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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 1178

02/13/2017 Authored by Anderson, P.; Fabian; Hamilton and Baker
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 tax increment financing; authorizing certain workforce housing projects;
1.3 amending Minnesota Statutes 2016, sections 469.174, subdivision 12; 469.175,
1.4 subdivision 3; 469.176, subdivision 4c; 469.1761, by adding a subdivision.

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

1.6 Section 1. Minnesota Statutes 2016, section 469.174, subdivision 12, is amended to read:

1.7 Subd. 12. Economic development district. "Economic development district" means a
1.8 type of tax increment financing district which consists of any project, or portions of a project,
1.9 which the authority finds to be in the public interest because:

1.10 (1) it will discourage commerce, industry, or manufacturing from moving their operations
1.11 to another state or municipality; ~~or~~

1.12 (2) it will result in increased employment in the state; ~~or~~

1.13 (3) it will result in preservation and enhancement of the tax base of the state; or

1.14 (4) it satisfies the requirements of a workforce housing project under section 469.176,
1.15 subdivision 4c, paragraph (d).

1.16 EFFECTIVE DATE. This section is effective for districts for which the request for
1.17 certification was made after June 30, 2017.

1.18 Sec. 2. Minnesota Statutes 2016, section 469.175, subdivision 3, is amended to read:

1.19 Subd. 3. Municipality approval. (a) A county auditor shall not certify the original net
1.20 tax capacity of a tax increment financing district until the tax increment financing plan
1.21 proposed for that district has been approved by the municipality in which the district is

2.1 located. If an authority that proposes to establish a tax increment financing district and the
2.2 municipality are not the same, the authority shall apply to the municipality in which the
2.3 district is proposed to be located and shall obtain the approval of its tax increment financing
2.4 plan by the municipality before the authority may use tax increment financing. The
2.5 municipality shall approve the tax increment financing plan only after a public hearing
2.6 thereon after published notice in a newspaper of general circulation in the municipality at
2.7 least once not less than ten days nor more than 30 days prior to the date of the hearing. The
2.8 published notice must include a map of the area of the district from which increments may
2.9 be collected and, if the project area includes additional area, a map of the project area in
2.10 which the increments may be expended. The hearing may be held before or after the approval
2.11 or creation of the project or it may be held in conjunction with a hearing to approve the
2.12 project.

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

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

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

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

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

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

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

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

3.6 (c) When the municipality and the authority are not the same, the municipality shall
3.7 approve or disapprove the tax increment financing plan within 60 days of submission by
3.8 the authority. When the municipality and the authority are not the same, the municipality
3.9 may not amend or modify a tax increment financing plan except as proposed by the authority
3.10 pursuant to subdivision 4. Once approved, the determination of the authority to undertake
3.11 the project through the use of tax increment financing and the resolution of the governing
3.12 body shall be conclusive of the findings therein and of the public need for the financing.

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

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

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

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

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

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

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

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

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

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

4.8 **EFFECTIVE DATE.** This section is effective for districts for which the request for
 4.9 certification was made after June 30, 2017.

4.10 Sec. 3. Minnesota Statutes 2016, section 469.176, subdivision 4c, is amended to read:

4.11 Subd. 4c. **Economic development districts.** (a) Revenue derived from tax increment
 4.12 from an economic development district may not be used to provide improvements, loans,
 4.13 subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting
 4.14 of buildings and ancillary facilities, if more than 15 percent of the buildings and facilities
 4.15 (determined on the basis of square footage) are used for a purpose other than:

4.16 (1) the manufacturing or production of tangible personal property, including processing
 4.17 resulting in the change in condition of the property;

4.18 (2) warehousing, storage, and distribution of tangible personal property, excluding retail
 4.19 sales;

4.20 (3) research and development related to the activities listed in clause (1) or (2);

4.21 (4) telemarketing if that activity is the exclusive use of the property;

4.22 (5) tourism facilities; ~~or~~

4.23 (6) space necessary for and related to the activities listed in clauses (1) to (5); or

4.24 (7) a workforce housing project that satisfies the requirements of paragraph (d).

4.25 (b) Notwithstanding the provisions of this subdivision, revenues derived from tax
 4.26 increment from an economic development district may be used to provide improvements,
 4.27 loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000
 4.28 square feet of any separately owned commercial facility located within the municipal
 4.29 jurisdiction of a small city, if the revenues derived from increments are spent only to assist
 4.30 the facility directly or for administrative expenses, the assistance is necessary to develop
 4.31 the facility, and all of the increments, except those for administrative expenses, are spent
 4.32 only for activities within the district.

5.1 (c) A city is a small city for purposes of this subdivision if the city was a small city in
5.2 the year in which the request for certification was made and applies for the rest of the
5.3 duration of the district, regardless of whether the city qualifies or ceases to qualify as a
5.4 small city.

5.5 (d) A project qualifies as a workforce housing project under this subdivision if increments
5.6 from the district are used exclusively to assist in the acquisition of property; construction
5.7 of improvements; and provision of loans or subsidies, grants, interest rate subsidies, public
5.8 infrastructure, and related financing costs for rental housing developments in the municipality,
5.9 and if the governing body of the municipality made the findings for the project required by
5.10 section 469.175, subdivision 3, paragraph (f).

5.11 **EFFECTIVE DATE.** This section is effective for districts for which the request for
5.12 certification was made after June 30, 2017.

5.13 Sec. 4. Minnesota Statutes 2016, section 469.1761, is amended by adding a subdivision
5.14 to read:

5.15 Subd. 5. **Income limits; Minnesota Housing Finance Agency challenge program.**
5.16 For a project receiving a loan or grant from the Minnesota Housing Finance Agency challenge
5.17 program under section 462A.33, the income limits under section 462A.33 are substituted
5.18 for the applicable income limits for the project under subdivision 2 or 3.

5.19 **EFFECTIVE DATE.** This section is effective for districts for which the request for
5.20 certification was made after June 30, 2017.