

# HOUSE RESEARCH

## Bill Summary

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### Overview

This bill includes the following provisions:

- An investment credit for “angel” type venture capital investments
- A refundable historic structure rehabilitation credit
- Authority for local governments to finance energy conservation improvements and collect repayments as special assessments (at the request of the property owner)
- Authority of the Public Finance Authority to issue revenue bonds for city transportation projects
- Compact development tax increment financing districts
- Expanded authority to temporarily use TIF for economic development
- Expanded authority to use excess TIF revenues for construction of new private development
- Provision of modified JOBZ benefits to the Ford Motor Company site in St. Paul, if certain conditions are met
- Expanded authority for several cities to use TIF for housing replacement
- Additional flexibility for the city of Bloomington to develop the Mall of America site
- An appropriation for additional tax compliance activities expected to result in new general fund revenue beginning in fiscal year 2011
- Distributions to taconite cities and townships for public works projects (from taconite production revenue) and makes other miscellaneous mineral changes

**1**      **Small business investment credit; data practices.** Provides a cross reference in chapter 13 (the data practices act chapter) to the data practices provisions of the angel investment

credit under section 2.

- 2 Small business investment credit.** Provides a tax credit for angel or early stage venture capital investments by individuals or funds.

**Subd. 1. Definitions.** Defines the following terms:

- **Qualifying small business** is a business certified by the commissioner of the Department of Employment and Economic Development (DEED).
- **Qualified investor** is an investor certified by DEED.
- **Qualified fund** is a pooled investment fund certified by DEED.
- **Qualified investment** means an investment of at least \$10,000 if made by a qualified investor, and of at least \$30,000 if made by a qualified fund.
- **Family** is defined by reference to the Internal Revenue Code.
- **Pass-through entity** is an S corporation, partnership, trust, or limited liability company that is not taxed as a C corporation.

**Subd. 2. Certification of qualified small business.** Authorizes businesses to apply annually to DEED for certification and pay an application fee of \$150. Application fees are deposited in an administrative account established in the special revenue fund. DEED has 30 days to certify the business, reject the application, or request additional information, and then an additional 30 days after receiving the additional information to certify the business or reject the application. If DEED fails to act the application is deemed rejected, and DEED must refund the application fee. Businesses may reapply for certification.

To receive certification, a business must be engaged in any of a wide variety of lines of business as its primary business (e.g., any type of manufacturing, technology, R&D, or developing new processes or products) other than real estate development, financial services, wholesale or retail trade, hospitality or professional services. The business must have its headquarters and 51 percent of its employees in Minnesota. It cannot have more than 25 employees or have received more than \$2 million in private equity investments. Business must pay all employees wages and benefits of at least 175 percent of the federal poverty guideline, with the exceptions of executives, officers, members of the board, and employees who have greater than a 20 percent ownership share in the business.

A business must be certified for the tax year before investments in the business qualify for the credit. Requires DEED to maintain a list of certified businesses on its Web site.

**Subd. 3. Certification of qualified investor.** Authorizes investors to apply to DEED for certification and pay an application fee of \$350. Application fees are deposited in an administrative account established in the special revenue fund. DEED has 30 days to certify the investor, reject the application, or request additional information, and then an additional 30 days after receiving the additional information to certify the investor or reject the application. If DEED fails to act the application is

deemed rejected, and DEED must refund the application fee. Investors may reapply for certification.

Investors qualify for certification either by being an accredited investor under SEC Reg D (generally requires net worth of \$1 million or annual income of \$200,000 or more, \$300,000 for a married couple), or by certifying they intend to invest in an offering that is exempt from registration under state law.

Investments made by an accredited investor before the investor receives certification for the tax year do not qualify for the credit.

**Subd. 4. Certification of qualified funds.** Authorizes funds to apply to DEED for certification and pay an application fee of \$1,000. Application fees are deposited in an administrative account established in the special revenue fund. DEED has 30 days to certify the fund, reject the application, or request additional information, and then an additional 30 days after receiving the additional information to certify the fund or reject the application. If DEED fails to act the application is deemed rejected, and DEED must refund the application fee. Funds may reapply for certification.

To receive certification, a fund must invest or intend to invest in qualifying small businesses or and be organized as a pass-through entity with at least three investors.

Investments made before a fund receives certification for the tax year do not qualify for the credit.

**Subd. 5. Credit allowed.** Allows a 25-percent, refundable credit for investments in a qualified small business. The maximum cumulative credit for a tax year is \$250,000 for married couples filing joint returns, and \$125,000 for all other filers. No more than \$4 million in investments in any one qualified business over the life of the business are eligible for the credit (i.e., total credit limit for each business of \$1 million). Prohibits the commissioner from allocating a credit to an investor who receives more than 50 percent of his or her annual gross income from the qualified business.

Provides \$2.5 million in credits for tax year 2010, and \$5 million in credits per year for tax years 2011 through 2015, except that the tax year 2013 amount is reduced by \$100,000 to fund the program evaluation in subdivision 10.

Requires investors and funds to apply to the commissioner for credits. The commissioner must award credits on a first-come, first-served basis, and must act on credit applications with 15 days. Investors and funds must make the investments specified in the credit application with 60 days; if they do not the credit allocation cancels and is available for reallocation. Requires DEED to provide credit certificates after receiving notification that the investment was made; the certificate must state that investments must be maintained for three years, or else the credit is revoked and must be repaid. Exceptions are provided (and the credit may be claimed even though the investment has been disposed of before the end of the three-year period), if the investment becomes worthless or business is sold.

**Subd. 6. Annual reports.** Requires qualified small businesses, investors, and funds that either receive or make investments resulting in credits to file annual reports

with DEED and pay a \$100 filing fee. Businesses, investors, and funds that fail to report are subject to a \$500 fine.

Qualified small businesses must certify that the business maintains its headquarters in Minnesota, has at least 51 percent of its payroll and employees in Minnesota, is engaged in a qualifying line of business, and meets the 175 percent of the federal poverty guideline requirement for wages and benefits paid to employees.

Qualified investors and funds must certify that they remain invested in the business.

**Subd. 7. Revocation of credits.** Provides for full revocation of credits for investors and funds that fail to meet the three-year holding requirement, and for full or partial revocation of credits for businesses that do not retain 51 percent of their payroll and employees in Minnesota for five years after receiving an investment that qualified for the credit.

A business that does not have 51 percent of its payroll and employees in Minnesota in the five years following receipt of an investment that qualifies for the credit must repay a percentage of the credit, as shown in the table:

| Year after investment made | Percent of credits that must be repaid |
|----------------------------|--|
| 1                          | 100%                                   |
| 2                          | 80%                                    |
| 3                          | 60%                                    |
| 4                          | 40%                                    |
| 5                          | 20%                                    |
| 6 and later                | 0%                                     |

**Subd. 8. Data privacy.** Makes data contained in certification applications from businesses, investors, and funds private, except the following items are public:

- Names of businesses, investors, and funds that receive certification
- Names of investors and funds that make investments resulting in credits, names of businesses receiving investments that result in credits, and the amount of each credit and corresponding qualifying investment
- Names of investors, funds, and businesses for which credits are revoked, and the amount revoked

Requires DEED to provide application data and the Department of Revenue to provide tax return data to the consultant under contract for the program evaluation under subdivision 10.

**Subd. 9. Report to legislature.** Requires DEED to report annually on the program to the tax and economic development committees of the legislature. The report must provide information on the number and amount of credits issued, the

recipients, the line of business, and geographic location of each business that received certification, and also if the business received an investment that resulted in a credit, the amount of additional investments leveraged by the allowance of the credit, credit revocations, and other information relevant to evaluating the credit.

**Subd. 10. Program evaluation.** Requires the commissioner of revenue, in consultation with the commissioners of management and budget and employment and economic development, to contract with an outside consultant to evaluate the effects of the credit on Minnesota's economy. Requires the evaluation to be completed by January 2014. Reduces the tax year 2013 appropriation for the credit by \$100,000 to fund the evaluation. Subjects the consultant to the same data practices requirements as apply to government entities, with regard to application and tax return data used in the evaluation.

**Subd. 11. Appropriation.** Appropriates amounts in the small business investment tax credit administration account to DEED for costs of administering the credit. Fees paid by businesses, investors, and funds to receive certification are deposited in the account in subdivisions 2, 3, and 4.

**Subd. 12. Sunset.** Provides that the credit expires after tax year 2015, except leaves in effect reporting requirements as necessary to enforce credit revocations and provide program information to the legislature.

**3 Definitions.** Defines terms used in this section and section 4.

**City** means a statutory or home rule charter city.

**Local government** means a city, county, or town.

**Energy audit** means an evaluation of the energy consumption of a building by an energy auditor who is certified by the commissioner of public service that identifies appropriate energy improvements to the building.

**Energy improvement** means renovation or retrofitting of a building to improve energy efficiency, installation of new or upgraded electrical circuits to permit charging of electrical vehicles, and renewal energy system attached to, installed in, or close to the building to generate electrical or thermal energy.

**Qualifying real property** means a single-family or multifamily residential dwelling, commercial, or industrial building that the local government has determined can benefit from energy improvements.

**Renewable energy** means energy produced by solar thermal, solar photovoltaic, wind, or geothermal methods.

**Renewal energy system feasibility study** means a written study to determine the feasibility of installing a renewable energy system in a building.

**Solar thermal and solar photovoltaic** are defined by cross reference to other statutory definitions.

**Effective date:** Day following final enactment.

**4 Voluntary energy efficiency financing program for local governments.**

**Subd. 1. Program authority.** Permits local governments to finance energy improvements to qualifying real property.

**Subd. 2. Program requirements.** Specifies elements of the loan program and disclosures that must be made.

**Subd. 3. Retail and end use prohibited.** Prohibits retail sales of energy generated from an improvement financed under this program or from being provided for off-site end use.

**Subd. 4. Financing terms.** Provides that the maximum term of a loan cannot exceed 20 years or the weighted average useful life of the improvements, whichever is shorter. The principal amount of the loan is limited to ten percent of the appraised value of the property or the actual cost of the installation, whichever is less. The interest rate must cover the local government's cost of its financing (i.e., the bonds it issues to finance the loans and projected cost of delinquencies).

**Subd. 5. Coordination with other programs.** Requires the financing program to work with the conservation improvement activities of the utility serving the property and other public and private energy improvement programs.

**Subd. 6. Certificate of participants.** Participant must get a certificate of participation.

**Subd. 7. Repayment.** Requires a local government financing improvements under this section to secure repayment with a lien on the property and to collect repayments using the special assessment collection process (section 16).

**Subd. 8. Bond issuance; repayment.** Permits a local government to issue revenue bonds as provided in Minnesota Statutes, chapter 475. The bonds are payable only from assessment revenues collected from the repayment and assessments and not taxes.

**Effective date:** Day following final enactment.

**5 Apprenticeship training facilities.** Extends the property tax exemption for apprenticeship training facilities to property that was previously used by a school, was exempt for taxes payable in 2010, is located in a township with a population between 2,000 and 3,000, and will be used for this state-approved apprenticeship program. Exemption includes up to 10 acres of land on which the building is located. (Grand Lake Township; St. Louis County) Also decreases the general city population requirement from 7,500 or greater to 7,400 or greater. Effective for taxes payable in 2011 and thereafter.

**6 Credit for historic structure rehabilitation.** Allows a refundable credit or grant-in-lieu of credit for historic structure rehabilitation based on the similar federal credit.

**Subd. 1. Definitions.** Defines "account" as the historic credit administration account in the special revenue fund, "office" as the State Historic Preservation Office of the Minnesota Historical Society, "society" as the Minnesota Historical Society, and "project" as rehabilitation of a certified historic structure, defined by reference to

the federal tax credit.

**Subd. 2. Credit or grant allowed.** Allows a taxpayer a Minnesota credit equal to the amount of the federal rehabilitation credit for certified historic structures. Since the federal credit is a 20-percent credit, this increases the combined federal and Minnesota credit to 40 percent. Allows a grant-in-lieu of the credit equal to 90 percent of the credit otherwise allowed. Allows insurance companies to claim the credit against the insurance premiums tax.

**Subd. 3. Maximum limit; applications; allocations.** Provides for \$5 million of credits and grants to be allocated in fiscal years 2011 to 2016 only.

Requires a project developer to apply to the office for a credit or grant before rehabilitation of the historic structure begins. Authorizes the office to collect an application fee of up to \$5,000 which is deposited in the account and used for personnel and administrative expenses of administering the credit, and for preparing the economic impact report in subdivision 9. Requires the office to accept two rounds of applications per year, and to allocate credits using an objective scoring system that includes measures of additional investment leveraged as a result of the credit, project financing, time anticipated to completion, the number of construction jobs, the number of on-going jobs created after a project is placed in service, rehabilitation of vacant properties, and local government support. Projects that do not receive allocation certificates are refunded all but \$250 of the application fee.

Provides for the office to issue allocation certificates that reserve credit amounts after a project's application is approved. Requires a project to be placed in service within three calendar years following issuance of the allocation certificate; otherwise the allocation cancels and is available to the for reallocation, except that allocations cancelled after the fiscal year 2016 program sunset are not available for reallocation.

Provides that the recapture and repayment provisions that apply to the federal credit do not apply to the state credit.

**Subd. 4. Credit certificates.** Directs the office to issue credit certificates after the developer notifies the office that a project has been completed and placed in service. The credit certificate may not exceed the lesser of the federal credit actually allowed, or the amount on the allocation certificate. Allows credit recipients to assign the credit certificate to another taxpayer.

**Subd. 5. Partnerships; multiple owners.** Requires the partners or multiple owners to pass the credits on pro rata to each owner based on the ownership share as of the last day of the taxable year.

**Subd. 6. Refundable.** Provides the credit is refundable, if it exceeds the liability for tax.

**Subd. 7. Appropriations.** Appropriates the money necessary to pay the refunds to the commissioner of revenue, and the money necessary to pay the grants to the State Historical Society. Also appropriates amounts in the historic credit administration account to the society for personnel and administrative expenses, and for preparing the economic impact report in subdivision 9.

**Subd. 8. Manner of claiming.** Authorizes the commissioner of revenue to specify how the credit will be claimed, including claiming the credit as a separately processed refund, rather than in the normal income tax filing. Authorizes the state historic preservation office to specify how grants will be paid.

**Subd. 9. Report to legislature.** Requires the Minnesota Historical Society to annually report to the legislature on the economic impact of the credit.

**Subd. 10. Sunset.** Provides that the credit expires after fiscal year 2016, except leaves in effect issuance of credit certificates for projects that were allocated credits before the sunset, and reporting requirements to provide program information to the legislature.

**Effective date:** Tax years 2010 for construction contracts entered into after May 1, 2010.

- 7 Job growth investment credit.** Allows the angel investment credit, as described under section 2, to be claimed against the individual income, corporate franchise, and alternative minimum taxes. The commissioner of revenue retains the right to audit eligibility for the credit, despite the certification by the commissioner of DEED of an investor's eligibility for the credit. Makes the credit refundable, and provides an open appropriation for payment of refunds.
- Sunset:** The credit expires effective for tax year 2015.
- 8 CARZ sales tax exemption.** Provides that the JOBZ sales tax exemption for a zone designated as a CARZ under section 34 is not an upfront exemption. Rather, the purchaser must pay the tax and apply for a refund. These refunds will not be paid until after June 30, 2013 (i.e., in fiscal year 2014).
- 9 CARZ sales tax exemption.** Adds a reference to the CARZ sales tax exemption in the law providing for imposition of tax and payment of refunds on capital equipment and other similar exemptions.
- 10 CARZ sales tax exemption.** Adds a reference to the CARZ sales tax exemption in the law providing for imposition of tax and payment of refunds on capital equipment and other similar exemptions.
- 11 Historic credit; insurance premiums tax.** Allows the historic structure rehabilitation credit under section 6 to be claimed by insurance companies against the premiums tax. This credit is refundable.
- 12 Taconite economic development fund.** Modifies a current distribution from the taconite economic development fund that is a loan for a biomass energy facility, to a loan or grant to a value-added wood product facility that must be located in the taconite tax relief area in St. Louis County. Also extends the time period that the loan or grant can be made for this facility from 2010 to 2012. Effective day following final enactment.
- 13 School districts distributions.** Provides that if there are insufficient tax proceeds to make the distributions to the school districts in any year, money must be transferred from the taconite property tax relief account to the extent of the shortfall in the distribution. For 2010 there is about a \$500,000 shortfall. Effective beginning with distributions made in 2010.

- 14 Investment of fund.** Increases the amount available from the interest and investment earnings on taconite funds for wage and small business subsidies from \$1,000,000 to \$1,500,000 for fiscal years 2010 and 2011.
- 15 Special assessments for energy conservation improvements.** Authorizes cities to finance energy conservation and renewable energy systems with special assessments as provided in sections 3 and 4.
- Effective date:** Day following final enactment.
- 16 Collection of energy improvement loans as special assessments.** Adds the financing of the energy improvements authorized in sections 3 and 4, to the list of costs a local government can recover through the special assessment collection process.
- Effective date:** Day following final enactment.
- 17 Transportation infrastructure loans.** Authorizes the Public Finance Authority (PFA) to make loans to cities for transportation infrastructure projects (as defined under the PFA statute but even if they do not qualify for federal or state funding) by issuing revenue bonds to be repaid by city taxes, such as tax increments or special taxes (lodging, liquor, and similar). These bonds could be, but would not be required to be, Build America Bonds.
- Effective date:** Day following final enactment.
- 18 Project definition; industrial revenue bonds.** Adds qualified green buildings and sustainable design projects, as provided under section 19, to the list of projects qualifying for the use of industrial revenue bonds.
- 19 Qualified green building and sustainable design projects.** Authorizes the issuance of industrial revenue bonds for qualified green building and sustainable design projects, which are projects that the municipality (usually a city) or redevelopment agency (such as an HRA or EDA) ensures will do one of the following:
- Reduce the consumption of electricity, compared to conventional construction
  - Reduce CO<sub>2</sub> emissions, compared with energy generated by coal
  - Increase use of solar cells in the state
  - Increase the use of fuel cells to generate energy
- At least 75 percent of the building's square footage must be certified as complying with a recognized rating system, such as LEED, Green Globes, or GreenStar.
- 20 Compact development TIF district.** Defines a "compact development district" as a new type of TIF district. To qualify, the district must meet a "coverage test" similar to that which applies to redevelopment districts (i.e., 70 percent of the parcels must have buildings or similar structures occupying 15 percent of their square footage) and the planned redevelopment must increase the square footage of the buildings by three times.
- 21 Tourism TIF, additional counties.** Expands the authority to use economic development tax increment financing (TIF) districts for tourism projects to include counties in Region 1. This will add the counties of Kittson, Roseau, Marshall, Pennington, Red Lake, Polk, and

Norman to those now allowed to use this authority. To qualify, projects must also be located in counties with incomes that are no more than 85 percent of the state median income and can not be in a city with a population of over 20,000.

The following counties are located in regions that now qualify to use the authority:

| <b>Counties in Development Regions 2, 3, 4, 5, and 7E</b> |           |                   |           |
|---|-----------|-------------------|-----------|
| Aitkin  | Cook      | Koochiching       | St. Louis |
| Becker  | Crow Wing | Lake of the Woods | Stevens   |
| Beltrami  | Douglas   | Mahnomen          | Todd      |
| Carlton   | Grant     | Mille Lacs        | Traverse  |
| Cass  | Hubbard   | Morrison          | Wadena    |
| Chisago   | Isanti    | Otter Tail        | Wilkin    |
| Clay  | Itasca    | Pine              |           |
| Clearwater  | Kanabec   | Pope              |           |

- 22 Compact development districts, sunset.** Provides that the authority to establish compact development TIF districts expires on June 30, 2012.
- 23 Compact development districts, duration limits.** Specifies that compact development TIF districts have a 25-year duration limit.
- 24 Permitted spending for compact development districts.** Limits the use of increments from the new compact development TIF districts to the following expenses:
- Administrative expenses
  - Land acquisition
  - Demolition and removal of existing buildings and other site preparation costs
  - Installation of public infrastructure, but excluding road, highway, street, and parking improvements that are designed primarily to serve passenger automobiles
- 25 Economic development districts.** Eliminates obsolete language relating to specific projects that were established in the 1990s (elimination of existing paragraphs (b) and (d)).

The new paragraph (d) provides temporary authority to use economic development districts for any type of project, if three conditions are satisfied:

- The municipality finds the project will create new jobs in the state, including construction jobs, and the project otherwise would not have begun before July 1, 2011, without the assistance
- Construction of the project begins no later than July 1, 2011
- The request for certification is made by June 30, 2011

**Effective date:** Applies to pre-existing districts if the request for certification was made after June 30, 2009.

**26 Temporary use of increment.** Allows use of surplus or excess increment for construction of new or substantial rehabilitation of existing buildings, if:

- Construction begins before July 1, 2011
- The development will create new jobs (including construction jobs)
- The development would not have occurred without provision of the assistance

This authority includes the ability to make equity investments in the development, for example, if it is necessary to obtain financing. The municipality (usually the city) must approve and must hold a public hearing with published notice (following the same rules as apply to approving a new TIF plan).

This authority expires on December 31, 2011, and does not extend to allow payment of bonds beyond that date.

**27 CARZ definition.** Adds a Create Automotive Recovery Zone (CARZ) to the definition of a Job Opportunity Building Zone (JOBZ) under present law.

**28 Qualified business definition for CARZ.** Requires a qualified business for purposes of CARZ program to be engaged in assembling motor vehicles in the zone.

**29 Motor vehicle assembly facility; CARZ.** Requires a motor vehicle assembly facility to have at least 500 employees and to be located in a city of the first class to qualify for CARZ program benefits.

**30 CARZ definition.** Defines a CARZ as a zone designed by DEED that contains a motor vehicle assembly facility (defined in section 29).

**31 CARZ, maximum size.** Limits the site of the CARZ to a size necessary for the vehicle assembly operations, ancillary operations, and space for expansions for the reasonably foreseeable future.

**32 CARZ site.** Exempts CARZ from the prohibition on designating JOBZs in the seven-county Twin Cities metropolitan area.

**33 Duration of CARZ and wind turbine JOBZ.** Provides that CARZ benefits will be available for 12 years from designation of the zone; that is, they will not expire when regular JOBZ benefits do in 2015.

In addition, this section authorizes a five year extension of JOBZ tax benefits for a wind

turbine manufacturing facility under consideration for location in Duluth and/or on the Iron Range. To qualify, the project must be in a county with an unemployment rate that either is ten percent or higher or is ten percent higher than the state average for any month in the year before the business subsidy agreement is signed. The benefits can be provided singly or in combination to the manufacturing facility, the U.S. headquarters of the business, or a training facility.

- 34 Authority to designate CARZ.** Authorizes the commissioner of DEED to designate one CARZ.
- 35 Designation schedule for CARZ.** Allows DEED to designate a CARZ at any time after December 31, 2011, and before January 1, 2016, if the city enters an agreement with a qualified automaker to make a minimum investment in the facility of \$100 million.
- 36 Tax incentives in CARZ.** Provides that all of the regular tax incentives under JOBZ are available in CARZ, except that an alternative jobs credit applies as specified in section 37.
- 37 CARZ jobs credit.** Provides an alternative jobs credit for CARZ equal to \$2,500 per employee for the first 750 FTE employees at the site and a \$3,500 credit per FTE employee for the number of employees at the site over 750. This credit is refundable.
- 38 Bloomington, special taxes.** Expands the statement of public purpose in the original Mall of America (MOA) special legislation for the city of Bloomington to encompass development of the entire Industrial Development District 1, including amendments of the district's area, and specifically including both phases of the MOA and the Old Cedar Avenue Bridge over the Minnesota River.
- Effective date:** Local approval by the city of Bloomington.
- 39 Brooklyn Park, housing replacement authority.** Provides a definition of "authority" for the city of Brooklyn Park's exercise of housing replacement district authority. Section 40 grants Brooklyn Park housing replacement district authority.
- 40 Housing replacement districts.** Grants the city of Brooklyn Park authority to exercise housing replacement district powers for up to 100 parcels. In addition, it increases the number of parcels permitted in the cities of Crystal, Fridley, Richfield, and Columbia Heights from 50 to 100 and eliminates the annual limit of ten parcels.
- Effective date:** Day following final enactment.
- 41 Bloomington, use of special taxes; labor peace.** Authorizes the city of Bloomington to use the special taxes authorized to fund development of Phase II of the MOA for any phase of MOA. As a condition for exercising this authority, the city must require developers of any hotel on the MOA site to enter a "labor peace" agreement with the labor union that is most active in representing hotel workers in Ramsey and Hennepin counties.
- Effective date:** Local approval by the city of Bloomington; the labor peace provisions become effective if the city approves any one of sections 42, 43, 44, or 54.
- 42 Bloomington sales tax, rate.** Modifies the city of Bloomington authority to impose a general sales tax at MOA so that any rate up to 1 percent may be imposed. Present law requires a minimum rate of 0.5 percent.

**43**      **Bloomington, state revenue bond financing.** Authorizes the use of the state revenue bonds, approved to be used for the MOA Phase II development, to be used for any phase of the development.

**Effective date:** Local approval by the city of Bloomington.

**44**      **Bloomington, state revenue bond financing.** Authorizes the use of the state revenue bonds, approved to be used for the MOA Phase II development, to be used for any phase of the development.

**Effective date:** Local approval by the city of Bloomington.

**45**      **Bloomington, state revenue bond financing.** Authorizes the use of the state revenue bonds, approved to be used for the MOA Phase II development, to be used for any phase of the development.

**Effective date:** Local approval by the city of Bloomington.

**46**      **Early separation incentive.** Extends and makes mandatory the early retirement incentive for the Iron Range Resources and Rehabilitation enacted in 2009 until December 31, 2012.

**47**      **St. Paul, housing replacement powers.** Re-authorizes the city of St. Paul to exercise housing replacement district powers. This power was granted to the city under a 1995 special law, but the city did not approve the law and so it lost the authority to do so in 1997. This would reinstate that authority (not subject to local approval).

**48**      **Oakdale TIF.** Authorizes the city of Oakdale to extend the duration of a tax increment financing (TIF) district no. 6 (Bergen Plaza) through 2024 (an extension of 8 years). To qualify for this extension, the city must:

- Enter a development agreement for the site by July 1, 2011
- Begin construction of the infrastructure for the project by November 1, 2011
- Limit expenditures of increments from the district to this development and related TIF costs (such as administration)

**49**      **North Mankato TIF.** Authorizes the city of North Mankato to expand the boundaries of a tax increment financing (TIF) district in the city (District No. IDD 1-8) to add a group of parcels designated by the section. This district is a redevelopment district. General law allows cities to expand the area of TIF districts, but this must be done within 5 years after the district was certified. For redevelopment districts, the expanded area must meet the blight test. This district was certified in 1990 and thus is beyond the 5-year period. The bill exempts the expansion from the requirement of meeting the blight test.

**5-year rule.** Exempts the district from the 5-year rule.

**Use of increments.** Permits increments to be used to reimburse the city for costs it incurs under the TIF plan, including future amendments of the plan, and to pay for GO TIF bonds issued for the district.

**Conditions.** Subjects the district to current general TIF law (except as otherwise explicitly provided by the section's provisions) and requires the city to enter a development agreement

for the site by July 1, 2011, and to begin substantial ongoing construction by November 1, 2011, to exercise the special authority.

**Effective date:** Upon approval by the city of North Mankato.

- 50 Cohasset TIF.** Authorizes the City of Cohasset to transfer increments from two TIF districts (No. 2-1 and 3-1) to repay advances the city made from its general fund for road improvements for the benefit of the district. This authority may only be used if the city enters a development agreement with a private developer by July 1, 2011, for development of property to be served by the road and if substantial and ongoing construction has begun by November 1, 2011.
- 51 2010 distributions.** Provides for distributions to be made in 2010 only (about \$8.8 million) to cities and townships for various public works projects. The amount used is from the taconite property tax relief fund.
- 52 Tax compliance.** Provides appropriations for additional activities to identify and collect tax liabilities from individuals and businesses that currently do not pay all taxes owed, expected to result in new general fund revenues for fiscal year 2011. Requires reports to the legislature on specified performance measures relating to this initiative. All of the new collection employees hired for this initiative are to be located in DOR's Ely office.
- 53 East Grand Forks TIF.** Authorizes the city of East Grand Forks to spend tax increments from two redevelopment districts for the construction of additional campsites at the Red River State Recreation Area. These districts were both certified before the pooling and 5-year rule restrictions took effect and, thus, are not subject to those rules.
- 54 Repealer.** Repeals the limitation imposed on the city of Bloomington in the 1996 special legislation authorizing the Met Center and Kelley farm site land swap. This limitation requires the city and the developer to abide by the public assistance formula in the restated contract entered into for development of MOA Phase I. That formula specified the amount of public assistance that the developer was entitled to receive based on the developer's investment in the project. Repeal will allow the city and the MOA company to renegotiate the terms of this agreement.

**Effective date:** Local approval by the city of Bloomington.