

This Document can be made available in alternative formats upon request

State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 3166

04/07/2025 Authored by Gomez 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 taxation; tax increment financing; making school district approval a
1.3 condition of establishing an economic development district; amending Minnesota
1.4 Statutes 2024, section 469.175, subdivision 3.

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

1.6 Section 1. Minnesota Statutes 2024, section 469.175, subdivision 3, is amended to read:

1.7 Subd. 3. Municipality approval. (a) A county auditor shall not certify the original net
1.8 tax capacity of a tax increment financing district until the tax increment financing plan
1.9 proposed for that district has been approved by the municipality in which the district is
1.10 located. In the case of a proposed economic development district, except for an economic
1.11 development district established for a workforce housing project that satisfies the
1.12 requirements of section 469.176, subdivision 4c, paragraph (d), a county auditor shall not
1.13 certify the original net tax capacity of a tax increment financing district until, after receipt,
1.14 review, and discussion of the materials required by subdivision 2, the governing board of
1.15 each school district containing part of the area proposed to be included in the district has
1.16 approved the tax increment financing plan, by resolution. If an authority that proposes to
1.17 establish a tax increment financing district and the municipality are not the same, the authority
1.18 shall apply to the municipality in which the district is proposed to be located and shall obtain
1.19 the approval of its tax increment financing plan by the municipality before the authority
1.20 may use tax increment financing. The municipality shall approve the tax increment financing
1.21 plan only after a public hearing thereon after published notice in a newspaper of general
1.22 circulation in the municipality at least once not less than ten days nor more than 30 days
1.23 prior to the date of the hearing. The published notice must include a map of the area of the
1.24 district from which increments may be collected and, if the project area includes additional

2.1 area, a map of the project area in which the increments may be expended. The hearing may
2.2 be held before or after the approval or creation of the project or it may be held in conjunction
2.3 with a hearing to approve the project.

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

2.7 (1) that the proposed tax increment financing district is a redevelopment district, a
2.8 renewal or renovation district, a housing district, a soils condition district, or an economic
2.9 development district; if the proposed district is a redevelopment district or a renewal or
2.10 renovation district, the reasons and supporting facts for the determination that the district
2.11 meets the criteria of section 469.174, subdivision 10, paragraph (a), clauses (1) and (2), or
2.12 subdivision 10a, must be documented in writing and retained and made available to the
2.13 public by the authority until the district has been terminated;

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

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

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

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

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

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

2.29 (c) When the municipality and the authority are not the same, the municipality shall
2.30 approve or disapprove the tax increment financing plan within 60 days of submission by
2.31 the authority. When the municipality and the authority are not the same, the municipality
2.32 may not amend or modify a tax increment financing plan except as proposed by the authority
2.33 pursuant to subdivision 4. Once approved, the determination of the authority to undertake

3.1 the project through the use of tax increment financing and the resolution of the governing
3.2 body shall be conclusive of the findings therein and of the public need for the financing.

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

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

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

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

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

3.14 (f) Before or at the time of approval of the tax increment financing plan for a district to
3.15 be used to fund a workforce housing project under section 469.176, subdivision 4c, paragraph
3.16 (d), the municipality shall make the following findings and set forth in writing the reasons
3.17 and supporting facts for each determination:

3.18 (1) the city is located outside of the metropolitan area, as defined in section 473.121,
3.19 subdivision 2;

3.20 (2) the average vacancy rate for rental housing located in the municipality and in any
3.21 statutory or home rule charter city located within 15 miles or less of the boundaries of the
3.22 municipality has been three percent or less for at least the immediately preceding two-year
3.23 period;

3.24 (3) at least one business located in the municipality or within 15 miles of the municipality
3.25 that employs a minimum of 20 full-time equivalent employees in aggregate has provided a
3.26 written statement to the municipality indicating that the lack of available rental housing has
3.27 impeded the ability of the business to recruit and hire employees; and

3.28 (4) the municipality and the development authority intend to use increments from the
3.29 district for the development of rental housing to serve employees of businesses located in
3.30 the municipality or surrounding area.

4.1 (g) The county auditor may not certify the original tax capacity of an economic
4.2 development tax increment financing district for a workforce housing project if the request
4.3 for certification is made after June 30, 2027.

4.4 **EFFECTIVE DATE.** This section is effective for districts for which the request for
4.5 certification was made after July 1, 2025.