

S.F. No. 1004 – Establishing Tourism Improvement Districts (as proposed to be amended by A-1 amendment)

Author: Senator Kari Dziedzic

Prepared by: Eric Silvia, Senate Counsel (651/296-1771)

Date: March 14, 2023

SF 1004 authorizes counties, cities, and towns to establish tourism improvement districts to promote tourism within the boundaries of the district. A district may not be established unless impacted business owners file a petition with the municipality requesting a public hearing. A ‘business’ is defined as the type or class of lodging business described in the municipality’s ordinance which benefits from district activities.

Section 1. Definitions. Provides definitions of ‘activity’, ‘business’, ‘business owner’, ‘city’, ‘clerk’, ‘governing body’, ‘impacted business owners’, ‘municipality’, ‘tourism improvement association’, and ‘tourism improvement district.’

Section 2. Establishment of tourism improvement district. Authorizes municipalities to establish a tourism improvement district upon petition by impacted business owners.

Subd 1. Ordinance. The municipality must adopt an ordinance that identifies the boundaries of the district, the name of the tourism improvement association to administer the district, a list of proposed activities within the district, the time and manner of collecting the service charge, a definition of the type or class of business to be included in the district, the rate, method, and basis of the service charge and penalties on delinquent payments, and the number of years the service charge will be in effect.

Subd. 2. Notice. A municipality must provide notice of the hearing where adoption of the ordinance will be considered.

Subd 3. Business owner determination. Requires a business owner to provide ownership information to the municipality.

Subd. 4 Service charge; relationship to services. Authorizes a municipality to impose a service charge on a business for the purpose of providing activities and improvement that will provide benefits to businesses located within the district. Each business paying the

service charge must benefit directly or indirectly from the improvements, but the businesses need not benefit equally.

Subd. 5. Public hearing. Allows business owners and other persons affected by the proposed district to testify at the public hearing.

Subd. 6. Appeal to district court. Authorizes a challenge to the adoption of the ordinance in district court provided that the appeal is made within 45 days after adoption of the ordinance.

Subd. 7. Notice to the commissioner of revenue. Requires the municipality to send a copy of the ordinance to the commissioner of revenue within 30 days of adoption.

Section 3. Service charge authority; notice; hearing requirement. Authorizes a municipality to impose service charges to finance an activity or improvement within the district provided that the activity or improvement is provided at an increased level of service. Requires a municipality to hold an annual public hearing beginning one year after establishment of the district concerning the continuation of the service charges. Within six months of the hearing, the municipality may adopt a resolution to continue imposing the service charges.

Section 4. Modification of ordinance.

Subd. 1. Adoption of ordinance; request for modification. The governing body of a municipality may adopt an ordinance to modify the district after conducting a public hearing on the proposed modifications.

Subd. 2. Notice of modification. Notice of the modification hearing must be provided by the municipality.

Subd. 3 Hearing on modification. Allows business owners and persons affected by the proposed modification to testify at the hearing. Within six months after the conclusion of the hearing, the municipality may adopt an ordinance modifying the district.

Subd. 4. Objection. If the modification includes an expansion of the district's boundaries, the ordinance may be adopted after notice and veto requirements.

Section 5. Collection of service charges; penalties. Provides that service charges may be collected by the municipality, tourism improvement association, or another designated agency or entity. The collecting entity may charge interest and penalties on delinquent payment as set forth in the municipality's ordinance.

Section 6. Tourism improvement association. Requires that a tourism improvement association be designated in the ordinance. The association shall appoint a governing board or committee composed of a majority of business owners who pay the service charge, or the representatives of those business owners. The board or committee must manage the funds and fulfill the obligations of the district. The association must submit an annual report to the municipality.

Section 7. Petition required. Provides that a tourism improvement district may not be established unless impacted business owners file a petition requesting a public hearing.

Section 8. Veto powers of owners. Provides that within 45 days of adoption of the ordinance or resolution the municipality must mail a summary to each business owner subject to the service charge. The summary must provide notice that the business owners have the right to veto, by a simple majority, the ordinance. If the vote is successful the ordinance does not become effective.

Section 9. Disestablishment. The ordinance must provide a 30-day period each year in which business owners may request disestablishment of the district. An ordinance disestablishing the district become effective following notice and veto requirements. Upon disestablishment of the district, any remaining revenues shall be refunded to business owners.

Section 10. Coordination of districts. Provides that if a county or city establishes a district, the other municipality may not establish a second district within in the same boundary.

Effective Date. All sections are effective the day following final enactment.