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This bill exempts tax increments received from a St. Louis Park TIF district, Elmwood Village TIF District, from various restrictions under general law on the use of increments:

- the five-year rule;
- the six-year rule; and
- the percentage limits on “pooling.”

This district was granted a duration extension under a 2009 special law. The district is a renewal and renovation district (subject to a 15-year duration limit) that the 2009 special law extended by seven years. The 2009 special law did not grant any authority beyond the duration extension (e.g., it did not increase the pooling percentage, allowing more flexibility to spend the increased increments).

The spending authority under the bill applies only to increments received during the extension; to qualify, the increments must be spent on public infrastructure either inside or adjacent to the district.

Background Information.

Five-Year Rule. The five-year rule requires TIF development authorities to complete funding of in-district development activities within a five-year period starting with certification of the district.

Six-Year Rule. The six-year rule requires that after the passage of the five-year period (i.e., the first five years after certification of the district), the in-district share of the increments (80 percent for all other districts) may be used only to pay bonds, contracts, and other obligations incurred during the first five years. This is intended to encourage early decertification of TIF districts, returning their captured value to the regular property tax rolls.

Percentage pooling restriction. The five- and six-year rules do not apply to the portion of a TIF district's increment that may be "pooled" (i.e., spent on activities outside of the district, or inside the district but after the five-year period). For most districts, including renewal and renovation, 20 percent of increments qualify to be used as pooled increments but any amount spent for administrative expenses count against this percentage.