



Council Consideration Legislative Authorization for Local Option Sales Tax

1.16.2026

Context



Strategic Plan: 2025–2028

- **Improve Financial Strength**
 - Increased Revenue Diversification
 - 10% increase in non-tax/non-governmental revenue 2025–2028

Examples Items to Review

- ✓ Gas & Electric Franchise Fee Update (2025 adopted)
- Local Option Sales Tax
- Park dedication fees
- College Voluntary Donation
- Broadband Franchise Fees
- Municipal Cannabis
- Rice County – County Library increase Park Dedication Fees
- Code Enforcement Fines – increase (blight, weeds, etc.)
- Administrative Citations (parking, low speed violations, etc.)
- Overnight Parking Downtown Fee & Winter Parking Fee
- Others

Comprehensive Plan Alignment



- Capital Budgeting – dedicated funding for needs
- Decision-Making Matrix – Economically responsible to property tax level
- Diversify tax base – policy intent of overreliance on any one source such as property taxes
- Direct citizen engagement – public vote required under state law for local sales tax

Local Option Sales Tax



- A Local Option Sales Tax (LST) is a revenue tool that would be beneficial as it would distribute specific project capital costs to individuals to pay costs of a city outside of Northfield
 - 40% of local sales taxes from non-northfield residents (U of MN Extension 2026 Local Sales Tax Analysis Report)
 - Estimated in Northfield to generate up to \$11.4M of revenue available for projects
- Recent examples Include:
 - Rochester – .5% LST in 2023 to fund multiple projects
 - Bloomington – .5% LST in 2023 to fund multiple projects
 - Moorhead – .5% in 2022 to fund library & community center

Current Law Requirements



- **Council Resolution Requesting Application for Authority must include:**
 - Proposed tax rate (.5%) applied to only taxable sales in MN
 - Detailed description of no more than 5 capital projects that will be funded from the tax.
 - Documentation of regional significance of each project, including the share of the economic benefit to or use of each project by those in and out of city.
 - Amount of sales tax revenue that would be used for each project and the estimated time needed to raise that amount of revenue.

MN Sales Taxes



- State General Rate: 6.875%
- Local: Cities & Counties have authority to impose additional local sales & use taxes, up to 3%
- Current Northfield (Rice County .5% Transit Tax): 7.375%
- Combined state & local sales tax rates typically range from 6.875% to 8.375%

Projects in the resolution



- **NCRC** – Essential CIP costs plus energy investments (geo/solar) – (does not include state bonding request for food shelf warehouse)
- **Library** – Essential CIP costs on exterior and interior
- **Riverfront Park Projects** – Essential CIP riverfront costs to improve accessibility and safety

Riverfront Parks examples



- Park Bathrooms (Lions, Riverside, Sechler)
- Lions Park Shelter
- Sechler Park – other recreation & infrastructure
- East Riverwalk Stairs and Railing
- Riverwalk “Loop” Additions
- Ames Park – plan & improvements (with dam project)

Riverfront Park Projects

Essential CIP costs



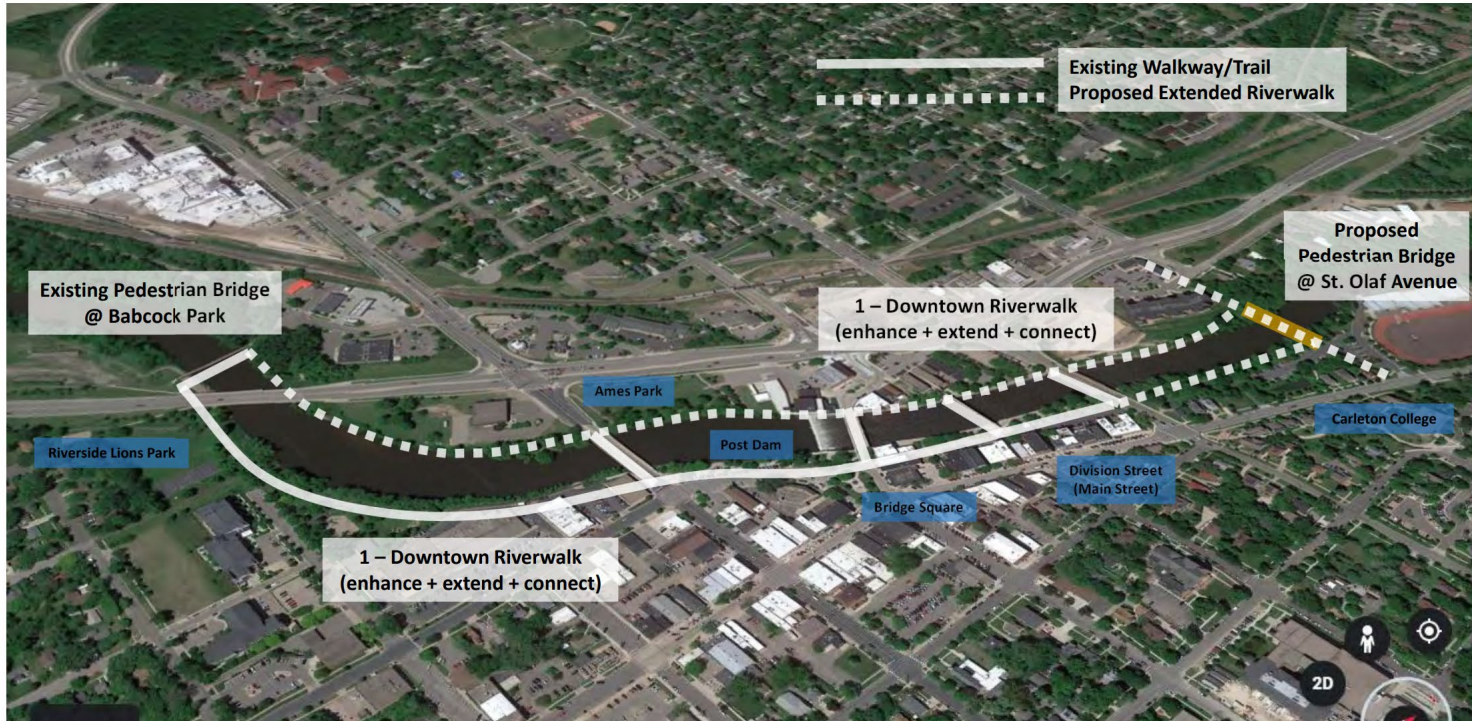
Stairs needing replacement



Broken railing



Downtown Riverwalk “Loop” Completion



NCRC project

Essential CIP costs



- **HVAC and Mechanicals**
 - Boiler replacement
 - Chiller replacement
 - Air handling units replacement
- **Other CIP costs**
 - Exterior painting
 - Public restrooms
 - Flooring
 - Pool/locker room

NCRC project

Additional information



- **Energy investments**
 - Project costs include energy savings investment in solar and/or geothermal
- **Food shelf warehouse addition**
 - LST project costs do not include the proposed food shelf warehouse addition
 - Warehouse addition still considered in State Bonding Request

Library project *background information*



library remodeled, atrium addition
built in 2015-2016

Some landscape work to
accommodate growth to south/east,
north/west side of grounds
untouched

2024-2025

Friends of the Library and MDE grant
supported community engagement
and landscape concept
development with Ten X Ten

2022-2023

Site issues lead to site plan to support
and sustain the next 115 years
downtown, protect investment, and
serve growing 21st century
community

Library site challenges

Division Street



Stairs needing replacement



West slope eroding



Library site challenges

Washington & 3rd



Tree loss



Accessibility



Site Issues by Principles



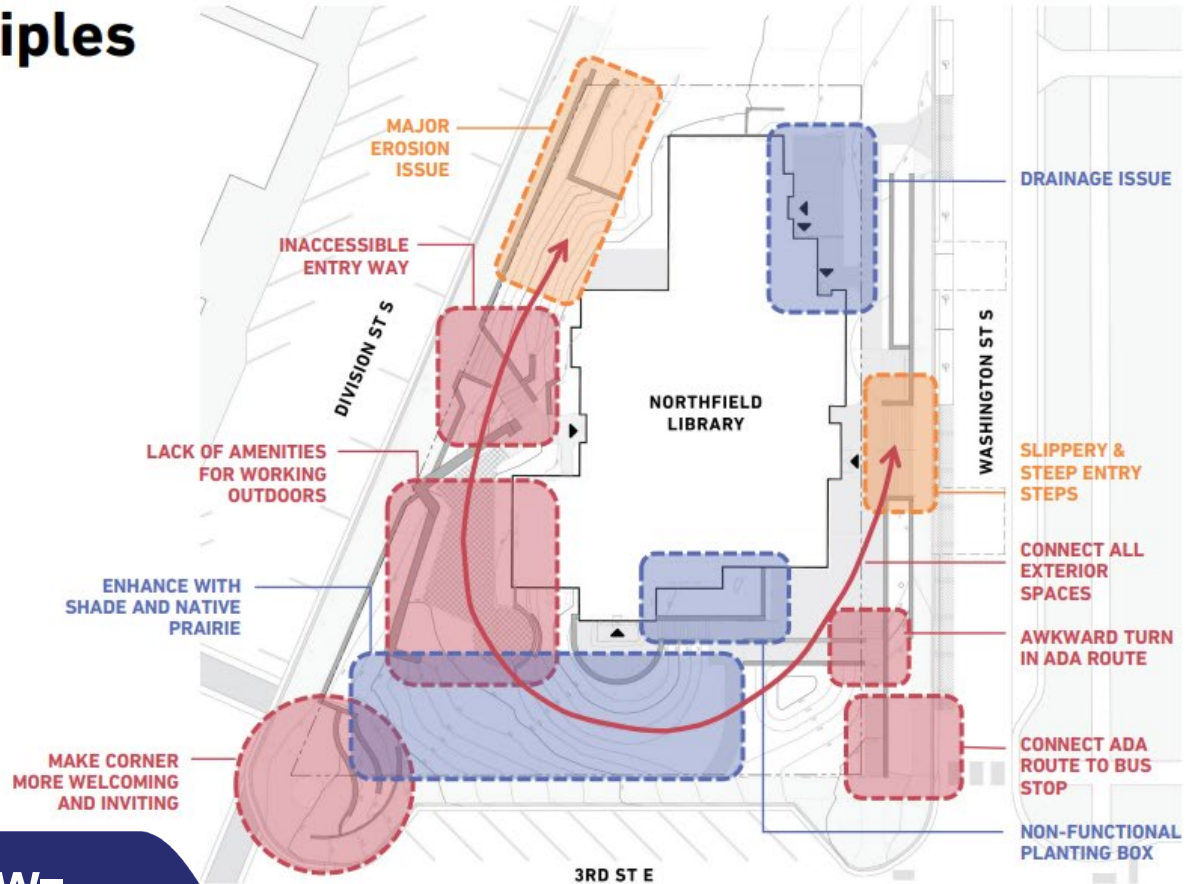
ACCESSIBILITY



SUSTAINABILITY



SAFETY



Library is regional draw—
180k visits annually

West & South Side



Preferred concept based on
results from community
engagement

Estimated project costs



- **Base projects (CIP items):**
 - NCRC – \$2.5 million
 - Library – \$2.5 million
- **Other options (either/or):**
 - Riverfront Park Projects – up to \$6.4M
 - ~~– 3rd Street Parking – up to \$6.4M~~

Estimated Revenue



- 0.5% local sales tax would generate approximately \$18.5 million over 20 years
 - Approximately 40% would be paid by individuals visiting Northfield, alleviating \$4.5 million of capital costs from local taxpayers
 - The total annual revenue is estimated to be between \$800,000 – \$1,000,000 per year over the 20-year term
 - would support a “par” bond (debt) funding of \$11.4 million with sales taxes to repay the principal and interest on the bonds

Timeline and Process



Date	Description
January 20	Council Approves Resolution
January 31	Legislative Request Submitted
May	MN Legislature must approve request
After session	Council must approve the taxing authority granted by State
August	Council Resolution on Local Referendum
November	Local Referendum (each project voted separately)
After election	Council must approve implementation if voter approved

Process for Consideration



- I. Council Questions
- II. Public Comment
- III. Recommend Motion Approve Resolution 26-XXX
- IV. Council Discussion
- V. Move to Vote