

SENATE  
STATE OF MINNESOTA  
EIGHTY-SEVENTH LEGISLATURE

S.F. No. 1459

(SENATE AUTHORS: LATZ)

DATE	D-PG	OFFICIAL STATUS
05/21/2011	3046	Introduction and first reading Referred to Taxes

A bill for an act  
relating to taxation; modifying determinations of substandard buildings  
for redevelopment districts and renewal and renovation districts in the tax  
increment financing law; amending Minnesota Statutes 2010, sections 469.174,  
subdivisions 10, 10a; 469.176, subdivision 4j.

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

Section 1. Minnesota Statutes 2010, section 469.174, subdivision 10, is amended to  
read:

Subd. 10. **Redevelopment district.** (a) "Redevelopment district" means a type of  
tax increment financing district consisting of a project, or portions of a project, within  
which the authority finds by resolution that one or more of the following conditions,  
reasonably distributed throughout the district, exists:

(1) parcels consisting of 70 percent of the area of the district are occupied by  
buildings, streets, utilities, paved or gravel parking lots, or other similar structures  
and more than 50 percent of the buildings, not including outbuildings, are ~~structurally~~  
~~substandard to a degree requiring substantial renovation or clearance~~ buildings;

(2) the property consists of vacant, unused, underused, inappropriately used, or  
infrequently used rail yards, rail storage facilities, or excessive or vacated railroad  
rights-of-way;

(3) tank facilities, or property whose immediately previous use was for tank  
facilities, as defined in section 115C.02, subdivision 15, if the tank facilities:

- (i) have or had a capacity of more than 1,000,000 gallons;
- (ii) are located adjacent to rail facilities; and
- (iii) have been removed or are unused, underused, inappropriately used, or  
infrequently used; or

(4) a qualifying disaster area, as defined in subdivision 10b.

(b) For purposes of this subdivision, "~~structurally~~ substandard building" ~~shall mean~~  
~~containing~~ means a building that satisfies the conditions in either clause (1) or (2):

(1) the building both:

(i) fails to comply with the building code applicable to new buildings, and the  
modifications necessary to satisfy the building code applicable to new buildings would  
cost at least 15 percent of the cost of constructing a new structure of the same square  
footage and type on the site; and

(ii) is characterized by at least one of the following factors:

(A) the building contains defects in structural elements or a combination of  
deficiencies in essential utilities and facilities, light and ventilation, fire protection  
including adequate egress, layout and condition of interior partitions, or similar factors,  
which defects or deficiencies are of sufficient total significance to justify substantial  
renovation or clearance;

~~(c) A building is not structurally substandard if it is in compliance with the building~~  
~~code applicable to new buildings or could be modified to satisfy the building code at a~~  
~~cost of less than 15 percent of the cost of constructing a new structure of the same square~~  
~~footage and type on the site.~~

(B) property taxes or special assessments have been delinquent for at least two years;

(C) the assessor's market value of the property has declined to a greater extent than  
the average percentage declines for the same property class in either the municipality or  
the county where the property is located; or

(D) the building has a vacancy rate higher than the average vacancy rate for all  
properties in the same property class in either the municipality or the county where the  
property is located; and

(2) the building has been substantially unoccupied or unused for any commercial,  
industrial, or residential purpose for a least one year by a person with the legal or equitable  
right to occupy the property.

(c) The municipality may find that a building is not disqualified as structurally  
a substandard building under the preceding sentence paragraph (b) on the basis of  
reasonably available evidence, such as the size, type, and age of the building, the average  
cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. ~~The~~  
~~municipality may not make such a determination.~~ Failure to comply with energy codes  
may be taken into account in the analysis under paragraph (b), clause (1), item (i), but  
may not be the basis for a finding under paragraph (b), clause (1), item (ii), subitem (A).  
Except in the case of a finding based on paragraph (b), clause (2), the municipality may

not find that a building is a substandard building without an interior inspection of the property, but need not have an independent, expert appraisal prepared of the cost of repair and rehabilitation of the building. An interior inspection of the property is not required, if the municipality finds that (1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission from the party that owns or controls the property; and (2) the evidence otherwise supports a reasonable conclusion that the building is ~~structurally~~ a substandard building as defined in this subdivision.

Items of evidence that support such a conclusion include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence. Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3, clause (1). ~~Failure of a building to be disqualified under the provisions of this paragraph is a necessary, but not a sufficient, condition to determining that the building is substandard.~~

(d) A parcel is deemed to be occupied by a ~~structurally~~ substandard building for purposes of the finding under paragraph (a) or by the improvements described in paragraph (e) if all of the following conditions are met:

(1) the parcel was occupied by a substandard building or met the requirements of paragraph (e), as the case may be, within three years of the filing of the request for certification of the parcel as part of the district with the county auditor;

(2) the substandard building or the improvements described in paragraph (e) were demolished or removed by the authority or the demolition or removal was financed by the authority or was done by a developer under a development agreement with the authority;

(3) the authority found by resolution before the demolition or removal that the parcel was occupied by a ~~structurally~~ substandard building or met the requirements of paragraph (e) and that after demolition and clearance the authority intended to include the parcel within a district; and

(4) upon filing the request for certification of the tax capacity of the parcel as part of a district, the authority notifies the county auditor that the original tax capacity of the parcel must be adjusted as provided by section 469.177, subdivision 1, paragraph (f).

(e) For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures unless 15 percent of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or other similar structures.

(f) For districts consisting of two or more noncontiguous areas, each area must qualify as a redevelopment district under paragraph (a) to be included in the district, and the entire area of the district must satisfy paragraph (a).

**EFFECTIVE DATE.** This section is effective for districts for which certification was requested after the date of final enactment of this act.

Sec. 2. Minnesota Statutes 2010, section 469.174, subdivision 10a, is amended to read:

Subd. 10a. **Renewal and renovation district.** (a) "Renewal and renovation district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that:

(1)(i) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures; (ii) 20 percent of the buildings are ~~structurally~~ substandard buildings; and (iii) 30 percent of the other buildings require substantial renovation or clearance to remove existing conditions such as: inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings on the land, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, or other identified hazards to the health, safety, and general well-being of the community; and

(2) the conditions described in clause (1) are reasonably distributed throughout the geographic area of the district.

(b) For purposes of determining whether a building is ~~structurally~~ a substandard building, whether parcels are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures, or whether noncontiguous areas qualify, the provisions of subdivision 10, paragraphs (b) through (f), apply.

**EFFECTIVE DATE.** This section is effective for districts for which certification was requested after the date of final enactment of this act.

Sec. 3. Minnesota Statutes 2010, section 469.176, subdivision 4j, is amended to read:

Subd. 4j. **Redevelopment districts.** At least 90 percent of the revenues derived from tax increments from a redevelopment district or renewal and renovation district must be used to finance the cost of correcting conditions that allow designation of redevelopment and renewal and renovation districts under section 469.174. These costs include, but are not limited to, acquiring properties containing ~~structurally~~ substandard buildings or improvements or hazardous substances, pollution, or contaminants, acquiring adjacent parcels necessary to provide a site of sufficient size to permit development,

5.1 demolition and rehabilitation of structures, clearing of the land, the removal of hazardous  
5.2 substances or remediation necessary to development of the land, and installation of  
5.3 utilities, roads, sidewalks, and parking facilities for the site. The allocated administrative  
5.4 expenses of the authority, including the cost of preparation of the development action  
5.5 response plan, may be included in the qualifying costs.

5.6 **EFFECTIVE DATE.** This section is effective for districts for which certification  
5.7 was requested after the date of final enactment of this act.