



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

Date: October 20, 2009

To: Chair Hodges and IGR Committee Members

Subject: 2010 Legislative Agenda

Recommendation: Receive and File the supporting information. The information is background material for presentations to be made to the committee on October 27. The information, presentations and subsequent discussions will assist in developing the 2010 Legislative Agenda.

Prepared by: IGR Staff

Approved by Gene Ranieri _____

Presenters in Committee: IGR Staff, Patrick Todd, Finance Staff, Council Member Ostrow

Supporting Information: The City Assessor and Finance Department staff will present their 2010 proposals that are not currently included in the legislative agenda or are suggested to be modified. Council Member Ostrow's submissions will also be discussed.

City Assessor: Under current statute a property owner (MS 278.02) who challenges the assessor's estimated market value of a property must file a petition with the tax court and pay a filing fee (\$320). A petitioner may include several parcels of land in or upon which the petitioner has an estate, right, title, interest, or lien in the same petition.

Over the past few years the assessor has noticed that an increasing number of petitions for residential property are including more than one property. In some instances up to fifty properties are in the same petition. A petition requires the assessor to appraise the property and prepare a report.

The Assessor is proposing that the enabling statute be amended to limit a petition to one item of personal property or one contiguous parcel.

Statute	Action	Intent	State/local Fiscal Impact
Petition May Include Several Items or Parcels MS 278.02	Amend the statute to limit a petition to one contiguous parcel of real property and one item of personal property.	To have a more equitable process.	There is no revenue impact on the city but costs could be reduced.

Finance Department: Laws 1986 Chapter 396. Convention Center Financing. The 1986 law authorized the city of Minneapolis to plan, finance and construct a convention center. The financing included the authority to issue bonds and the authority to levy a sales tax and lodging tax city wide and a food and beverage tax within the downtown taxing district to pay for the bonds. The district's boundaries were defined in the law.

The tax rate for the 1986 convention related taxes as approved in the original law follow:

- City wide sales tax 0.5%
- City wide lodging tax; more than 50 rooms 3.0
- Downtown District restaurant tax 3.0
- Downtown District liquor tax 3.0

The 1986 law also contained a provision that limited the total sales taxes paid for lodging in a hotel or motel of 50 rooms or more and the city's lodging tax rate. Section 5 clause 3 of the law reads as follows: (2) a sales tax of not more than three percent on the gross receipts from the furnishing for consideration of lodging described in section 473.592 by a hotel or motel which has more than 50 rooms available for lodging; the tax imposed under this clause shall be at a rate that when added to the sum of the rate of the sales tax imposed under Minnesota Statutes chapter 297A, the rate of the sales tax imposed under section 4 and the rate of any other taxes on lodging in the city equals 12 percent.

Chapter 297A refers to the state general sales tax while the tax authorized in section 4 is the city sales tax. The city's amusement or entertainment tax also is a lodging tax but is applied to all lodging facilities regardless of the number of rooms in the facility. Therefore in 1986 the city could only levy a 2.5% lodging tax because the sum of the taxes was 12.5%. (State Sales tax = 6% + Entertainment tax = 3% + Lodging tax = 3% + city sales tax = 0.5%)

The state sales tax rate was increased effective July 1, 1991 to 6.5%. As a result of the state sales tax rate change the city's lodging tax was adjusted to 2%.

In 2001 the 1986 law was amended to adjust the cap to 13%. As a result the city's lodging tax increased to 3%.

Effective July 1, 2009 the city's lodging tax authorized by the 1986 law was adjusted to 2.625% to reflect the new state sales tax rate of 6.875%. In calculating the total lodging tax limit the ballpark tax and transit tax are excluded. The following table summarizes the history of the lodging tax and cap.

Time Frame for Rates and Tax Rates

Tax	1986- 7/1/1991	1991-7/1/2001	2001- 7/1/2009	2009
State Sales	6.0%	6.5%	6.5%	6.875%
City Sales	0.5	0.5	0.5	0.5
Entertainment	3.0	3.0	3.0	3.0
Lodging	2.5	2.0	3.0	2.625
Total Cap	12.0	12.0	13.0	13.0

The city's Finance Department reports that the lodging tax revenue for 2009 is down 11.5% through July as compared to the same period last year. The 2009 collections as of July 31 total approximately \$3.0 million. If the 2.625% rate was in effect for the first seven months of 2009, the tax receipts would approximate \$2.625 million.

Statute	Action	Intent	Local Fiscal Impact
Special law establishing funding for convention center permitted a lodging tax but limited the rate based on an aggregate total of sales and lodging taxes.	Several possible actions: - amend the cap as was done in 2001 - repeal the cap - exclude the most recent state sales tax rate increase from the calculation.	Maintain the lodging tax rate in effect since 2001	Current reduction of 0.365% would reduce the tax on each \$1.0 million in sales by \$3,650.

Council Member Ostrow:

CM Ostrow proposed that two issues be discussed for possible inclusion in the 2010 legislative agenda. One relates to the proposed golf dome to be located on one of the state-owned but city maintained parking ramps (ABC Ramps). The other is a placeholder for the city-county crime lab.

The city council on two occasions approved a resolution of support for the golf dome project. The Minnesota Department of Transportation (MnDoT) did not approve the original lease for the project because it did not have an air rights policy. As a result of a legislative hearing on the issue an air rights task force was established. The taskforce developed guidelines for the awarding of air rights and requested interested parties to submit information regarding use of the air rights. The golf dome developers responded to the MnDoT but the department decided not to pursue development on the ramps.

In prior bonding years the City of Minneapolis has proposed state funding for improvements to the city's crime lab. As part of the city crime lab discussion, the possibility of a joint city-county facility was raised. The city council in 2008 passed a resolution to support fully exploring a full partnership with the county. The County has established a task force that includes city representation. The task force should have its report completed by March 2010.