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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. **2643**

03/05/2012 Authored by McDonald, Runbeck, Leidiger, LeMieur and Franson  
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 definitions; amending  
1.3 Minnesota Statutes 2010, section 469.174, subdivision 10.

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

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

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

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

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

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

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

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

1.22 (iii) have been removed or are unused, underused, inappropriately used, or  
1.23 infrequently used; or

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

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

2.6 (c) A building is not structurally substandard if it is in compliance with the building  
2.7 code applicable to new buildings or could be modified to satisfy the building code at  
2.8 a cost of less than 15 percent of the cost of constructing a new structure of the same  
2.9 square footage and type on the site. The municipality may find that a building is not  
2.10 disqualified as structurally substandard under the preceding sentence on the basis of  
2.11 reasonably available evidence, such as the size, type, and age of the building, the average  
2.12 cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. The  
2.13 municipality may not make such a determination without an interior inspection of the  
2.14 property, but need not have an independent, expert appraisal prepared of the cost of repair  
2.15 and rehabilitation of the building. An interior inspection of the property is not required,  
2.16 if the municipality finds that (1) the municipality or authority is unable to gain access to  
2.17 the property after using its best efforts to obtain permission from the party that owns or  
2.18 controls the property; and (2) the evidence otherwise supports a reasonable conclusion that  
2.19 the building is structurally substandard. Items of evidence that support such a conclusion  
2.20 include recent fire or police inspections, on-site property tax appraisals or housing  
2.21 inspections, exterior evidence of deterioration, or other similar reliable evidence. Written  
2.22 documentation of the findings and reasons why an interior inspection was not conducted  
2.23 must be made and retained under section 469.175, subdivision 3, clause (1). Failure of a  
2.24 building to be disqualified under the provisions of this paragraph is a necessary, but not a  
2.25 sufficient, condition to determining that the building is substandard.

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

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

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

2.35 (3) the authority found by resolution before the demolition or removal that the  
2.36 parcel was occupied by a structurally substandard building or met the requirements of

3.1 paragraph (e) and that after demolition and clearance the authority intended to include  
3.2 the parcel within a district; and

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

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

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

3.13 **EFFECTIVE DATE.** This section is effective the day following final enactment.