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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 948

02/17/2025 Authored by Davids
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; modifying eligibility for
1.3 redevelopment districts; repealing renewal and renovation districts; shortening
1.4 duration limits; amending Minnesota Statutes 2024, sections 469.174, subdivision
1.5 10; 469.175, subdivisions 3, 4; 469.176, subdivision 1b; 469.1763, subdivisions
1.6 2, 6; 469.177, subdivision 1; repealing Minnesota Statutes 2024, sections 469.174,
1.7 subdivision 10a; 469.176, subdivision 4j.

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

1.9 Section 1. Minnesota Statutes 2024, section 469.174, subdivision 10, is amended to read:

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

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

1.18 (2) parcels consisting of at least 70 percent of the area of the district are occupied by
1.19 buildings, streets, utilities, paved or gravel parking lots, or other similar structures and at
1.20 least 20 percent of the buildings are structurally substandard and at least 30 percent of the
1.21 other buildings require substantial renovation or clearance to remove existing conditions
1.22 such as inadequate street layouts, incompatible uses or land use relationships, overcrowding
1.23 of buildings on the land, excessive dwelling unit density, obsolete buildings not suitable

2.1 for improvement or conversion, or other identified hazards to the health, safety, and general
2.2 well-being of the community;

2.3 ~~(2)~~ (3) the property consists of vacant, unused, underused, inappropriately used, or
2.4 infrequently used rail yards, rail storage facilities, or excessive or vacated railroad
2.5 rights-of-way;

2.6 ~~(3)~~ (4) tank facilities, or property whose immediately previous use was for tank facilities,
2.7 as defined in section 115C.02, subdivision 15, if the tank facilities:

2.8 (i) have or had a capacity of more than 1,000,000 gallons;

2.9 (ii) are located adjacent to rail facilities; and

2.10 (iii) have been removed or are unused, underused, inappropriately used, or infrequently
2.11 used; or

2.12 ~~(4)~~ (5) a qualifying disaster area, as defined in subdivision 10b.

2.13 (b) For purposes of this subdivision, "structurally substandard" shall mean containing
2.14 defects in structural elements or a combination of deficiencies in essential utilities and
2.15 facilities, light and ventilation, fire protection including adequate egress, layout and condition
2.16 of interior partitions, or similar factors, which defects or deficiencies are of sufficient total
2.17 significance to justify substantial renovation or clearance.

2.18 (c) A building is not structurally substandard if it is in compliance with the building
2.19 code applicable to new buildings or could be modified to satisfy the building code at a cost
2.20 of less than 15 percent of the cost of constructing a new structure of the same square footage
2.21 and type on the site. The municipality may find that a building is not disqualified as
2.22 structurally substandard under the preceding sentence on the basis of reasonably available
2.23 evidence, such as the size, type, and age of the building, the average cost of plumbing,
2.24 electrical, or structural repairs, or other similar reliable evidence. The municipality may not
2.25 make such a determination without an interior inspection of the property, but need not have
2.26 an independent, expert appraisal prepared of the cost of repair and rehabilitation of the
2.27 building. An interior inspection of the property is not required, if the municipality finds that
2.28 (1) the municipality or authority is unable to gain access to the property after using its best
2.29 efforts to obtain permission from the party that owns or controls the property; and (2) the
2.30 evidence otherwise supports a reasonable conclusion that the building is structurally
2.31 substandard. Items of evidence that support such a conclusion include recent fire or police
2.32 inspections, on-site property tax appraisals or housing inspections, exterior evidence of
2.33 deterioration, or other similar reliable evidence. Written documentation of the findings and

3.1 reasons why an interior inspection was not conducted must be made and retained under
 3.2 section 469.175, subdivision 3, clause (1). Failure of a building to be disqualified under the
 3.3 provisions of this paragraph is a necessary, but not a sufficient, condition to determining
 3.4 that the building is substandard.

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

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

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

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

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

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

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

3.28 **EFFECTIVE DATE.** This section is effective for districts for which the request for
 3.29 certification was made after June 30, 2025.

3.30 Sec. 2. Minnesota Statutes 2024, section 469.175, subdivision 3, is amended to read:

3.31 Subd. 3. **Municipality approval.** (a) A county auditor shall not certify the original net
 3.32 tax capacity of a tax increment financing district until the tax increment financing plan

4.1 proposed for that district has been approved by the municipality in which the district is
 4.2 located. If an authority that proposes to establish a tax increment financing district and the
 4.3 municipality are not the same, the authority shall apply to the municipality in which the
 4.4 district is proposed to be located and shall obtain the approval of its tax increment financing
 4.5 plan by the municipality before the authority may use tax increment financing. The
 4.6 municipality shall approve the tax increment financing plan only after a public hearing
 4.7 thereon after published notice in a newspaper of general circulation in the municipality at
 4.8 least once not less than ten days nor more than 30 days prior to the date of the hearing. The
 4.9 published notice must include a map of the area of the district from which increments may
 4.10 be collected and, if the project area includes additional area, a map of the project area in
 4.11 which the increments may be expended. The hearing may be held before or after the approval
 4.12 or creation of the project or it may be held in conjunction with a hearing to approve the
 4.13 project.

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

4.17 (1) that the proposed tax increment financing district is a redevelopment district, a
 4.18 ~~renewal or renovation district~~, a housing district, a soils condition district, or an economic
 4.19 development district; if the proposed district is a redevelopment district ~~or a renewal or~~
 4.20 ~~renovation district~~, the reasons and supporting facts for the determination that the district
 4.21 meets the criteria of section 469.174, subdivision 10, paragraph (a), ~~clauses (1) and (2), or~~
 4.22 ~~subdivision 10a~~, must be documented in writing and retained and made available to the
 4.23 public by the authority until the district has been terminated;

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

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

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

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

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

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

5.6 (c) When the municipality and the authority are not the same, the municipality shall
5.7 approve or disapprove the tax increment financing plan within 60 days of submission by
5.8 the authority. When the municipality and the authority are not the same, the municipality
5.9 may not amend or modify a tax increment financing plan except as proposed by the authority
5.10 pursuant to subdivision 4. Once approved, the determination of the authority to undertake
5.11 the project through the use of tax increment financing and the resolution of the governing
5.12 body shall be conclusive of the findings therein and of the public need for the financing.

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

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

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

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

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

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

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

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

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

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

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

6.11 **EFFECTIVE DATE.** This section is effective for districts for which the request for
6.12 certification was made after June 30, 2025.

6.13 Sec. 3. Minnesota Statutes 2024, section 469.175, subdivision 4, is amended to read:

6.14 Subd. 4. **Modification of plan.** (a) A tax increment financing plan may be modified by
6.15 an authority.

6.16 (b) The authority may make the following modifications only upon the notice and after
6.17 the discussion, public hearing, and findings required for approval of the original plan:

6.18 (1) any reduction or enlargement of geographic area of the project or tax increment
6.19 financing district that does not meet the requirements of paragraph (e);

6.20 (2) increase in amount of bonded indebtedness to be incurred;

6.21 (3) a determination to capitalize interest on the debt if that determination was not a part
6.22 of the original plan;

6.23 (4) increase in the portion of the captured net tax capacity to be retained by the authority;

6.24 (5) increase in the estimate of the cost of the project, including administrative expenses,
6.25 that will be paid or financed with tax increment from the district; or

6.26 (6) designation of additional property to be acquired by the authority.

6.27 (c) If an authority changes the type of district to another type of district, this change is
6.28 not a modification but requires the authority to follow the procedure set forth in sections
6.29 469.174 to 469.179 for adoption of a new plan, including certification of the net tax capacity
6.30 of the district by the county auditor.

7.1 (d) If a redevelopment district ~~or a renewal and renovation district~~ is enlarged, the reasons
 7.2 and supporting facts for the determination that the addition to the district meets the criteria
 7.3 of section 469.174, subdivision 10, paragraph (a), ~~clauses (1) and (2), or subdivision 10a,~~
 7.4 must be documented.

7.5 (e) The requirements of paragraph (b) do not apply if (1) the only modification is
 7.6 elimination of parcels from the project or district and (2)(A) the current net tax capacity of
 7.7 the parcels eliminated from the district equals or exceeds the net tax capacity of those parcels
 7.8 in the district's original net tax capacity or (B) the authority agrees that, notwithstanding
 7.9 section 469.177, subdivision 1, the original net tax capacity will be reduced by no more
 7.10 than the current net tax capacity of the parcels eliminated from the district. The authority
 7.11 must notify the county auditor of any modification that reduces or enlarges the geographic
 7.12 area of a district or a project area.

7.13 (f) The geographic area of a tax increment financing district may be reduced, but shall
 7.14 not be enlarged after five years following the date of certification of the original net tax
 7.15 capacity by the county auditor or after August 1, 1984, for tax increment financing districts
 7.16 authorized prior to August 1, 1979.

7.17 **EFFECTIVE DATE.** This section is effective for districts for which the request for
 7.18 certification was made after June 30, 2025.

7.19 Sec. 4. Minnesota Statutes 2024, section 469.176, subdivision 1b, is amended to read:

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

7.22 (1) after ~~15~~ 20 years after receipt by the authority of the first increment for a ~~renewal~~
 7.23 ~~and renovation~~ redevelopment district;

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

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

7.28 (4) after 25 years after receipt by the authority of the first increment for a housing district
 7.29 ~~or a redevelopment district, after 25 years from the date of receipt by the authority of the~~
 7.30 ~~first increment.~~

7.31 (b) For purposes of determining a duration limit under this subdivision or subdivision
 7.32 1e that is based on the receipt of an increment, any increments from taxes payable in the

8.1 year in which the district terminates shall be paid to the authority. This paragraph does not
8.2 affect a duration limit calculated from the date of approval of the tax increment financing
8.3 plan or based on the recovery of costs or to a duration limit under subdivision 1c. This
8.4 paragraph does not supersede the restrictions on payment of delinquent taxes in subdivision
8.5 1f.

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

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

8.15 **EFFECTIVE DATE.** This section is effective for districts for which the request for
8.16 certification was made after June 30, 2025.

8.17 Sec. 5. Minnesota Statutes 2024, section 469.1763, subdivision 2, is amended to read:

8.18 Subd. 2. **Expenditures outside district.** (a) For each tax increment financing district,
8.19 an amount equal to at least 75 percent of the total revenue derived from tax increments paid
8.20 by properties in the district must be expended on activities in the district or to pay bonds,
8.21 to the extent that the proceeds of the bonds were used to finance activities in the district or
8.22 to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other
8.23 than redevelopment districts for which the request for certification was made after June 30,
8.24 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not
8.25 more than 25 percent of the total revenue derived from tax increments paid by properties
8.26 in the district may be expended, through a development fund or otherwise, on activities
8.27 outside of the district but within the defined geographic area of the project except to pay,
8.28 or secure payment of, debt service on credit enhanced bonds. For districts, other than
8.29 redevelopment districts for which the request for certification was made after June 30, 1995,
8.30 the pooling percentage for purposes of the preceding sentence is 20 percent. The revenues
8.31 derived from tax increments paid by properties in the district that are expended on costs
8.32 under section 469.176, subdivision 4h, may be deducted first before calculating the
8.33 percentages that must be expended within and without the district.

9.1 (b) In the case of a housing district, a housing project, as defined in section 469.174,
9.2 subdivision 11, is an activity in the district.

9.3 (c) All administrative expenses are considered to be expenditures for activities outside
9.4 of the district, except that if the only expenses for activities outside of the district under this
9.5 subdivision are for the purposes described in paragraph (d), administrative expenses will
9.6 be considered as expenditures for activities in the district.

9.7 (d) The authority may elect, in the tax increment financing plan for the district, to increase
9.8 by up to ten percentage points the permitted amount of expenditures for activities located
9.9 outside the geographic area of the district under paragraph (a). As permitted by section
9.10 469.176, subdivision 4k, the expenditures, including the permitted expenditures under
9.11 paragraph (a), need not be made within the geographic area of the project. Expenditures
9.12 that meet the requirements of this paragraph are legally permitted expenditures of the district,
9.13 notwithstanding section 469.176, subdivisions 4b, and 4c, ~~and 4j~~. To qualify for the increase
9.14 under this paragraph, the expenditures must:

9.15 (1) be used exclusively to assist housing that meets the requirement for a qualified
9.16 low-income building, as that term is used in section 42 of the Internal Revenue Code; and

9.17 (2) not exceed the qualified basis of the housing, as defined under section 42(c) of the
9.18 Internal Revenue Code, less the amount of any credit allowed under section 42 of the Internal
9.19 Revenue Code; and

9.20 (3) be used to:

9.21 (i) acquire and prepare the site of the housing;

9.22 (ii) acquire, construct, or rehabilitate the housing; or

9.23 (iii) make public improvements directly related to the housing; or

9.24 (4) be used to develop housing:

9.25 (i) if the market value of the housing does not exceed the lesser of:

9.26 (A) 150 percent of the average market value of single-family homes in that municipality;

9.27 or

9.28 (B) \$200,000 for municipalities located in the metropolitan area, as defined in section
9.29 473.121, or \$125,000 for all other municipalities; and

9.30 (ii) if the expenditures are used to pay the cost of site acquisition, relocation, demolition
9.31 of existing structures, site preparation, and pollution abatement on one or more parcels, if
9.32 the parcel contains a residence containing one to four family dwelling units that has been

10.1 vacant for six or more months and is in foreclosure as defined in section 325N.10, subdivision
10.2 7, but without regard to whether the residence is the owner's principal residence, and only
10.3 after the redemption period has expired; or

10.4 (5) to assist owner-occupied housing that meets the requirements of section 469.1761,
10.5 subdivision 2.

10.6 (e) The authority under paragraph (d), clause (4), expires on December 31, 2016.
10.7 Increments may continue to be expended under this authority after that date, if they are used
10.8 to pay bonds or binding contracts that would qualify under subdivision 3, paragraph (a), if
10.9 December 31, 2016, is considered to be the last date of the five-year period after certification
10.10 under that provision.

10.11 (f) For purposes of determining whether the minimum percentage of expenditures for
10.12 activities in the district and maximum percentages of expenditures allowed on activities
10.13 outside the district have been met under this subdivision, any amounts returned to the county
10.14 auditor as excess increment, as returned increment under subdivision 4, paragraph (g), or
10.15 as remedies under section 469.1771, subdivision 2, shall first be subtracted from the total
10.16 revenues derived from tax increments paid by properties in the district. Any other amounts
10.17 returned to the county auditor for purposes other than a remedy under section 469.1771,
10.18 subdivision 3, are considered to be expenditures for activities in the district.

10.19 **EFFECTIVE DATE.** This section is effective for districts for which the request for
10.20 certification was made after June 30, 2025.

10.21 Sec. 6. Minnesota Statutes 2024, section 469.1763, subdivision 6, is amended to read:

10.22 Subd. 6. **Pooling permitted for deficits.** (a) This subdivision applies only to districts
10.23 for which the request for certification was made before August 1, 2001, and without regard
10.24 to whether the request for certification was made prior to August 1, 1979.

10.25 (b) The municipality for the district may transfer available increments from another tax
10.26 increment financing district located in the municipality, if the transfer is necessary to
10.27 eliminate a deficit in the district to which the increments are transferred. The municipality
10.28 may transfer increments as provided by this subdivision without regard to whether the
10.29 transfer or expenditure is authorized by the tax increment financing plan for the district
10.30 from which the transfer is made. A deficit in the district for purposes of this subdivision
10.31 means the lesser of the following two amounts:

10.32 (1) the amount due during the calendar year to pay preexisting obligations of the district;
10.33 minus the sum of

11.1 (i) the total increments collected or to be collected from properties located within the
 11.2 district that are available for the calendar year including amounts collected in prior years
 11.3 that are currently available; plus

11.4 (ii) total increments from properties located in other districts in the municipality including
 11.5 amounts collected in prior years that are available to be used to meet the district's obligations
 11.6 under this section, excluding this subdivision, or other provisions of law; or

11.7 (2) the reduction in increments collected from properties located in the district for the
 11.8 calendar year as a result of the changes in classification rates in Laws 1997, chapter 231,
 11.9 article 1; Laws 1998, chapter 389, article 2; and Laws 1999, chapter 243, and Laws 2001,
 11.10 First Special Session chapter 5, or the elimination of the general education tax levy under
 11.11 Laws 2001, First Special Session chapter 5.

11.12 The authority may compute the deficit amount under clause (1) only (without regard to
 11.13 the limit under clause (2)) if the authority makes an irrevocable commitment, by resolution,
 11.14 to use increments from the district to which increments are to be transferred and any
 11.15 transferred increments are only used to pay preexisting obligations and administrative
 11.16 expenses for the district that are required to be paid under section 469.176, subdivision 4h,
 11.17 paragraph (a).

11.18 (c) A preexisting obligation means:

11.19 (1) bonds issued and sold before August 1, 2001, or bonds issued pursuant to a binding
 11.20 contract requiring the issuance of bonds entered into before July 1, 2001, and bonds issued
 11.21 to refund such bonds or to reimburse expenditures made in conjunction with a signed
 11.22 contractual agreement entered into before August 1, 2001, to the extent that the bonds are
 11.23 secured by a pledge of increments from the tax increment financing district; and

11.24 (2) binding contracts entered into before August 1, 2001, to the extent that the contracts
 11.25 require payments secured by a pledge of increments from the tax increment financing district.

11.26 (d) The municipality may require a development authority, other than a seaway port
 11.27 authority, to transfer available increments including amounts collected in prior years that
 11.28 are currently available for any of its tax increment financing districts in the municipality to
 11.29 make up an insufficiency in another district in the municipality, regardless of whether the
 11.30 district was established by the development authority or another development authority.

11.31 This authority applies notwithstanding any law to the contrary, but applies only to a
 11.32 development authority that:

11.33 (1) was established by the municipality; or

12.1 (2) the governing body of which is appointed, in whole or part, by the municipality or
12.2 an officer of the municipality or which consists, in whole or part, of members of the
12.3 governing body of the municipality. The municipality may use this authority only after it
12.4 has first used all available increments of the receiving development authority to eliminate
12.5 the insufficiency and exercised any permitted action under section 469.1792, subdivision
12.6 3, for preexisting districts of the receiving development authority to eliminate the
12.7 insufficiency.

12.8 (e) The authority under this subdivision to spend tax increments outside of the area of
12.9 the district from which the tax increments were collected:

12.10 (1) is an exception to the restrictions under section 469.176, subdivisions 4b, 4c, 4d, 4e,
12.11 and 4i, and 4j; the expenditure limits under section 469.176, subdivision 1c; and the other
12.12 provisions of this section; and the percentage restrictions under subdivision 2 must be
12.13 calculated after deducting increments spent under this subdivision from the total increments
12.14 for the district; and

12.15 (2) applies notwithstanding the provisions of the Tax Increment Financing Act in effect
12.16 for districts for which the request for certification was made before June 30, 1982, or any
12.17 other law to the contrary.

12.18 (f) If a preexisting obligation requires the development authority to pay an amount that
12.19 is limited to the increment from the district or a specific development within the district and
12.20 if the obligation requires paying a higher amount to the extent that increments are available,
12.21 the municipality may determine that the amount due under the preexisting obligation equals
12.22 the higher amount and may authorize the transfer of increments under this subdivision to
12.23 pay up to the higher amount. The existence of a guarantee of obligations by the individual
12.24 or entity that would receive the payment under this paragraph is disregarded in the
12.25 determination of eligibility to pool under this subdivision. The authority to transfer increments
12.26 under this paragraph may only be used to the extent that the payment of all other preexisting
12.27 obligations in the municipality due during the calendar year have been satisfied.

12.28 (g) For transfers of increments made in calendar year 2005 and later, the reduction in
12.29 increments as a result of the elimination of the general education tax levy for purposes of
12.30 paragraph (b), clause (2), for a taxes payable year equals the general education tax rate for
12.31 the school district under Minnesota Statutes 2000, section 273.1382, subdivision 1, for taxes
12.32 payable in 2001, multiplied by the captured tax capacity of the district for the current taxes
12.33 payable year.

13.1 **EFFECTIVE DATE.** This section is effective for districts for which the request for
13.2 certification was made after June 30, 2025.

13.3 Sec. 7. Minnesota Statutes 2024, section 469.177, subdivision 1, is amended to read:

13.4 Subdivision 1. **Original net tax capacity.** (a) Upon or after adoption of a tax increment
13.5 financing plan, the auditor of any county in which the district is situated shall, upon request
13.6 of the authority, certify the original net tax capacity of the tax increment financing district
13.7 and that portion of the district overlying any subdistrict as described in the tax increment
13.8 financing plan and shall certify in each year thereafter the amount by which the original net
13.9 tax capacity has increased or decreased as a result of a change in tax exempt status of
13.10 property within the district and any subdistrict, reduction or enlargement of the district or
13.11 changes pursuant to subdivision 4. The auditor shall certify the amount within 30 days after
13.12 receipt of the request and sufficient information to identify the parcels included in the district.
13.13 The certification relates to the taxes payable year as provided in subdivision 6.

13.14 (b) If the classification under section 273.13 of property located in a district changes to
13.15 a classification that has a different assessment ratio, the original net tax capacity of that
13.16 property must be redetermined at the time when its use is changed as if the property had
13.17 originally been classified in the same class in which it is classified after its use is changed.

13.18 (c) The amount to be added to the original net tax capacity of the district as a result of
13.19 previously tax exempt real property within the district becoming taxable equals the net tax
13.20 capacity of the real property as most recently assessed pursuant to information reported to
13.21 the commissioner under section 270C.85, subdivision 2, clause (4), or, if that assessment
13.22 was made more than one year prior to the date of title transfer rendering the property taxable,
13.23 the net tax capacity assessed by the assessor at the time of the transfer. If improvements are
13.24 made to tax exempt property after the municipality approves the district and before the
13.25 parcel becomes taxable, the assessor shall, at the request of the authority, separately assess
13.26 the estimated market value of the improvements. If the property becomes taxable, the county
13.27 auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding
13.28 the separately assessed improvements. If substantial taxable improvements were made to
13.29 a parcel after certification of the district and if the property later becomes tax exempt, in
13.30 whole or part, as a result of the authority acquiring the property through foreclosure or
13.31 exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture,
13.32 the amount to be added to the original net tax capacity of the district as a result of the
13.33 property again becoming taxable is the amount of the parcel's value that was included in
13.34 original net tax capacity when the parcel was first certified. The amount to be added to the

14.1 original net tax capacity of the district as a result of enlargements equals the net tax capacity
14.2 of the added real property as most recently certified by the commissioner of revenue as of
14.3 the date of modification of the tax increment financing plan pursuant to section 469.175,
14.4 subdivision 4.

14.5 (d) If the net tax capacity of a property increases because the property no longer qualifies
14.6 under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open
14.7 Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act,
14.8 chapter 473H, the Rural Preserve Property Tax Program under section 273.114, or because
14.9 platted, unimproved property is improved or market value is increased after approval of the
14.10 plat under section 273.11, subdivision 14a or 14b, the increase in net tax capacity must be
14.11 added to the original net tax capacity. If the net tax capacity of a property increases because
14.12 the property no longer qualifies for the homestead market value exclusion under section
14.13 273.13, subdivision 35, the increase in net tax capacity must be added to original net tax
14.14 capacity if the original construction of the affected home was completed before the date the
14.15 assessor certified the original net tax capacity of the district.

14.16 (e) The amount to be subtracted from the original net tax capacity of the district as a
14.17 result of previously taxable real property within the district becoming tax exempt or
14.18 qualifying in whole or part for an exclusion from taxable market value, or a reduction in
14.19 the geographic area of the district, shall be the amount of original net tax capacity initially
14.20 attributed to the property becoming tax exempt, being excluded from taxable market value,
14.21 or being removed from the district. If the net tax capacity of property located within the tax
14.22 increment financing district is reduced by reason of a court-ordered abatement, stipulation
14.23 agreement, voluntary abatement made by the assessor or auditor or by order of the
14.24 commissioner of revenue, the reduction shall be applied to the original net tax capacity of
14.25 the district when the property upon which the abatement is made has not been improved
14.26 since the date of certification of the district and to the captured net tax capacity of the district
14.27 in each year thereafter when the abatement relates to improvements made after the date of
14.28 certification. The county auditor may specify reasonable form and content of the request
14.29 for certification of the authority and any modification thereof pursuant to section 469.175,
14.30 subdivision 4.

14.31 (f) If a parcel of property contained a substandard building or improvements described
14.32 in section 469.174, subdivision 10, paragraph (e), that were demolished or removed and if
14.33 the authority elects to treat the parcel as occupied by a substandard building under section
14.34 469.174, subdivision 10, paragraph (b), or by improvements under section 469.174,
14.35 subdivision 10, paragraph (e), the auditor shall certify the original net tax capacity of the

15.1 parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated
15.2 market value of the parcel for the year in which the building or other improvements were
15.3 demolished or removed, but applying the classification rates for the current year.

15.4 (g) For a redevelopment district qualifying under section 469.174, subdivision 10,
15.5 paragraph (a), clause ~~(4)~~ (5), as a qualified disaster area, the auditor shall certify the value
15.6 of the land as the original tax capacity for any parcel in the district that contains a building
15.7 that suffered substantial damage as a result of the disaster or emergency.

15.8 **EFFECTIVE DATE.** This section is effective for districts for which the request for
15.9 certification was made after June 30, 2025.

15.10 Sec. 8. **REPEALER.**

15.11 Minnesota Statutes 2024, sections 469.174, subdivision 10a; and 469.176, subdivision
15.12 4j, are repealed.

15.13 **EFFECTIVE DATE.** This section is effective for districts for which the request for
15.14 certification was made after June 30, 2025.

469.174 DEFINITIONS.

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; 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 substandard, 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.

469.176 LIMITATIONS.

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