



Legislation Text

File #: RES 23-33, **Version:** 1

Supporting the authority of the City of Saint Paul to impose a local sales tax to fund special capital improvements providing regional benefit, to establish the duration of the tax and the revenue to be raised by the tax, and to authorize the City to issue bonds supported by the sales tax revenue.

WHEREAS, the Saint Paul City Council has identified two current capital improvement projects for local option sales tax spending consideration, briefly described as follows:

1. Rebuilding and improving regionally significant transportation infrastructure (\$738,000,000)

Saint Paul's regionally significant arterial/collector roadway and trail system is critical to the economic vitality of the state and region. This system must provide efficient travel and connections for commercial freight, mass transit, personal vehicles, carsharing, non-motorized vehicles, and pedestrians. According to US Census data, 136,148 jobs located in Saint Paul are held by people that live outside of Saint Paul. Those employees require a reliable transportation network to get from their homes to their places of employment in Saint Paul.

In 2019, the City of Saint Paul Department of Public Works conducted an analysis of Pavement Condition Index (PCI, on a scale of 1-100) for the City's arterial/collector streets. The City's 2022 analysis concluded that as currently funded, the average pavement condition for arterial/collector streets will drop from 49 ("fair to poor" condition) to ("very poor to serious" condition) within 20 years, an unacceptable outcome for our region. Sales tax revenue would be used to reconstruct or rehabilitate arterial/collector streets in the City's Five-Year Capital Improvement Program in order to attain an average PCI at or above 70. A PCI of 70 represents a "satisfactory" rating for pavement condition and is an industry standard that governmental agencies strive to achieve. These investments would improve safety for all users.

Collected revenue for street reconstruction and rehabilitation efforts would also allow the City to achieve its broader transportation goals of: improving multimodal transportation connections to the Mississippi River; improving regional transitway corridors; expanding the off-street bicycle trail network; improving pedestrian access and safety; and improving industrial freight connections. The specific investments are listed in detail in Attachment A.

2. Rebuilding and Improving regionally significant parks and recreational infrastructure (\$246,000,000)

Saint Paul has the No. 2 rated Parks and Recreation system in the nation with more than 15 million visitors, but it is aging, with an overall average building age approaching 40 years. The City would revitalize and improve this aging infrastructure with a focus on those parks, community centers, trails connections, and athletic facilities that attract regional visits and are in need of critical updates. Parks investments such as these have been shown to improve quality of life and health and spur economic activity and private investment. The City will re-invest in older facilities, with a focus on those with regional significance, including Crosby Farm Regional Park (River Learning Center) and the Downtown River Balcony, along with a new community center that would serve the East Side of Saint Paul and surrounding environs. The full list of detailed specific investments can be found in Attachment A.

WHEREAS, the projects will result in benefits to both the residents and businesses of the City of Saint Paul and to non-resident visitors and businesses; and

WHEREAS, the City of Saint Paul is an established regional center as home to the State Capitol, several large employers and global businesses and intermodal freight yards while hosting attractions such as the Xcel Energy Center/RiverCentre, Como Zoo and Conservatory, CHS Field and Allianz Field, each welcoming millions of visitors per year, and is a significant tax contributor to the State of Minnesota particularly through sales, income, and provider tax revenues; and

WHEREAS, the City of Saint Paul would invest in roadways, trails, and parks facilities that serve the entire region, connecting those who visit, work, recreate, and live in Saint Paul and the surrounding region to employment, schools, recreation, services, entertainment, and more. The roadway, trail, and parks facilities projects would improve the condition of regionally significant public transportation routes, freight connections, bikeways, parks, and connections to and improvements within the Mississippi National River and Recreation Area; and

WHEREAS, funding the projects with a local sales tax will more closely distribute the costs of the project(s) to the users of the facilities as compared to a property tax increase, including people who work but do not live in Saint Paul, visitors who utilize lodging, attend events, conventions, and conferences, and patronize Saint Paul's many dining and beverage establishments, including our many brewery/taprooms. Raising the equivalent amount of revenue via property taxes would require a 20% increase in the property tax levy, resulting in a \$304 increase for a median value home. The owners of a median value home in Saint Paul would need to purchase more than \$30,000 of taxable goods to experience the same annual tax impact through a sales tax.

WHEREAS, other Cities of the First Class in Minnesota, including Duluth and Rochester currently have local option sales taxes that support infrastructure investments, including in streets, and with a substantially smaller property tax base than City of Minneapolis, the City of Saint Paul cannot as easily use the property tax as a source of revenue for street and park infrastructure.

WHEREAS, the projects are estimated to cost approximately \$984,000,000; and

WHEREAS, the City estimates that a local sales tax of one (1) percent would generate \$984,000,000 over 20 years, and the City would use the proceeds either annually as they were collected or may wish to issue bonds using future sales tax proceeds to repay the debt service on those bonds. While the City recognizes that the state of Minnesota has a historically large state budget surplus, the City recognizes that the scope of our local need is beyond what is reasonable for the State's surplus funds to cover. Furthermore, staffing models, project scoping and phasing, and the scale of the City's infrastructure challenge dictate that an ongoing, annual revenue source aligns much more closely with the City's needs; and

WHEREAS, the City has provided documentation of the regional significance of each project, including economic benefit to or use of each project by persons residing, or businesses located, outside of the jurisdiction in the document attached as Attachment A to the Resolution; and

WHEREAS, the estimated local sales tax revenue and estimated time needed to raise that amount of revenue for each project is as follows:

- Regionally significant physical transportation fund \$738,000,000 over 20 years
- Regionally significant recreational infrastructure fund \$246,000,000 over 20 years

WHEREAS, Minn. Stat. § 279A.99 authorizes the imposition of a general sales tax if permitted by special law of the Minnesota Legislature; and

WHEREAS, Minn. Stat. § 279A.99 requires the City to pass a resolution authorizing such a local tax and to obtain Legislative approval prior to approval by the local voters to enact the local tax; now, therefore, be it

RESOLVED that the Saint Paul City Council supports the authority to impose a general local sales tax of one (1) percent for a period of 20 years to fund the aforementioned project(s); and

BE IT FURTHER RESOLVED by the Saint Paul City Council that upon approval of this Resolution, the City will submit the adopted Resolution and any supporting documentation to the chairs and ranking minority members of the House and Senate Taxes Committees for approval and passage of a special law authorizing the tax, by January 31 of the year that it is seeking the special law; and

BE IT FURTHER RESOLVED by the Saint Paul City Council that upon Legislative approval and passage of the special law authorizing the tax, the City will adopt a Resolution accepting the new law, which will be filed with a local approval certificate to the Office of the Secretary of State before the following Legislative session; and

BE IT FURTHER RESOLVED by the Saint Paul City Council that the City will put a detailed ballot question for each project on a general election ballot for local voter approval within two years of receiving legislative authority; and

BE IT FURTHER RESOLVED by the Saint Paul City Council that if one or more ballot questions pass, the City will also pass an Ordinance imposing the tax and notify the Commissioner of Revenue at least 90 days before the first day of the calendar quarter that the tax will be imposed; and

BE IT FURTHER RESOLVED by the Saint Paul City Council that upon completion of the aforementioned requirements, the local sales tax will commence in 2024 and run through 2043, or until a sum is raised sufficient to fund the voter approved project(s), including related debt costs, whichever comes first; and

BE IT FINALLY RESOLVED by the Saint Paul City Council that the aforementioned Local Option Sales Tax Projects are hereby amended into the City's approved 2023 Legislative Policies as a very high priority.