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**Title:** Amending Title XII of the Legislative Code to add Chapter 143 titled Comprehensive Downtown Improvement Special Service District.

**Sponsors:** Rebecca Noecker

**Indexes:**

**Code sections:**

**Attachments:** 1. New District Petitions submitted June 2024, 2. Additional Petitions, 3. Signed Mark W Larson, 4. SPDID Petitions Round 3 - July 09 (as binder), 5. Downtown Alliance Council Presentation, 6. July 10 public comments, 7. July 11 public comments, 8. July 12 public comments, 9. July 15 public comments

Date	Ver.	Action By	Action	Result
7/10/2024	1	City Council	Laid Over to Second Reading	

Amending Title XII of the Legislative Code to add Chapter 143 titled Comprehensive Downtown Improvement Special Service District.

SECTION 1

WHEREAS, Minnesota Statutes Chapter 428A authorizes the City to create “special service districts,” the purpose of which is to provide an increased level of service or infrastructure to its commercial or industrial areas; and

WHEREAS, Minnesota Statutes Chapter 428A.01 subd. 4 defines a special service district as “a defined area within the city where special services are rendered and the costs of the special services are paid from revenues collected from service charges imposed within that area;” and

WHEREAS, special service districts have proven to strengthen downtown environments throughout North America, with nearly all of Saint Paul’s peer cities employing self-imposed and self-managed districts to improve the economic strength of their downtowns; and

WHEREAS, City and County roles are most commonly thought of as fiscal sponsors for collecting fees through property tax collections, and disbursing proceeds to special service districts; and

WHEREAS, in recent years Saint Paul workers, residents, business owners, and community leaders were engaged through the Saint Paul Downtown Alliance in a process to research best practices and determine the feasibility of a special service district in downtown Saint Paul; and

WHEREAS, in 2020 Saint Paul business leaders and property owners drafted a service model that would provide services beyond those ordinarily provided by the City or other public entities with a priority on improving safety outcomes and perceptions, which received broad support; and

WHEREAS, in accordance with statutory requirements, on September 30, 2020 the City Council adopted Ordinance No. 20-31 to establish the Saint Paul Special Service District, as set forth in Chapter 142 of the Legislative Code, and said ordinance became effective on November 11, 2020; and

WHEREAS, the District has existed since 2021 and has provided services to downtown residents, property owners, workers and visitors in order to enhance and improve public safety, cleanliness, communications and public space activation programs, and has received service fees, collected as assessments, from eligible properties within the district in support of the services; and

WHEREAS, in June of 2024 the City received petitions from downtown property owners desiring to establish a new special service district to replace the existing district in order to encompass a broader geographic area and offer services across all of downtown, said district to be known as the "Comprehensive Improvement Special Service District"; and

WHEREAS, the budget for the current Saint Paul Special Service District established in Chapter 142 of the Legislative Code will be set to \$0 for 2025 before it expires on December 31, 2025, in order to be replaced by the Comprehensive Downtown Improvement Special Service District; and

WHEREAS, said property owners who petitioned the establishment of the new district intend that it be operated according to best business practices, ultimately achieving a high level of efficiency while making decisions and implementing effective services, as is the practice within the existing district; and

WHEREAS, the City has reviewed said petitions and determined that the requirements of Minnesota Statutes, section 428A.08 had been met; namely, that the owners of 25 percent or more of the land area that would be subject to the charges, and either (i) owners of 25 percent or more of the net tax capacity of property that would be subject to the service charges, or (ii) owners, individuals, and business organizations that would be subject to 25 percent or more of a proposed service charge, must file a petition requesting a public hearing on the proposed action with the city clerk; now, therefore, be it

RESOLVED, that the Council of the City of Saint Paul does hereby ordain:

## SECTION 2

Title XII - Streets, Sidewalks, Bridges, Other Public Ways is hereby amended to add Chapter 143, titled Comprehensive Downtown Improvement Special Service District as follows:

### Sec. 143.01 Establishment; purpose; location.

Pursuant to the authority granted by Minn. Stat. 428A, sections 428A.01 through 428A.10, there is hereby established the Comprehensive Downtown Improvement Special Service District (otherwise referred to herein as the "district" or "special service district") wherein services may be furnished of a kind or to a degree not required or performed elsewhere in the city.

The district shall consist of: That part of Section 31 and 32, Township 29 North, Range 22 West, and Section 5 and 6, Township 28 North, Range 22 West of the 4th Principal Meridian, City of St. Paul, Ramsey County, Minnesota, described as follows: Beginning at the intersection of the centerline of Wabasha Street with the northerly right-of-way line of Shepard Road as extended from the west; thence southwesterly along said northerly right-of-way line of Shepard Road to the easterly right-of-way line of Eagle Parkway as platted in KELLOGG CENTER; thence northwesterly along said easterly right-of-way line of Eagle Parkway and its northwesterly extension to the centerline of Eagle Street as platted in RICE & IRVINE'S ADDITION TO SAINT

PAUL; thence along said centerline of Eagle Street to the said centerline of Kellogg Boulevard; thence northwesterly along said centerline of Kellogg Boulevard as extended and widened to the southeasterly right-of-way line of Interstate Highway 35E; thence northeasterly along said southeasterly right-of-way line of Interstate Highway 35E to the point of transition to southerly right-of-way line of Highway 94 as widened; thence easterly along said southerly right-of-way line of Highway 94 to the westerly right-of-way line Highway 52 as widened; thence southerly along said westerly right-of-way Highway 52 to the northerly right-of-way line of said Kellogg Boulevard as widened; thence westerly along said northerly right-of-way line of Kellogg Boulevard (fka Third Street) to the westerly right-of-way line of Wall Street (fka Rosabel Street) as platted in HOPKINS ADDITION TO SAINT PAUL; thence southerly along the extensions of said westerly right-of-way line of Wall Street and extending along the northeasterly line of Block 3 as platted in HOPKINS ADDITION TO SAINT PAUL to the northerly right-of-way line of Warner Road; thence westerly along said northerly right-of-way line of Warner Road to the point of transition to the northerly right-of-way line of said Shepard Road; thence westerly along said northerly right-of-way line of Shepard Road to the point of beginning, and there terminating.

Sec. 143.02 Special services to be performed; operating plan; professional service agreement.

(a) The special services to be furnished within the district may include:

(1) Enhanced safety programs, including, but not limited to:

- a. Joint public safety communications;
- b. Bicycle patrol;
- c. Foot patrol.

(2) Enhanced cleaning and upkeep programs, including, but not limited to:

- a. Sidewalk sweeping;
- b. Sidewalk pressure washing;
- c. Graffiti and handbill removal;
- d. Trash removal;
- e. Landscape programs.

(3) Communication/public space activation programs, including, but not limited to:

- a. Stakeholder communications and website;
- b. Branding, marketing, and promotion;
- c. Public space activation and events;
- d. Placemaking.

(4) Management, oversight, and administrative services.

- (b) Each year, prior to imposition of any service charge, the city council will adopt by resolution an operation plan that describes with particularity the special services to be performed. Any physical enhancements installed by the district shall be maintained by the district, and to the extent they are not maintained, the city shall have the right to remove them. The district shall not be obligated to maintain any physical enhancements installed by parties other than the district unless and until said maintenance is included in the adopted operating plan. The special services to be furnished in the district may not include a service that is ordinarily provided throughout the city unless an increased level of the service is provided in the district.
- (c) The special services described in the operating plan will be furnished by the Saint Paul Downtown Improvement District, its subsidiary or an approved assignee (the "district entity"), in accordance with a professional service agreement(s) to be entered between the district entity and the city. Notwithstanding any ordinance to the contrary, the professional service agreement provided for in this section is hereby exempt from Saint Paul Legislative Code Section 183.04 (Affirmative Action/Equal Employment Opportunity), Saint Paul Administrative Code Chapter 84 (Vendor Outreach Program), and Saint Paul Administrative Code Chapter 98 (Living Wage), provided, however, that the professional service agreement shall contain provisions that require the district entity to do the following:
- (1) When the district entity seeks competitive bids for special services in the district, in addition to any other bids sought, it shall seek bids from, but not limited to, vendors on a list of small, women and minority businesses provided by the City;
- (2) The district entity shall have an affirmative action plan that meets Saint Paul Administrative Code Section 86.06;

Sec. 143.03 Service charge.

The city council hereby finds and determines that the annual costs of providing the services specified in section 143.02 hereof will provide benefits primarily to properties located within the district, rather than to the city as a whole, and that the costs of said services may be recovered by the city by the imposition of service charges to be assessed against nonresidential and multiunit residential property - and on a voluntary basis other residential and tax-exempt properties.

Sec. 143.04 Notice of veto power.

Within five (5) days after adoption of this chapter the city clerk shall mail a summary of this chapter to the owner of each parcel included in the district and any individual or business organization subject to a service charge. The notice must meet the requirements of Minn. Stat. § 428.09.

Sec. 143.05 Imposition of service charge; levy.

The service charges shall be levied annually upon properties within the district, in an aggregate sum, which combined with any property tax levied under section 143.07 hereof, will equal the estimated total costs of the city in providing the services for years after 2024 referred to in section 143.02 for the next ensuing calendar year. Prior to imposing the service charges for each year, the office of financial services shall approve a list of the several lots and parcels of land which will be subject to the service charges, and the names of the owners of the several parcels as nearly as the office of financial services can readily ascertain the same. A public hearing shall be held with respect thereto at which all interested persons may appear and be heard. The notice of the public hearing shall be given as required by the applicable notice provisions of Minn. Stat. § 428A. The notice of public hearing shall include:

- (1) A statement that all interested persons will be given an opportunity to be heard at the hearing regarding a proposed service charge;
- (2) The estimated cost of improvements to be paid for in whole or in part by service charges imposed under this section, the estimated cost of operating and maintaining the improvements during the first year and upon completion of the improvements, the proposed method and source of financing the improvements, and the annual cost of operating and maintaining the improvements;
- (3) The proposed rate or amount of the proposed service charge to be imposed in the district during the calendar year and the nature and character of special services to be rendered in the district during the calendar year in which the service charge is to be collected;
- (4) A statement that the petition requirements of Minn. Stat. § 428A.08 have either been met or do not apply to the proposed service charge; and
- (5) A statement that an owner may appeal an assessment of the service charge to district court including the procedure for appeal.

Within six (6) months of the public hearing, the city may adopt a resolution imposing a service charge within the district not exceeding the amount or rate expressed in the notice issued under this section. Any such resolution shall be certified to the county auditor, together with the assessment roll provided for herein, prior to November thirtieth for the annual certification of special assessment installments, and the service charge shall be payable in a single tax year. The city council may increase or decrease assessments to correct omissions, mistakes or erroneous estimates relating to the total cost of the services or any other particular, using the same procedure as required for holding a public hearing and notification of affected property owners as for the original assessment.

#### Sec. 143.06 Appeal of service charges.

Within thirty (30) days after the adoption of a service charge levied under section 143.05, any person aggrieved may appeal to the district court by serving a notice of appeal upon the mayor or city clerk; provided that no appeal may be taken unless the person appealing shall have filed a signed, written, objection with the city clerk prior to the assessment hearing or shall have presented it to the presiding officer at the hearing, unless a reasonable cause shall exist for such person's failure to do so. The court may affirm the service charge or, if the appellant's objections have merit, modify or cancel it.

#### Sec. 143.07 Ad valorem property tax.

The city may, in each calendar year, levy a tax on taxable property in the district based upon the assessed value of the property and such tax shall be assessed and collected in the same manner as other property taxes on property located within the district. The tax shall be levied at a rate that will raise an aggregate sum, which, when combined with any service charges levied in the district, will equal the total costs of the city in providing the services specified in this chapter for the next ensuing calendar year. Prior to the levy of such a tax a public hearing shall be held. The requirements for the public hearing and the notice of public hearing shall be the same as specified in section 143.04 with respect to the levy of special service charges, and the tax may be levied not later than six (6) months after the public hearing by a majority vote of all of the members of the city council.

For purposes of determining the appropriate tax rate, taxable property or value shall be determined under Minnesota Statutes. Property exempt from taxation by Minnesota Statute shall be exempt from such tax, unless the property consents on a voluntary basis.

Sec. 143.08 Revenue surplus or deficit.

Any annual revenue surplus or deficit shall be addressed in accordance with one (1) of the following procedures:

- (1) If the total taxes and service charges levied and collected under this chapter, with respect to any calendar year, exceed the cost of services actually rendered in the district in such calendar year, then the next ensuing year's levy of taxes and service charges may be decreased by a corresponding amount; or
- (2) If the total taxes and service charges levied and collected under this chapter, with respect to any calendar year, exceed the cost of services actually rendered in the district in such calendar year, then the subsequent years' annual operating plan may be amended by city council action to incorporate the prior year's excess revenue; or
- (3) If the cost of services actually rendered in the district in any calendar year exceed the total taxes and service charges levied and collected under this chapter with respect to such calendar year, then an amount necessary to recoup the excess costs may be levied as taxes, service charges, or both within the next two (2) ensuing years; or
- (4) If the cost of services actually rendered in the district in any calendar year exceed the total taxes and service charges levied and collected under this chapter with respect to such calendar year, then the subsequent years' annual operating plan may be amended by city council action to recoup the excess costs.

Sec. 143.09 Limitation.

Taxes and service charges may be levied pursuant to this chapter to finance special services ordinarily provided by the city only if the services are provided in the district at an increased level and, then, only in an amount sufficient to pay for the increase. Service charges imposed under this chapter shall be levied in addition to any other service charge levied or imposed by law.

Sec. 143.10 Petitions and notices.

Petitions and notices required for hearings, petitions, or notices under this chapter, and for the resolution setting any service charges, fees, or rates, shall be in compliance with any applicable petition and notice requirements imposed pursuant to Minn. Stat., §§ 428A.01 through 428A.10. Except as otherwise provided in Minn. Stat., Ch. 428A, within five (5) days of adoption of the ordinance or any resolution setting rates or fees, in accordance with Minn. Stat., §§ 428A.01 through 428A.10, a summary of the ordinance or resolution must be mailed to the owner of each parcel included in the district and any individual or business organization subject to a service charge in the same manner that notice is mailed under Minn. Stat. § 428A.02. The mailing must include notice that owners subject to the service charge have a right to veto the ordinance by filing the required number of objections with the city clerk before the effective date of the ordinance or resolution and that a copy of the ordinance or resolution is on file with the city clerk for public inspection.

Sec. 143.11 Annual reports.

During the term of the service agreement referenced in section 143.02, the district entity shall submit to

the director of the city's office of financial services as soon as practical after each calendar year end but prior to adoption of the next year's budget, an annual report of services activity and an independent audit of financial activity for each calendar year in which services are performed in the district.

Sec. 143.12 Definitions and construction.

The terms used herein shall be defined as provided in Minn. Stat. §§ 428A.01 through 428A.10 and said statutes shall in all respect govern the creation, existence, and operation of the district and the manner imposing service charges therein and this chapter shall be construed consistently therewith.

Sec. 143.13 Notice to Commissioner of Revenue.

Within thirty (30) days after adoption of this chapter, the city clerk shall send a copy of this chapter to the Commissioner of Revenue

Sec. 143.14 Exemption of certain properties from taxes and services charges.

Only nonresidential and multiunit residential property located in the special service district may be subject to the charges imposed on the district. All non-exempt property located in the special service district may be subject to the charges imposed on the district. Property exempt from taxation by Minn. Stat. § 272.02 is exempt from any service charges based on net tax capacity imposed under this chapter. Property classified as Class 4d according to Stat. § 273.13 is exempt from any service charges. Service charges will not be assessed on a unit in a common interest community for a service that is ordinarily provided by the unit's owner's association unless an increased level of service is provided by the special service district.

Sec. 143.15 Expiration of district.

The district shall expire five (5) years after the effective date of this chapter unless it is renewed by following the procedure as set forth in Minn. Stat. § 428A or as permitted by applicable law. Any renewal of the district that is initiated by the district entity one year prior to actual expiration under this section shall be exempt from the petitioning requirements set out in Minn. Stat. § 428A.08. Initiating renewal means written notice of intent from the district entity to the city's Office of Financial Services.

SECTION 3

This Ordinance shall take effect and be in force forty-five (45) days following passage, approval, and publication.