



## Legislation Text

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**File #:** 23-0095R, **Version:** 1

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RESOLUTION SUPPORTING EXTENSION OF AN EXISTING ONE-HALF-OF-ONE-PERCENT INCREMENT IN THE CITY OF DULUTH FOOD AND BEVERAGE TAX AND THE CITY OF DULUTH LODGING TAX FOR THE PURPOSE OF FUNDING UP TO \$36 MILLION IN CAPITAL IMPROVEMENTS TO PARKS-BASED PUBLIC ATHLETIC FACILITIES IN SUPPORT OF SPORTS TOURISM AND QUALITY OF LIFE IN NORTHEAST MINNESOTA.

### CITY PROPOSAL:

BE IT RESOLVED, that the City Council of the City of Duluth supports extension of an existing one-half-of-one-percent increment in the City of Duluth food and beverage tax and the City of Duluth lodging tax effective January 1, 2025 for the purpose of funding up to \$36 million in capital improvements to parks-based public athletic facilities in support of sports tourism and quality of life in northeast Minnesota; and

BE IT FURTHER RESOLVED, that the City Council of the City of Duluth supports the authority to continue imposing an existing one-half-of-one-percent increment in the City of Duluth food and beverage tax and the City of Duluth lodging tax for a period of 30 years from the date of issuance or until the taxes have produced revenues sufficient to pay the debt service on bonds in a principal amount of no more than \$36 million, plus issuance and discount costs.

**STATEMENT OF PURPOSE:** This resolution expresses the City Council's support for the legislature to authorize extension of an existing one-half-of-one-percent increment in both the City of Duluth food and beverage tax and the City of Duluth lodging tax for the purpose of funding up to \$36 million in capital improvements to parks-based public athletic facilities in support of sports tourism and enhanced quality of life.

The resolution specifies City Council's support to extend this existing tax for an additional period of 30 years from the date of issuance or until the tax has produced revenues sufficient to pay the debt service on bonds in a principal amount of no more than \$36 million, plus issuance and discount costs.

Sometimes referred to as the "half-and-half" tax, this increment in local tourism taxes was authorized by the legislature and the City Council in 2014 to fund \$18 million of investment in outdoor recreation facilities in the St Louis River Corridor in order to attract visitors, improve quality of life, and stimulate economic development. As a result of greater than projected tax collections, the City will be in a position to fully pay off the St Louis River Corridor bonds within a few years. In anticipation, it is prudent for City leaders to think ahead about whether, and for what purpose, they may wish to extend the tax.

If the legislature authorizes extension of the half-and-half tourism tax as proposed, the City Council would then have to pass a subsequent resolution accepting the state law and a subsequent ordinance extending the tax.

To determine how best to invest the funds, the City is preparing to conduct a community-based, consultant-supported planning process that will engage nonprofit athletic organizations and other stakeholders to collaboratively assess Duluth's needs for parks-based athletic venues and develop a plan to construct, renew, or replace priority venues. The investment plan will be guided by the findings and recommendations of the 2022 Council-approved Essential Spaces: Parks, Recreation, Open Spaces, and Trails Comprehensive Plan.

State laws restrict how tourism tax proceeds may be used. As a result, half-and-half tax proceeds may only be

invested in athletic facility projects that will directly and significantly support tourism. It is anticipated that support for tourism will be a necessary, but not sufficient, requirement for athletic facility projects to receive half-and-half tourism tax investment. Other anticipated criteria may address broader community goals including lowering barriers to participation in athletics, equitably and inclusively improving quality of life, addressing deferred maintenance in parks-based athletic facilities, and stimulating economic development.

Pursuit of half-and-half tax funding for improvements to local athletic venues is supported by:

1. A 2016 report from the Huddle Up consulting group for the City of Duluth that identified opportunities to increase sports tourism in Duluth.
2. City Council Resolution 22-0703R encouraging the City to use tourism tax proceeds for “investments in community athletic facilities for sports including, but not limited to, hockey, soccer, baseball, and basketball.”
3. The Council-approved 2022 Essential Spaces: Duluth Parks, Recreation, Open Space, and Trails Comprehensive Plan that advises use of the half-and-half tourism tax to “support sports tourism citywide by investing in capital improvements to publicly owned athletic facilities.”