

SENATE  
STATE OF MINNESOTA  
EIGHTY-SEVENTH LEGISLATURE

S.F. No. 1397

(SENATE AUTHORS: PEDERSON)

DATE	D-PG	OFFICIAL STATUS
05/05/2011	1764	Introduction and first reading Referred to Taxes

A bill for an act  
relating to property taxation; authorizing cities to provide incentive valuation  
reductions for certain vacant properties; amending Minnesota Statutes 2010,  
section 273.11, by adding a subdivision; proposing coding for new law in  
Minnesota Statutes, chapter 469.  
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2010, section 273.11, is amended by adding a  
subdivision to read:

Subd. 24. **Leasing incentive for vacant buildings.** The assessor shall reduce the  
estimated market value of a commercial and industrial building qualifying under section  
469.1817 as provided under that section.

**EFFECTIVE DATE.** This section is effective beginning for property taxes assessed  
in 2011 and payable in 2012.

Sec. 2. **[469.1817] INCENTIVE FOR LEASING OF VACANT BUILDINGS.**

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms  
have the meanings given, unless the context clearly indicates otherwise.

(b) "Agency" means the home rule charter or statutory city in which the building  
is located or the city's economic development authority to which the city delegates, by  
resolution, the authority to act under this section.

(c) "Building" means a commercial or industrial building that is subject to property  
taxation and that the owner is offering to lease.

(d) "Vacant property" means a building classified as class 3a property under section  
273.13, subdivision 24, paragraph (a), clause (1), if 50 percent or more of the square

footage of the building has not been occupied during the previous 12-month period. For purposes of this paragraph, square footage that is leased is considered to be occupied.

Subd. 2. **Findings.** Prior to authorizing a reduction in value under subdivision 3, the agency must make the following findings:

(1) the building is a vacant property as defined in subdivision 1;

(2) the building owner likely will be unable to lease or otherwise put the building to productive use unless an incentive is provided under subdivision 3;

(3) the owner and one or more tenants have entered or will enter into a lease for, at least, the duration of reduction under subdivision 3 and the lease is conditioned upon receipt of the incentive under this section; and

(4) the incentive will yield net public benefits to the affected taxing jurisdictions.

Subd. 3. **Incentive to lease vacant buildings.** (a) After determining that the building meets the requirements of this section and making the findings required in subdivision 2, the agency may, by resolution, approve a reduction in the estimated market value of the vacant property of an amount not to exceed the lesser of:

(1) 50 percent of the building's estimated market value; or

(2) the amount it determines is necessary to successfully lease the vacant portion of the building.

(b) Prior to approval of the incentive under paragraph (a), the agency, building owner, and tenant shall enter into a development agreement that specifies:

(1) the amount of the reduction in estimated market value for each year;

(2) the number of years to which the reduction applies;

(3) the terms of the lease or leases covering the property; and

(4) any other provisions that the agency determines appropriate.

(c) The reduction under this section takes effect for the first taxes payable year that begins six months or more after the agency notifies the assessor of the reduction that applies under this section.

Subd. 4. **Maximum duration; termination.** The maximum duration of a valuation reduction under this section is five property taxes payable years. The valuation reduction terminates at the end of the earlier of the five-year period or the term provided in the development agreement.

**EFFECTIVE DATE.** This section is effective beginning for property taxes assessed in 2011 and payable in 2012.