

# HOUSE RESEARCH

## Bill Summary

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**Version:** As introduced

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**Subject:** Tax Increment Financing (TIF) - New Brighton

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### Overview

This bill modifies a special TIF law enacted for the city of New Brighton by the 1998 legislature. The bill deems identified parcels to qualify under the "blight test," extends the time the city has to create districts under the special law authority, extends by 7 years how long districts are exempt from the pooling rules, exempts districts in the defined geographic area from the certification of the original tax capacity rate, and extends the 5-year rule by one year more year (to ten years).

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**1 New Brighton, TIF.** Amends a 1998 special TIF law for the city of New Brighton to expand the exemptions from the general law rules. Under the present special law, the city is allowed to create redevelopment districts within a defined area with special exemptions from the "pooling" and 5-year restrictions. This section expands the exemptions in several ways:

- **5-year rule.** The 1998 special law extended the 5-year rule to nine years. This section increases that period to 10 years. The 5-year rule requires the development authority to complete the district's activities within 5 years after approval of the TIF plan. (This can be extended by a reasonable period for expending bond proceeds.)
- **Original tax capacity rate.** Districts created in this geographic area of New Brighton are exempted from certification of the original tax capacity rate. Under general law (and the existing version of the New Brighton special law), tax increment is

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computed using the lesser of the local tax rates in effect at the time of certification or the current tax rate. If local tax rates rise (e.g., because the taxing districts increased their levies), this feature of the law will increase tax increments and reduce county, school district, or city general fund revenues.

- **Blight test.** The section deems a list of parcels to qualify for inclusion in a redevelopment TIF district, regardless of whether they meet the blight test. These parcels, however, are not treated as being occupied by substandard buildings. Thus, their inclusion in the district could not be used to justify (under the percentage tests) including other non-blighted parcels in the district. This change will allow the city to use TIF to collect up to 25 years of increment from these parcels and use the increments for expenditures anywhere in the defined geographic area.

**Effective date:** Local approval by the city of New Brighton and Ramsey county

- 2 **New Brighton, TIF expiration of authority.** Extends the pooling exemption under the New Brighton special law to the life of the district. The special law now exempts the city from the pooling restrictions for 18 years after the receipt of the first increment. The bill extends that to the full life of the district (25 years or 7 additional years of pooling).

In addition, the bill extends by 5 years the authority of the city to create districts in the defined project area.

**Effective date:** Local approval by the city of New Brighton and Ramsey county