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RESOLUTION PROVIDING FOR THE IMPOSITION OF SERVICE CHARGES WITHIN THE DOWNTOWN WATERFRONT SPECIAL SERVICE DISTRICT.

CITY PROPOSAL:

BE IT RESOLVED, by the city council of the city of Duluth, Minnesota, as follows:

Section 1. PURPOSE AND AUTHORIZATION.

1.01. A. Under and pursuant to the provisions of Minn. Stat. §§ 428A.01 - 428A.101 (the "Act"), the city is authorized to establish a Special Service District.

B. The city council, by Ordinance No. 9688 adopted on September 13, 2004, originally established the Duluth Downtown Waterfront Special Service District.

C. The city council has, by Ordinance File No. 19-037 adopted on August 26, 2019, reestablished the Duluth Downtown Waterfront Special Service District with expanded boundaries (the "District") to include the period of time beginning January 1, 2020 and expiring on December 31, 2024.

1.02. The Act provides that service charges may be imposed by the city, within the Special Service District, at a rate or amount sufficient to produce the revenues required to provide the Special Services in the District.

1.03. Property owners in the Downtown Waterfront who want to improve the safety, cleanliness, and economic vitality of the Downtown Waterfront area by establishing the District pursuant to the Act have petitioned the city to establish the District and to establish service charges, all as more particularly set forth in an Operating Plan for Duluth's Downtown Waterfront District dated June 2019 (the "Operating Plan"), incorporated herein by reference, developed by a steering committee composed of a broad range of people representing property owners, business leaders, the city, and others with a direct stake in enhanced business and economic development conditions in the Downtown Waterfront. The Operating Plan, which has been attached to and incorporated into the Ordinance establishing the District, sets forth the Special Services to be provided, the particular area of the city to be included within the District's boundaries, the amount and manner of imposing service charges, and the manner in which Special Services will be implemented. A copy of the Operating Plan is available for public inspection in the city clerk's Office, 411 West First Street, Duluth, Minnesota.

Section 2. SERVICE CHARGE IMPOSED.

2.01. A service charge is hereby imposed upon all property that is classified under Minn. Stat. § 273.13 and used for commercial, industrial, or public utility purposes, or is vacant land zoned or designated on a land use plan for commercial or industrial use and located within the boundaries of the District. The service

charge is imposed on the basis of net tax capacity. As used in this ordinance, the term “net tax capacity” has the meaning set forth in the Act. Service charges not paid on or before the applicable due date for ad valorem taxes shall be subject to the same penalty and interest as in the case of ad valorem tax amounts not paid by the respective due date. The due date for service charges payable in the same manner as ad valorem taxes is the due date given in law for the real or personal property tax for the property on which the service charge is imposed. Service charges will be collected in the same manner as ad valorem real estate taxes. The assessment for service charges will be based on a total assessment of \$405,746 for the year 2020. The total assessment will increase 3% each year. In addition, the total assessment will increase each year to include additions to net tax capacity resulting from new development or redevelopment of a property involving construction resulting in an increase in assessor’s estimated market value for the property of 50% or more. The maximum service charge that will be imposed on any single property will be capped at \$10,665 in 2020. The cap will increase to \$10,985 in 2021, \$11,315 in 2022, \$11,654 in 2023, and \$12,004 in 2024. For purposes of applying these caps, a single property is a single principal building or a physically integrated set of principal buildings which commonly functions as one property, together with accessory improvements and parcels serving the principal building or buildings. Accessory improvements or parcels may include, without limitation, skywalk bridges, parking ramps, parking lots, vacant lots, open spaces, and plazas. Examples of single properties which could be subject to a cap include the Tech Village, Lake Superior Place, the Minnesota Power Building, the Sellwood Building and Annex, and the Radisson Hotel. An otherwise qualifying property with multiple owners remains a “single property.” An otherwise qualifying property that has been divided into separate ownership parcels through the use of a subdivision plat, condominium or similar regime and in which the parcels are separately taxed is not a “single property.” The proposed special services include certain physical enhancements. The maximum service charge to be imposed in any year for physical enhancements is \$55,000. This figure includes both the cost of the physical enhancements and the estimated cost of operating and maintaining the physical enhancements. No improvements are being financed.

Section 3. ANNUAL CERTIFICATION.

3.01. Service charges imposed on net tax capacity which are to become payable in the following year, must be certified to the county auditor by the date provided in Minn. Stat. § 429.061, subd. 3, for the annual certification of special assessment installments. Pursuant to a Joint Powers Agreement with St. Louis County (City Contract No. 21789), the county assessor is directed to provide this certification annually and on a timely basis.

STATEMENT OF PURPOSE: This resolution establishes service charges based on net tax capacity to pay for Special Services in the newly reestablished Downtown Waterfront Special Service District for the years 2020 through 2024.