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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. **617**

02/14/2013 Authored by Hornstein  
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act  
1.2 relating to tax increment financing; authorizing transit improvement districts;  
1.3 amending Minnesota Statutes 2012, sections 469.174, subdivision 14, by adding  
1.4 a subdivision; 469.175, subdivision 3; 469.176, subdivision 1b, by adding a  
1.5 subdivision.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2012, section 469.174, subdivision 14, is amended to read:

1.8 Subd. 14. **Administrative expenses.** "Administrative expenses" means all  
1.9 expenditures of an authority other than:

1.10 (1) amounts paid for the purchase of land;

1.11 (2) amounts paid to contractors or others providing materials and services, including  
1.12 architectural and engineering services, directly connected with the physical development  
1.13 of the real property in the project;

1.14 (3) relocation benefits paid to or services provided for persons residing or businesses  
1.15 located in the project;

1.16 (4) amounts paid for services, as authorized by section 469.176, subdivision 4n,  
1.17 paragraph (a), clause (4) or (7), for a transit improvement district;

1.18 ~~(4) (5)~~ amounts used to pay principal or interest on, fund a reserve for, or sell at a  
1.19 discount bonds issued pursuant to section 469.178; or

1.20 ~~(5) (6)~~ amounts used to pay other financial obligations to the extent those obligations  
1.21 were used to finance costs described in clauses (1) to (3).

1.22 For districts for which the requests for certifications were made before August 1,  
1.23 1979, or after June 30, 1982, "administrative expenses" includes amounts paid for services  
1.24 provided by bond counsel, fiscal consultants, and planning or economic development  
1.25 consultants.

2.1 **EFFECTIVE DATE.** This section is effective for requests for certification made  
 2.2 after June 30, 2013.

2.3 Sec. 2. Minnesota Statutes 2012, section 469.174, is amended by adding a subdivision  
 2.4 to read:

2.5 Subd. 30. **Transit improvement district.** (a) For purposes of this subdivision and  
 2.6 section 469.176, subdivision 4n, the following terms have the meanings given.

2.7 (b) "Transit improvement district" means a type of tax increment financing district  
 2.8 consisting of a project, or portions of a project, within which the authority finds by  
 2.9 resolution that:

2.10 (1) the nearest boundary of each parcel of the district lies within one-half mile  
 2.11 of a qualifying transit line; and

2.12 (2) establishment of the district is in the public interest because it will aid in  
 2.13 financing improvements or services that will increase the effectiveness of the transit.

2.14 (c) "Streetcar line" means a form of transportation service provided to the public on  
 2.15 a regular and continuing basis that:

2.16 (1) operates on rails using a fixed guideway system;

2.17 (2) provides circulator service that includes interconnection with regular route  
 2.18 transit; and

2.19 (3) is located entirely within a statutory or home rule charter city.

2.20 (d) "Qualifying transit line" means a light rail transit line, commuter rail line, or bus  
 2.21 rapid transit line, identified by and operated or to be operated by the council, as defined in  
 2.22 section 473.121, or by the commissioner of transportation, or a streetcar line.

2.23 **EFFECTIVE DATE.** This section is effective for requests for certification made  
 2.24 after June 30, 2013.

2.25 Sec. 3. Minnesota Statutes 2012, section 469.175, subdivision 3, is amended to read:

2.26 **Subd. 3. Municipality approval.** (a) A county auditor shall not certify the original  
 2.27 net tax capacity of a tax increment financing district until the tax increment financing plan  
 2.28 proposed for that district has been approved by the municipality in which the district  
 2.29 is located. If an authority that proposes to establish a tax increment financing district  
 2.30 and the municipality are not the same, the authority shall apply to the municipality in  
 2.31 which the district is proposed to be located and shall obtain the approval of its tax  
 2.32 increment financing plan by the municipality before the authority may use tax increment  
 2.33 financing. The municipality shall approve the tax increment financing plan only after a  
 2.34 public hearing thereon after published notice in a newspaper of general circulation in the

3.1 municipality at least once not less than ten days nor more than 30 days prior to the date  
3.2 of the hearing. The published notice must include a map of the area of the district from  
3.3 which increments may be collected and, if the project area includes additional area, a map  
3.4 of the project area in which the increments may be expended. The hearing may be held  
3.5 before or after the approval or creation of the project or it may be held in conjunction with  
3.6 a hearing to approve the project.

3.7 (b) Before or at the time of approval of the tax increment financing plan, the  
3.8 municipality shall make the following findings, and shall set forth in writing the reasons  
3.9 and supporting facts for each determination:

3.10 (1) that the proposed tax increment financing district is a redevelopment district,  
3.11 a renewal or renovation district, a housing district, a soils condition district, transit  
3.12 improvement district, or an economic development district; if the proposed district is a  
3.13 redevelopment district or a renewal or renovation district, the reasons and supporting facts  
3.14 for the determination that the district meets the criteria of section 469.174, subdivision  
3.15 10, paragraph (a), clauses (1) and (2), or subdivision 10a, must be documented in writing  
3.16 and retained and made available to the public by the authority until the district has been  
3.17 terminated;

3.18 (2) that, in the opinion of the municipality:

3.19 (i) the proposed development or redevelopment would not reasonably be expected to  
3.20 occur solely through private investment within the reasonably foreseeable future; and

3.21 (ii) the increased market value of the site that could reasonably be expected to occur  
3.22 without the use of tax increment financing would be less than the increase in the market  
3.23 value estimated to result from the proposed development after subtracting the present  
3.24 value of the projected tax increments for the maximum duration of the district permitted  
3.25 by the plan. The requirements of this item do not apply if the district is a housing district;

3.26 (3) that the tax increment financing plan conforms to the general plan for the  
3.27 development or redevelopment of the municipality as a whole;

3.28 (4) that the tax increment financing plan will afford maximum opportunity,  
3.29 consistent with the sound needs of the municipality as a whole, for the development or  
3.30 redevelopment of the project by private enterprise;

3.31 (5) that the municipality elects the method of tax increment computation set forth in  
3.32 section 469.177, subdivision 3, paragraph (b), if applicable.

3.33 (c) When the municipality and the authority are not the same, the municipality shall  
3.34 approve or disapprove the tax increment financing plan within 60 days of submission by the  
3.35 authority. When the municipality and the authority are not the same, the municipality may  
3.36 not amend or modify a tax increment financing plan except as proposed by the authority

4.1 pursuant to subdivision 4. Once approved, the determination of the authority to undertake  
 4.2 the project through the use of tax increment financing and the resolution of the governing  
 4.3 body shall be conclusive of the findings therein and of the public need for the financing.

4.4 (d) For a district that is subject to the requirements of paragraph (b), clause (2),  
 4.5 item (ii), the municipality's statement of reasons and supporting facts must include all of  
 4.6 the following:

4.7 (1) an estimate of the amount by which the market value of the site will increase  
 4.8 without the use of tax increment financing;

4.9 (2) an estimate of the increase in the market value that will result from the  
 4.10 development or redevelopment to be assisted with tax increment financing; and

4.11 (3) the present value of the projected tax increments for the maximum duration of  
 4.12 the district permitted by the tax increment financing plan.

4.13 (e) For purposes of this subdivision, "site" means the parcels on which the  
 4.14 development or redevelopment to be assisted with tax increment financing will be located.

4.15 **EFFECTIVE DATE.** This section is effective for requests for certification made  
 4.16 after June 30, 2013.

4.17 Sec. 4. Minnesota Statutes 2012, section 469.176, subdivision 1b, is amended to read:

4.18 Subd. 1b. **Duration limits; terms.** (a) No tax increment shall in any event be  
 4.19 paid to the authority:

4.20 (1) after 15 years after receipt by the authority of the first increment for a renewal  
 4.21 and renovation district;

4.22 (2) after 20 years after receipt by the authority of the first increment for a soils  
 4.23 condition district;

4.24 (3) after eight years after receipt by the authority of the first increment for an  
 4.25 economic development district;

4.26 (4) for a housing district, transit improvement district, a compact development  
 4.27 district, or a redevelopment district, after 25 years from the date of receipt by the authority  
 4.28 of the first increment.

4.29 (b) For purposes of determining a duration limit under this subdivision or subdivision  
 4.30 1e that is based on the receipt of an increment, any increments from taxes payable in the year  
 4.31 in which the district terminates shall be paid to the authority. This paragraph does not affect  
 4.32 a duration limit calculated from the date of approval of the tax increment financing plan or  
 4.33 based on the recovery of costs or to a duration limit under subdivision 1c. This paragraph  
 4.34 does not supersede the restrictions on payment of delinquent taxes in subdivision 1f.

5.1 (c) An action by the authority to waive or decline to accept an increment has no  
 5.2 effect for purposes of computing a duration limit based on the receipt of increment under  
 5.3 this subdivision or any other provision of law. The authority is deemed to have received an  
 5.4 increment for any year in which it waived or declined to accept an increment, regardless  
 5.5 of whether the increment was paid to the authority.

5.6 (d) Receipt by a hazardous substance subdistrict of an increment as a result of a  
 5.7 reduction in original net tax capacity under section 469.174, subdivision 7, paragraph  
 5.8 (b), does not constitute receipt of increment by the overlying district for the purpose of  
 5.9 calculating the duration limit under this section.

5.10 **EFFECTIVE DATE.** This section is effective for requests for certification made  
 5.11 after June 30, 2013.

5.12 Sec. 5. Minnesota Statutes 2012, section 469.176, is amended by adding a subdivision  
 5.13 to read:

5.14 Subd. 4n. **Transit improvement districts.** (a) The authority may expend  
 5.15 tax increments from a transit improvement district for any purpose permitted for a  
 5.16 redevelopment district or a housing district and for:

5.17 (1) acquiring, constructing, or improving transit stations;

5.18 (2) acquiring and improving green space related to the transit improvements;

5.19 (3) streetscape improvements, such as improvements to streets and sidewalks or  
 5.20 other public right-of-way for the purpose of enhancing the movement, safety, convenience,  
 5.21 or enjoyment of users of the qualifying transit line and other pedestrians, including  
 5.22 decorative lighting and surfaces, plantings, display and exhibit space, adornments, seating,  
 5.23 and shelters;

5.24 (4) operating paratransit or circulator systems that serve passengers of or feed  
 5.25 passengers to the qualifying transit line;

5.26 (5) making transit improvement loans as authorized by section 469.351, subdivision  
 5.27 4;

5.28 (6) implementing transit area improvement plans that meet the requirements of  
 5.29 section 469.351, subdivision 3;

5.30 (7) paying the capital costs of a streetcar line; and

5.31 (8) financing mitigation costs related to the qualifying transit line.

5.32 (b) The authority must not expend tax increments from a transit improvement district  
 5.33 for the direct cost of construction or operation of the qualifying transit line, except as  
 5.34 explicitly permitted under paragraph (a).

6.1 **EFFECTIVE DATE.** This section is effective for requests for certification made  
6.2 after June 30, 2013.