing the requisite development agreement.</p>
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**Living Wage / Business Subsidy:** Any business requesting the various tax incentives offered in the Zone will be required to comply with Living Wage and Business Subsidy policy.

**Job Linkage:** Any business requesting the various tax incentives offered in the Zone will be required to enter into a Job Linkage agreement

**Affirmative Action Compliance:** Any business requesting the various tax incentives offered in the Zone will be required to enter into have an Affirmative Action agreement

**RECOMMENDATION:**

**City Council Recommendation: The Executive Director recommends that the City Council**

- 1. direct appropriate City staff to apply for Bioscience Zone designation as outlined in this report;**
- 2. approve making a joint application with other qualifying cities and counties and**
- 3. approve the attached resolutions describing the City commitment and administrative responsibilities.**

### **Background/Supporting Information**

The Mayor's office and staff of CPED believe that the health sciences and biotechnology industry is a critically important business cluster and believe the City should support and build off the great work that is happening throughout Minneapolis. We also believe that biotechnology is about improving patient outcomes for the thousands of patients that seek clinical services here every year. To that end, we will be asking researchers and physicians, who are doing great work throughout the City right now, to form a consortium to help us understand the needs of this important industry and for us to understand what we can do to help support its growth and success.

To compliment and support that effort we are recommending that the City apply for designation of two areas of the City as Bioscience Zones. During the 2003 Legislative session a law was passed that authorizes the establishment of zones to encourage the growth of the State's health sciences and biotechnology industry. The Bioscience Zones made possible by the law are designed to provide local and State tax incentives and credits for health sciences and the biotechnology industry. Significant among the incentives are property tax, State and local sales tax and corporate franchise tax exemptions as well as research and development and job credits.

The law provides for the establishment of only one Zone for the State. However multiple sub-zones in any number of cooperating communities can be

established as components of the Zone. The size of the Zone (or aggregate of sub-Zones) is limited to 5,000 acres.

The authors of the law and staff of the Department of Employment and Economic Development anticipated that three cities were most qualified for Zone or sub-Zone designation. These are Minneapolis, St. Paul and Rochester.

After evaluation of the potential benefits and impacts of the law it is the staff recommendation that Minneapolis should apply for designation and that the application and requisite resolutions elect to not exempt property taxes and a part of the City's incentive package.

Application for designation automatically means that the City elects to exempt sales taxes for qualifying businesses and expenses. Staff has tried to quantify the sales tax exemptions but are not able to do so at this time because no qualifying enterprise has been identified. However, an indication of the size of exemptions is that for every \$1,000,000 of taxable qualifying expenses the City would collect \$5,000. Anticipated qualifying expenses include construction materials and equipment not used for production purposes. One way to view this incentive is to recognize that it will be quantified when development agreements entered into with the City, and that sales tax revenues that might be rebated may not have come to the City without the Bioscience Zone designation.

As noted earlier, it is the staff recommendation that the city elect, as a part of its application, to not provide property tax exemptions. However, to strengthen the application staff has proposed to DEED representatives that property tax exemptions might be considered in the future when negotiating development agreements with qualifying businesses. All development agreements will be subject to City Council approval.

## **Zone Description**

**Staff is recommending that the City application request designation of two sub-Zones. These are a Chicago Avenue Business Corridor and the South East Minneapolis Industrial (SEMI) area. Both Zones are depicted on exhibit 2 which is attached to the report. In aggregate the zones total approximately 800 acres.**

The Chicago Avenue Business Corridor (exhibit 3) includes the health sciences vision first proposed by Mayor Sayles-Belton in 1998. It's northern boundary is generally 6<sup>th</sup> Street South and its southern boundary is Lake Street. The west boundary is Portland Avenue and the east boundary is 10th Avenue South. Within this area are the Hennepin County Medical Center, significant Allina facilities and the former Sears complex.

The SEMI area (exhibit 4) is bounded on the west by 15<sup>th</sup> Avenue Southeast, on the east by the City border with St. Paul, on the south by University Avenue and

on the north by Rollins Avenue, Elm Street and a Burlington Northern rail right of way. Within this area are two significant University of Minnesota research buildings. The SEMI Master Plan, which was approved by the Council in July 2001, contemplates a research park being constructed here.

### **Zone Duration**

The City is required in its application to set the duration of its candidate Zone(s). The law allows for zone incentives to be effective for a maximum of 12 years and it is the staff recommendation that the Minneapolis zone duration be set at 12 years.

### **Partnership with the University**

The application for zone designation requires a viable tie with an institution of higher learning that has a significant technology research orientation. Accordingly CPED staff are working with University representatives to develop a partnership that commits the City and University to furthering the goal of encouraging growth of this segment of the economy. The agreement will be brought to the Council for its consideration as soon as it is developed.

### **Development Plan**

#### **The application for Bioscience Zone designation includes a development plan with the following components:**

- 1) A map(s) of the proposed Zone that indicates:
  - the geographic boundaries of the Zone,
  - the total area, and
  - the present use and conditions generally of the land and structures within those boundaries;
- 2) Evidence of local public and private commitment and support;
- 3) A description of the methods proposed to increase economic opportunity and expansion, facilitate infrastructure improvement, reduce the local regulatory burden, and identify job-training opportunities;
- 4) Current social, economic, and demographic characteristics of the proposed Zone and anticipated improvements in education, health, human services, and employment if the Zone is created;
- 5) A description of anticipated activity in the Zone and each Subzone, including, but not limited to, industrial use and industrial site reuse; and
- 6) A description of the tax exemptions under Minnesota Session Laws 2003, 1st Special Session, Chapter 21, Article 2, Section 14 to be provided to each qualifying business based on a development agreement between the applicant and each qualified business. The development agreement must also state any obligations the qualified business must fulfill in order to be eligible for tax benefits.

## **Seed Resolution**

### **Supporting Designation of the South East Minneapolis Industrial Area as a Medical Science/Bio-Technology Job Opportunity Business Zone**

**WHEREAS** the South East Economic Development (SEED) Committee is composed of members representing the South East Minneapolis Industrial (SEMI) area neighborhoods, businesses and the University of Minnesota; and

**WHEREAS** the Minneapolis City Council has designated the SEED Committee as the body representing SEMI area communities; and

**WHEREAS** the SEED Committee has approved a Master Plan for the SEMI area identifying primary redevelopment as mixed-use and light industrial; and

**WHEREAS** bio-technology and medical science research related activities are consistent with the Master Plan; and

**WHEREAS** the opportunity to establish a medical science and bio-technology related Job Opportunity Business Zone (JOBZ) has been made law; and

**WHEREAS** the law requires community support for the establishment of JOB Zones; and

**WHEREAS** the SEED committee believes such a designation will further the redevelopment of SEMI in a manner consistent with the SEMI Master Plan;

**Now, Therefore,** be it resolved that the SEED Committee supports the designation of the SEMI area of Minneapolis as a medical science/bio-technology Job Opportunity Business Zone.

**Approving Specific Areas in the Bioscience Zone  
and the Use of Tax Exemptions and Tax Credits.**

WHEREAS The Minnesota legislature found in Minnesota Session Laws 2003, 1<sup>st</sup> Special Session, Chapter 21, Article 2, as a matter of public policy, that biotechnology and the health sciences hold immense promise in improving the quality of our lives, including curing diseases, making our foods safer and more abundant, reducing our dependence on fossil fuels and foreign oil, making better use of Minnesota agriculture products, and growing tens of thousands of new, high-paying jobs.

WHEREAS the legislature further found that there are hundreds of discoveries made each year at the University of Minnesota, the Mayo Clinic, and other research institutions that, if properly commercialized, could help provide these benefits.

WHEREAS the Bioscience Program created in Minnesota Session Laws 2003, 1<sup>st</sup> Special Session, Chapter 21, Article 2 allows for the formation of a Bioscience Zone;

WHEREAS an application for Bioscience zone designation in Minneapolis is being prepared for submission to the Minnesota Department of Employment and Economic Development via the Minneapolis Community Planning and Economic Development Department, therefore,

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

THAT the Minneapolis City Council, upon careful consideration and review, approves the specific areas proposed in the application for a Bioscience zone, approves of the use of tax exemptions and tax credits within the proposed zone (subject to proper review and approval by the other appropriate taxing authorities within the zones), and encourages the Minnesota Department of Employment and Economic Development to approve the Bioscience Zone Application being submitted by the City of Minneapolis through its Minneapolis Community Planning and Economic Development Department.

BE IT FURTHER RESOLVED that City of Minneapolis agrees to provide all of the local sales and use tax exemptions provided for under the Bioscience Zone legislation and agrees to forego the tax benefits resulting from the local and state tax exemptions and credits provided under the Bioscience Zone Legislation but declares that it does not agree to provide property tax exemptions provided for under the Bioscience Zone Legislation.

BE IT FURTHER RESOLVED that the City of Minneapolis will consider providing property tax exemptions, in the future as candidate projects are proposed, If approved subject property tax exemptions will be incorporated into development agreements provided to the State and will be accompanied by approval of other taxing jurisdictions.

Approving Role of Legal Sponsor and Administrator  
for the Bioscience Zone and Providing Tax Exemptions

WHEREAS The Minnesota legislature found in Minnesota Session Laws 2003, 1<sup>st</sup> Special Session, Chapter 21, Article 2, as a matter of public policy, that biotechnology and the health sciences hold immense promise in improving the quality of our lives, including curing diseases, making our foods safer and more abundant, reducing our dependence on fossil fuels and foreign oil, making better use of Minnesota agriculture products, and growing tens of thousands of new, high-paying jobs.

WHEREAS the legislature further found that there are hundreds of discoveries made each year at the University of Minnesota, the Mayo Clinic, and other research institutions that, if properly commercialized, could help provide these benefits.

WHEREAS the Bioscience Program created in Minnesota Session Laws 2003, 1<sup>st</sup> Special Session, Chapter 21, Article 2 allows for the formation of a Bioscience Zone

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

THAT the City of Minneapolis through its Minneapolis Community Planning and Economic Development Department shall act as the legal sponsor and Bioscience Zone Administrator for the Bioscience Zone proposed in the application submitted to the Department of Employment and Economic Development on October 15, 2003.

BE IT FURTHER RESOLVED that the City of Minneapolis agrees to provide all of the local sales and use tax exemptions provided for under the Bioscience Zone legislation and agrees to forego the tax benefits resulting from the local and state tax exemptions and credits provided under the Bioscience Zone Legislation but declares that it does not agree to provide property tax exemptions provided for under the Bioscience Zone Legislation.

BE IT FURTHER RESOLVED that upon Zone designation by the state, the the City of Minneapolis may enter into necessary agreements with the State of Minnesota, and that the City of Minneapolis will comply with all applicable laws and regulations as stated in all contract agreements, including the Business Subsidy Law under §§116J.993-116J.995.

BE IT FURTHER RESOLVED that the Director of the Minneapolis Community Planning and Economic Development Department is hereby authorized to execute such agreements as are necessary to implement zone designation on behalf of the applicant and Subzone participants.