

Subject Champlin; tax increment financing authority modified

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Overview

This bill authorizes the following special rules for the city of Champlin's Mississippi Crossings TIF district:

- allows the addition of parcels to the district, as well as authorizes the expenditure of increment incurred in acquiring those parcels;
- extends the five-year rule to ten years;
- extends the district's duration an additional 5 years; and
- exempts the district from the requirement that starting in the district's sixth year, increment must be used to decertify the district.

Background on general TIF rules

Five-year rule. Under current law, 80 percent of increment generated (75 percent for redevelopment districts) in a district in the district's first five years after certification must be spent on development activity within the district. After the fifth year, increments may only be spent to decertify the district by paying off obligations that were incurred to fund work done during the five-year period, or to reimburse a developer for costs it paid during the first five years.

The rule is intended to ensure that the property within the district is put back on the tax rolls in a reasonable amount of time, rather than increment being used to undertake new projects or expenditures instead of being used to pay existing debts.

Pooling limits. Under current law, the pooling rules limit (to statutory percentages) the amount of increments that may be spent on activities outside the area of the TIF district. The statutory percentage limits state that since 80 percent of increments are subject to the five-year rule (above) and spent within the district, 20 percent may be spent outside of the district.

These limits are intended to prevent use of unlimited amounts of a district's increment on projects or activities outside of the district. In all cases, increments must be spent within the "project area" for a district, but the law imposes no significant limits on how

large those areas may be or how frequently their boundaries may be changed, even after the TIF district was established.



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