

HOUSE RESEARCH

Bill Summary

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Overview

This bill allows cities and counties to create tax increment financing (TIF) districts to pay for mitigation costs related to large railroad projects. To qualify, a railroad project must involve a minimum of \$250 million in improvements over 5 years and be approved by the federal Surface Transportation Board.

If a city or county approves a TIF district under the bill, the district consists of all of the railroad operating property in the city (or the unincorporated part of the county for a county-created district). The district has a 25 year duration limit.

Revenues from the district may be spent for railroad mitigation and administrative costs. These purposes include noise mitigation, transportation improvements, and public safety improvements. Exemptions are provided from a variety TIF rules-pooling, 5-year rule, 4-year rule, 3-year, and the state aid offset (or local contribution option).

Section

1 **TIF for railroad mitigation measure.**

Subd. 1. Authorization. Authorizes creation of a special type of TIF district to pay for railroad mitigation measures. Only cities or counties containing "qualified railroad property" can use this authority.

Subd. 2. Definitions. Defines terms for purposes of the section.

City means a statutory or home rule charter city.

Qualified railroad property means railroad operating property, if the following conditions are met: (1) the railroad undertakes to construct new or to substantially rebuild existing track, (2) the project is approved by the federal Surface Transportation Board, and (3) total expenditures are projected to exceed \$250 million over a 5-year period.

Railroad operating property is defined by reference to the property tax law. This term means property owned by a railroad company used in performing railroad services. This property is assessed by the commissioner of revenue, rather than the local assessor.

Subd. 3. When districts can be created. Provides the authority of a city to create a TIF district under the bill starts for the first assessment year after:

Approval of the project by the federal Surface Transportation Board

The commissioner of revenue determines that the railroad company's tax capacity has increased by at least 5 percent over the year in which the project was approved.

Subd. 4. District area. Provides that the TIF district includes all of the railroad operating property in the city (or for a county, the railroad operating property in the unincorporated areas of the county). This includes railroad operating property of other railroads.

Subd. 5. Duration limit. Provides the district has a 25 year duration limit.

Subd. 6. Permitted uses of increments. Specifies the permitted use of increments. Permitted purposes include administrative expenses and mitigation measures, such as:

traffic safety crossings

grade separations

improvements to streets to direct traffic to other crossings

pedestrian safety measures

noise mitigation measures, such as sound walls, berms, acquisition and relocation of affected properties

emergency service operations designed to reduce emergency response times.

Increments may be spent anywhere in the city or county.

Subd. 7. Exemption. Exempts these districts from the following provisions of TIF law:

Requirements that increments be spent within the project area

State aid offset and local contribution requirement

3-year activity rule (This rule requires bonds to be issued, property to be acquired, or public improvements made within 3 years of certification of the district.)

Prohibition on the use of increments for general government purposes

(Increments could be used, for example, to construct a police or fire station if this met the test of being designed to improve response time as a result of the railroad project.)

4-year knock-down rule (This rule requires some type of activity to occur on a parcel or adjacent to the parcel within four years or the parcel is dropped from the district.)

Percentage restrictions on pooling and the 5-year rule (This rule requires percentages of increment to be spent within the district and that funded activities be completed or bonds issued within 5 years after certification of the district.)

Effective date. Day following final enactment.