

A bill for an act

relating to economic development and housing; modifying the targeted neighborhood revitalization program; creating a revolving fund; regulating tax increment financing expenditures; appropriating money; amending Minnesota Statutes 2008, sections 469.201, subdivisions 2, 4, 6, 7, 10, 11, 12; 469.202; 469.203, subdivisions 1, 2, 4; 469.204, subdivision 1, by adding a subdivision; 469.205; 469.207, subdivision 2; Laws 2008, chapter 366, article 5, section 37; repealing Minnesota Statutes 2008, sections 469.203, subdivision 3; 469.204, subdivisions 2, 3.

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

Section 1. Minnesota Statutes 2008, section 469.201, subdivision 2, is amended to read:

Subd. 2. **City.** "City" means ~~a city of the first class as defined in section 410.01 and a city of the second class that is designated as an economically depressed area by the United States Department of Commerce~~ any statutory or home rule charter city, town, or township. For each city, a port authority, housing and redevelopment authority, or other agency or instrumentality, the jurisdiction of which is the territory of the city, is included within the meaning of city.

Sec. 2. Minnesota Statutes 2008, section 469.201, subdivision 4, is amended to read:

Subd. 4. **City matching money.** (a) "City matching money" means the money of a city specified in a targeted revitalization program. The sources of city matching money may include:

(1) money from the general fund or a special fund of a city used to implement a targeted revitalization program;

(2) money paid or repaid to a city from the proceeds of a grant that a city has received from the federal government, a profit or nonprofit corporation, or another entity or individual, that is to be used to implement a targeted revitalization program;

(3) tax increments received by a city under sections 469.174 to 469.179 or other law, if eligible, to be spent in the targeted ~~neighborhood~~ community;

(4) the greater of the fair market value or the cost to the city of acquiring land, buildings, equipment, or other real or personal property that a city contributes, grants, leases, or loans to a profit or nonprofit corporation or other entity or individual, in connection with the implementation of a targeted revitalization program;

(5) city money to be used to acquire, install, reinstall, repair, or improve the infrastructure facilities of a targeted ~~neighborhood~~ community;

(6) money contributed by a city to pay issuance costs, fund bond reserves, or to otherwise provide financial support for revenue bonds or obligations issued by a city for a project or program related to the implementation of a targeted revitalization program;

(7) money derived from fees received by a city in connection with its community development activities that are to be used in implementing a targeted revitalization program;

(8) money derived from the apportionment to the city under section 162.14 or by special law, and expended in a targeted ~~neighborhood~~ community for an activity related to the targeted revitalization program;

(9) administrative expenses of the city that are incurred in connection with the planning, implementation, or reporting requirements of sections 469.201 to 469.207.

(b) City matching money does not include:

(1) city money used to provide a service or to exercise a function that is ordinarily provided throughout the city, unless an increased level of the service or function is to be provided in a targeted ~~neighborhood~~ community in accordance with a targeted revitalization program;

(2) the proceeds of bonds issued by the city under chapter 462C or 469 and payable solely from repayments made by one or more nongovernmental persons in consideration for the financing provided by the bonds; or

(3) money given by the state to fund any part of the targeted revitalization program.

Sec. 3. Minnesota Statutes 2008, section 469.201, subdivision 6, is amended to read:

Subd. 6. **Housing activities.** "Housing activities" include any work or undertaking to provide housing and related services and amenities primarily for persons and families of low or moderate income. This work or undertaking may include, the planning of buildings

and improvements; the acquisition of real property, which may be needed ~~immediately~~  
to address vacancies, foreclosures, and preservation of housing now or in the future ~~for~~  
~~housing purposes and the~~; demolition of any existing improvements; activities to address  
lead abatement, energy efficiencies, or other activities related to the health of a building;  
and the construction, reconstruction, alteration, and repair of new and existing buildings.  
Housing activities also include the provision of a housing rehabilitation and energy  
improvement loan and grant program with respect to any residential property located  
within the targeted ~~neighborhood~~ community, the cost of relocation relating to acquiring  
property for housing activities, and programs authorized by chapter 462C.

Sec. 4. Minnesota Statutes 2008, section 469.201, subdivision 7, is amended to read:

Subd. 7. **Lost unit.** "Lost unit" means a rental housing unit that has been vacant  
for more than six months or has been condemned for code violations, that is lost as a  
result of revitalization activities because it is demolished, converted to an owner-occupied  
unit that is not a cooperative, or converted to a nonresidential use, or because the gross  
rent to be charged exceeds 125 percent of the gross rent charged for the unit six months  
before the start of rehabilitation.

Sec. 5. Minnesota Statutes 2008, section 469.201, subdivision 10, is amended to read:

Subd. 10. **Targeted ~~neighborhood~~ community.** "Targeted ~~neighborhood~~  
community" means an area including one or more census tracts, as determined and  
measured by the Bureau of Census of the United States Department of Commerce, that  
a city council determines in a resolution adopted under section 469.202, subdivision 1,  
meets the criteria of section 469.202, subdivision 2, and any additional area designated  
under section 469.202, subdivision 3.

Sec. 6. Minnesota Statutes 2008, section 469.201, subdivision 11, is amended to read:

Subd. 11. **Targeted ~~neighborhood~~ community money.** "Targeted ~~neighborhood~~  
community money" means the money designated in the targeted revitalization program to  
be used to implement the targeted revitalization program.

Sec. 7. Minnesota Statutes 2008, section 469.201, subdivision 12, is amended to read:

Subd. 12. **Targeted ~~neighborhood~~ community revitalization and financing**  
**program.** "Targeted ~~neighborhood~~ community revitalization and financing program,"  
"revitalization program," or "program" means the targeted ~~neighborhood~~ community  
revitalization and financing program adopted in accordance with section 469.203.

Sec. 8. Minnesota Statutes 2008, section 469.202, is amended to read:

**469.202 DESIGNATION OF TARGETED ~~NEIGHBORHOODS~~  
COMMUNITIES.**

Subdivision 1. **City authority.** A city may by resolution designate a targeted neighborhood community within its borders after adopting detailed findings that the designated ~~neighborhoods~~ communities meet the eligibility requirements in subdivision 2 or 3.

Subd. 2. **Eligibility requirements for targeted ~~neighborhoods~~ communities.** An area within a city is eligible for designation as a targeted ~~neighborhood~~ community if the area meets ~~two~~ three of the following ~~three~~ four criteria:

(a) The area had an unemployment rate that was twice the unemployment rate for the Minneapolis and Saint Paul standard metropolitan statistical area as determined by the most recent federal decennial census.

(b) The median household income in the area was no more than ~~half~~ 80 percent of the median household income for the Minneapolis and Saint Paul standard metropolitan statistical area as determined by the most recent federal decennial census.

(c) The area is characterized by residential dwelling units in need of substantial rehabilitation. An area qualifies under this paragraph if 25 percent or more of the residential dwelling units are in substandard condition as determined by the city, or if 70 percent or more of the residential dwelling units in the area were built before ~~1940~~ 1960 as determined by the most recent federal decennial census.

(d) The area is characterized by having a disproportionate number of vacant residential buildings and mortgage foreclosures. An area qualifies under this paragraph if it has either:

(1) a foreclosure rate of at least 1.5 percent in 2008; or

(2) a foreclosure rate in 2008 in the city or in a zip code area of the city that is at least 50 percent higher than the average foreclosure rate in the metropolitan area, as defined in section 473.121, subdivision 2. For purposes of this paragraph, "foreclosure rate" means the number of foreclosures, as indicated by sheriff sales records, divided by the number of households in the city in 2007.

Subd. 3. **Additional area eligible for inclusion in targeted ~~neighborhood~~ community.** (a) A city may add to the area designated as a targeted ~~neighborhood~~ community under subdivision 2 additional area extending up to four contiguous city blocks in all directions from the designated targeted ~~neighborhood~~ community. For the purpose of this subdivision, "city block" has the meaning determined by the city; or

(b) The city may enlarge the targeted ~~neighborhood~~ community to include portions of a census tract that is contiguous to a targeted ~~neighborhood~~ community, provided that the city council first determines the additional area satisfies ~~two~~ three of the ~~three~~ four criteria in subdivision 2.

Sec. 9. Minnesota Statutes 2008, section 469.203, subdivision 1, is amended to read:

Subdivision 1. **Requirements.** For each targeted ~~neighborhood~~ community for which a city requests state financial assistance under section 469.204, the city must prepare a comprehensive revitalization and financing program that includes the following:

(1) the revitalization objectives of the city for the targeted ~~neighborhood~~ community;

(2) the specific activities or means by which the city intends to pursue and implement the revitalization objectives;

(3) the extent to which the activities identified in clause (2) will benefit low- and moderate-income families, will alleviate the blighted condition of the targeted ~~neighborhood~~ community, or will otherwise assist in the revitalization of the targeted ~~neighborhood~~ community;

(4) a statement of the intended outcomes to be achieved by implementation of the targeted revitalization program, how the outcomes will be measured both qualitatively and quantitatively, and the estimated time over which they will occur; and

(5) a financing program and budget that identifies the financial resources necessary to implement the targeted revitalization program, including:

(i) the estimated total cost to implement the targeted revitalization program;

(ii) the estimated cost to implement each activity in the revitalization program identified in clause (2);

(iii) the estimated amount of financial resources that will be available from all sources other than from the appropriation available under section 469.204 to implement the revitalization program, including the amount of private investment expected to result from the use of public money in the targeted ~~neighborhood~~ community;

(iv) the estimated amount of the appropriation available under section 469.204 that will be necessary to implement the targeted revitalization program;

(v) a description of the activities identified in the targeted revitalization program for which the state appropriation will be committed or spent; and

(vi) a statement of how the city intends to meet the requirement for a financial contribution from city matching money in accordance with section 469.204, subdivision 3.

Sec. 10. Minnesota Statutes 2008, section 469.203, subdivision 2, is amended to read:

Subd. 2. **Targeted ~~neighborhood~~ community participation in preparing revitalization program.** A city requesting state financial assistance under section 469.204 shall ~~adopt~~ follow a process to involve the residents of targeted ~~neighborhoods~~ communities in the development, drafting, and implementation of the targeted revitalization program. The process shall include the use of a citizen participation process established by the city. A description of the process must be included in the program. The process to involve residents of the targeted ~~neighborhood~~ community must include at least one public ~~hearing~~. ~~The city of Minneapolis shall establish the community-based process as outlined in subdivision 3. The city of St. Paul shall use the same community-based process the city used in planning, developing, drafting, and implementing the revitalization program required under Laws 1987, chapter 386, article 6, section 6. The city of Duluth shall use the same citizen participation process the city used in planning, developing, and implementing the federal funded community development program meeting in the targeted community.~~

Sec. 11. Minnesota Statutes 2008, section 469.203, subdivision 4, is amended to read:

Subd. 4. **City approval of program.** (a) Before or after adoption of a revitalization program under paragraph (b), the city must submit a preliminary program to the commissioner and the Minnesota Housing Finance Agency for their comments. ~~The city may not adopt the revitalization program until comments have been received from the state agencies or 30 days have elapsed without response after the program was sent to them.~~ Comments received by the city from the state agencies within the ~~30-day period~~ 30 days after submission of the preliminary program must be responded to in writing by the city ~~before adoption of the program by the city.~~

(b) The city may adopt a targeted revitalization program ~~only after holding a public hearing after the program has been prepared. Notice of the hearing must be provided in a newspaper of general circulation in the city and in the most widely circulated community newspaper in the targeted neighborhoods not less than ten days nor more than 30 days before the date of the hearing subject to any local public notification requirements and consistent with citizen participation process established for identifying targeted communities.~~

(c) A certification by the city that a targeted revitalization program has been approved by the city council for the targeted ~~neighborhood~~ community must be provided to the commissioner together with a copy of the program. A copy of the program must also be provided to the Minnesota Housing Finance Agency ~~and the commissioner of employment and economic development.~~

(d) A targeted revitalization program for the city may be modified at any time by the city council after a public hearing, notice of which is published in a newspaper of general circulation in the city ~~and in the targeted neighborhood~~ at least ten days nor more than 30 days before the date of the hearing. If the city council determines that the proposed modification is a significant modification to the program originally certified under paragraph (c), the city council shall implement the targeted revitalization program approval and certification process of this subdivision for the proposed modification.

Sec. 12. Minnesota Statutes 2008, section 469.204, subdivision 1, is amended to read:

Subdivision 1. **Payment of state money.** Upon receipt from a city of a certification that a revitalization program has been adopted or modified, the commissioner shall, within 30 days, pay to the city the amount of state money identified as necessary to implement the revitalization program or program modification. State money may be paid to the city only to the extent that the appropriation limit for the city specified in subdivision 2 is not exceeded. Once the state money has been paid to the city, it becomes targeted ~~neighborhood~~ community money for use by the city in accordance with an adopted revitalization program and subject only to the restrictions on its use in sections 469.201 to 469.207.

Sec. 13. Minnesota Statutes 2008, section 469.204, is amended by adding a subdivision to read:

Subd. 4. **Revolving fund.** A targeted community revitalization revolving fund is established in the state treasury. The fund consists of all money appropriated to the commissioner for the purposes of sections 469.201 to 469.207 and all proceeds received by the commissioner as the result of housing activities related to a targeted community revitalization program.

Sec. 14. Minnesota Statutes 2008, section 469.205, is amended to read:

**469.205 CITY POWERS; USES OF TARGETED ~~NEIGHBORHOOD~~ COMMUNITY MONEY.**

Subdivision 1. **Consolidation of existing powers in targeted ~~neighborhoods~~ communities.** A city may exercise any of its corporate powers within a targeted ~~neighborhood~~ community. Those powers shall include, but not be limited to, all of the powers enumerated and granted to any city by chapters 462C, 469, and 474A. For the purposes of sections 469.048 to 469.068, a targeted ~~neighborhood~~ community is considered an industrial development district. A city may exercise the powers of sections

469.048 to 469.068 in conjunction with, and in addition to, exercising the powers granted by sections 469.001 to 469.047 and chapter 462C, in order to promote and assist housing construction and rehabilitation within a targeted ~~neighborhood~~ community. For the purposes of section 462C.02, subdivision 9, a targeted ~~neighborhood~~ community is considered a "targeted area."

Subd. 2. **Grants and loans.** In addition to the authority granted by other law, a city may make grants, loans, and other forms of public assistance to individuals, for-profit and nonprofit corporations, and other organizations to implement a targeted revitalization program. The public assistance must contain the terms the city considers proper to implement a targeted revitalization program.

Subd. 3. **Eligible uses of targeted ~~neighborhood~~ community money.** The city may spend targeted ~~neighborhood~~ community money for any purpose authorized by subdivision 1 or 2, except that an amount equal to at least 50 percent of the state payment under section 469.204 made to the city must be used for housing activities. Use of ~~target neighborhood~~ targeted community money must be authorized in a targeted revitalization program.

Sec. 15. Minnesota Statutes 2008, section 469.207, subdivision 2, is amended to read:

Subd. 2. **Annual report.** A city that begins to implement a revitalization program in a calendar year must, by March 1 of the succeeding calendar year, provide a detailed report on the revitalization program or programs being implemented in the city. The report must describe the status of the program implementation and analyze whether the intended outcomes identified in section 469.203, subdivision 1, clause (4), are being achieved. The report must include at least the following:

(1) the number of housing units, including lost units, removed, created, lost, replaced, relocated, and assisted as a result of the program. The level of rent of the units and the income of the households affected must be included in the report;

(2) the number and type of commercial establishments removed, created, and assisted as a result of a revitalization program. The report must include information regarding the number of new jobs created by category, whether the jobs are full time or part time, and the salary or wage levels of both new and expanded jobs in the affected commercial establishments;

(3) a description of a statement of the cost of the public improvement projects that are part of the program and the number of jobs created for each \$20,000 of money spent on commercial projects and applicable public improvement projects;

(4) the increase in the tax capacity for the city as a result of the assistance to commercial and housing assistance; and



(5) the amount of private investment that is a result of the use of public money in a targeted ~~neighborhood~~ community.

The report must be submitted to the commissioner, the Minnesota housing finance agency, and the legislative audit commission, and must be available to the public.

Sec. 16. Laws 2008, chapter 366, article 5, section 37, is amended to read:

Sec. 37. **CITY OF MINNEAPOLIS; TAX INCREMENT FINANCING DISTRICT.**

Subdivision 1. **Authorization.** Notwithstanding the provisions of any other law, the city of Minneapolis may establish a redevelopment tax increment financing district comprised of the properties included in the existing tax increment districts in the city that are exempt under Minnesota Statutes, section 469.179, subdivision 1, and were not decertified before July 1, 2008. The district created under this section may be certified after January 1, 2010, and terminates no later than December 31, 2020. The city may create the district under this section only if it enters into an agreement with Hennepin County to pay the county annually out of the increment from this district an amount equal to the tax that would have been payable to the county on the captured tax capacity of the district had the district not been created.

Subd. 2. **Special rules.** The requirements for qualifying a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to parcels located within the district. Minnesota Statutes, section 469.176, subdivisions 4j and 4l, do not apply to the district. The original tax capacity of the district is \$2,731,854.

Subd. 3. **Authorized expenditures.** (a) Tax increment from the district may be expended only:

(1) to pay principal and interest on bond obligations issued by the city of Minneapolis or the Minneapolis Community Development Agency for Target Center, including payment of principal and interest on any bonds issued to repay bonds or loans; and

(2) for neighborhood revitalization purposes, as provided under the city's program established under Minnesota Statutes, section 469.1831. ~~All such expenditures are deemed to be activities within the district under Minnesota Statutes, section 469.1763, subdivisions 2, 3, and 4.~~

(b) At least one-half of the expenditures must be for the purposes described in paragraph (a), clause (2). Any expenditures made as provided under paragraph (a) are deemed to satisfy the requirements of Minnesota Statutes, sections 469.174 to 469.1799.

Subd. 4. **Adjusted net tax capacity.** The captured tax capacity of the district must be included in the adjusted net tax capacity of the city, county, and school district for the

10.1 purposes of determining local government aid, education aid, and county program aid.  
10.2 The county auditor shall report to the commissioner of revenue the amount of the captured  
10.3 tax capacity for the district at the time the assessment abstracts are filed.

10.4 **EFFECTIVE DATE.** This section is effective upon compliance by the governing  
10.5 body of the city of Minneapolis with the provisions of Minnesota Statutes, section  
10.6 645.021, subdivision 3.

10.7 Sec. 17. **APPROPRIATION.**

10.8 \$30,000,000 is appropriated in fiscal year 2010 from the general fund to the  
10.9 Department of Employment and Economic Development to carry out activities under the  
10.10 targeted community revitalization and financing program. This appropriation is available  
10.11 until spent.

10.12 Sec. 18. **REPEALER.**

10.13 Minnesota Statutes 2008, sections 469.203, subdivision 3; and 469.204, subdivisions  
10.14 2 and 3, are repealed.