

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 114
Version: As introduced

DATE: February 18, 2013

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Subject: City of Oakdale – special tax increment financing (TIF) authority

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Overview

This bill modifies existing special law TIF authority for the city of Oakdale (originally passed in 2008 and modified in 2009), allowing additional time to establish districts under this authority. The bill also extends by six years the duration of another TIF district, which was extended by special legislation passed in 2010, and expands the permitted use of that district's increments. In addition, the bill allows the city to use surplus increments from a preexisting housing TIF district in the city for the Tanner Lake redevelopment project.

Section

1 Deeming parcels occupied. Modifies the special law for the city of Oakdale, passed by the legislature in 2008 and modified in 2009, granting the city authority to deviate from general law rules with regard to tax increment financing (TIF) districts created in a defined area of the city. This bill makes two changes in the special law authority:

- The period of time that the city has to establish TIF districts under the special law is extended by four years from 2013 to 2017.
- An exemption is provided to the general law “blight test” rules. The blight test (essentially a requirement that an area contain “blighting” conditions that legally justify creating a redevelopment TIF district) requires that 70 percent of the parcels in an area be occupied by buildings or other qualifying structures and that 50 percent of the buildings be substandard. A parcel can be treated as being occupied by a substandard building if the parcel was occupied by a substandard building that was demolished within three years of certification of the district and if a four-part test is satisfied. The bill provides special rules for meeting this four-part test:

Section

- The three-year time limit between demolition of the building and the certification of the district does not apply.
- The requirement that private demolition (if done by the property owner rather than the development authority) be done under a development agreement does not apply.
- The adjustment to original net tax capacity (increasing it for any reduction in tax capacity resulting from demolition of the building) does not apply. This is consistent with the original special law, which allowed the city to set the original tax capacity at the land value.

2 **Extension and expanded spending authority.** Extends the duration of the Bergen Plaza TIF district in Oakdale by six years. In 2010, the legislature granted this district a ten-year extension, so the combined extensions would equal 16 years.

In addition, this section repeals the restrictions the 2010 special legislation placed on the extension. The 2010 legislation prohibited pooling of increments from the district during the extension, except to the extent that they were used for improvements on two listed parcels. (Pooling refers to the spending of increments from the district on activities outside of the geographic area of the district. This district is a pre-1990 district that would otherwise not have been subject to pooling restrictions.) Under the changes made by this section, this restriction would not apply; in effect allowing the city to use the district's increments on activities anywhere in the project area.

Because this is an extension, it would require approval by the county and school district in addition to the city.

3 **Echo Ridge TIF district; use of increments.** Allows the city to use increments from a housing TIF district (Echo Ridge) for the Tanner's Lake redevelopment project. Under general law, increments from a housing district may only be used for low-income housing. This would allow those increments to be used for commercial redevelopment.