Overview

This bill authorizes the cities of Bloomington, Minneapolis, and Richfield to establish special airport impact TIF districts to finance various redevelopment and noise mitigation activities around the Minneapolis St. Paul International Airport. These TIF districts are subject to a variety special exemptions from general law rules.

The bill diverts state sales tax revenue from sales made at the Minneapolis St. Paul International Airport to a special fund to pay for these costs. Dedication of these sales tax revenues would apply for a 35 year period.

1 Findings. Makes legislative findings that providing assistance to the cities of Bloomington, Minneapolis, and Richfield to mitigate the impact of the airport expansion is a public purpose.

2 Airport impact zones. Authorizes Bloomington, Minneapolis, and Richfield to establish airport impact zones. The areas designated as zones must meet criteria set by the Metropolitan Council. The Council is to set the criteria based on the airport impacts it finds to be present in the area of Richfield designated by section 5 and the Council must permit designation of areas of the other cities with similar impacts to those in the designated area of Richfield. Creation of an airport impact zone is subject to approval by the Council.

Airport impact TIF districts. The city may establish TIF district and project with the zone. The following must be approved by the Council:

- the boundaries of the district
- the TIF plan
- the number of phases authorized.

Richfield is not required to designate an airport impact zone for the area designated by section 5.

Bonding authority. The three cities may sell general obligation TIF bonds to finance airport mitigation measures. The city may pledge revenues received by the airport impact fund under
3 **Airport impact fund.** Establishes an airport impact fund. All state general sales and use tax revenues collected for sales at Minneapolis-St. Paul Airport on property owned by MAC will be diverted from the state general fund to the airport impact fund. This dedication applies from FY2000 through FY2035 (i.e., from July 1, 1999 through June 30, 2035).

**Uses of the fund (subdivision 2 through 4).** Money in the fund may be used for only three purposes:

- Paying bonds issued by the three cities to finance airport mitigation measures.
- Paying Richfield's bonds issued under section 6.
- Paying the cost of airport mitigation conducted by one of the three cities (other than those in the Richfield TIF district under section 5).

Each year a city with bonds secured by the airport impact fund is to certify to the commissioner of revenue the following amounts. These certifications are intended to determine the city's share of or claims on the airport impact fund:

- the amount of obligations secured by the fund;
- the principal and interest payable on these obligations in the next calendar year;
- the amount of net tax increment received during the current calendar year (i.e., after deducting the amount to be paid for costs and obligations);
- the amount that principal and interest obligations exceed available increment; and
- the amount of the city's expenditures for qualifying airport mitigation.

The commissioner of revenue is to pay the amounts to the city for bonds and qualifying mitigation expenditures. The amounts for bonds must be deposited in the debt service funds. Other amounts may only be spent for the qualifying purposes. If the amounts in the airport impact fund are not sufficient to pay all of the claims, the commissioner is to first pay the amounts for bonds. Among the three cities, the payments are to be allocated based on their relative shares of the total outstanding principal amount of all the bonds (i.e., not based on principal and interest payments, which may vary depending upon interest rates and maturity schedules).

**Termination of the fund (subdivisions 5 and 6).** The fund terminates when all of the bonds have been paid and all approved airport mitigation measures have been paid. Any remaining balance is transferred to the general fund. If none of the three cities issues bonds and no airport mitigation measures are approved by the Council by January 1, 2006, the fund terminates at that point.

Investment earnings on the fund are credited to the fund.

4 **Metropolitan council GO bonds.** Authorizes the Metropolitan Council to pledge its full faith and credit to the TIF bonds issued by the three cities under the bill. This pledge is backed by the Council's authority to levy property taxes in the metropolitan area. This pledge is not subject to referendum approval or net debt limits. Levying property taxes under the pledge would not affect the Council's legal authority to levy for other purposes.

5 **Richfield TIF district.** Authorizes the city of Richfield to establish a TIF district in a defined geographic area. This district is subject to a variety of special rules that differ from general law TIF rules:

- It is deemed to be a redevelopment area without meeting the traditional blight tests.
No pooling is allowed. Under general law, a redevelopment district would be permitted to pool up to 25 percent of its increment (i.e., spend it outside of the district). (Note: the bill allows up to 15 percent of increments to be placed in a housing replacement fund and these amounts may be spent anywhere in the city. The 25 percent general law pooling percentage is net of administrative expenses which may equal up to 10 percent, so this arrangement allows about an amount to be spent outside of the district about equivalent to the amount allowed under general law.)

The five year rule does not apply. The five year rule generally requires bonds to be issued or binding contracts to be issued for activities within 5 years after approval of the TIF plan.

The requirement that 90 percent of increments must be spent on "blight correction" does not apply.

The original local tax rate does not apply. Under general law, the tax rate is certified when the district is created. If tax rates increase in later years, the amounts attributable to these increases do not generate increment. For this TIF district, all of the tax rate would generate increment.

The city may deposit 15 percent of its increments in a housing replacement fund as an alternative to the state aid offset or the requirement that a local contribution be made.

Housing replacement activities include demolition, relocation, and financing of new and existing single family or multi-family housing.

**6 Richfield bonds.** Authorizes Richfield to issue GO bonds to finance activities in the TIF district. These bonds may be secured by revenues from the airport impact zone.

**7 Definition of obligation.** Defines obligation by reference to the municipal bond code (chapter 475 of Minnesota Statutes).

**8 Effective date.** Provides the act is effective upon local approval by each city and its respective county and school district.