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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 684

02/09/2015 Authored by Fabian, Kiel, Gunther and Swedzinski
The bill was read for the first time and referred to the Committee on Greater Minnesota Economic and Workforce Development Policy
03/09/2015 Adoption of Report: Re-referred to the Committee on Job Growth and Energy Affordability Policy and Finance
03/26/2015 Adoption of Report: Re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; tax increment financing; providing use for certain workforce
1.3 housing; amending Minnesota Statutes 2014, sections 469.174, subdivision
1.4 12; 469.175, subdivision 3; 469.176, subdivision 4c; 469.1761, by adding a
1.5 subdivision.

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

1.7 Section 1. Minnesota Statutes 2014, section 469.174, subdivision 12, is amended to read:

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

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

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

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

1.15 (4) it satisfies the requirements of a workforce housing project under section
1.16 469.176, subdivision 4c, paragraph (d).

1.17 EFFECTIVE DATE. This section is effective for districts for which the request for
1.18 certification is made after June 30, 2015.

1.19 Sec. 2. Minnesota Statutes 2014, section 469.175, subdivision 3, is amended to read:

1.20 Subd. 3. **Municipality approval.** (a) A county auditor shall not certify the original
1.21 net tax capacity of a tax increment financing district until the tax increment financing plan
1.22 proposed for that district has been approved by the municipality in which the district
1.23 is located. If an authority that proposes to establish a tax increment financing district

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.29 (3) at least one business located in the municipality or within 15 miles of the
3.30 municipality that employ a minimum of 20 full-time equivalent employees in aggregate
3.31 has provided a written statement to the municipality indicating that the lack of available
3.32 rental housing has impeded their ability to recruit and hire employees; and

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

4.1 **EFFECTIVE DATE.** This section is effective for districts for which the request for
 4.2 certification is made after June 30, 2015.

4.3 Sec. 3. Minnesota Statutes 2014, section 469.176, subdivision 4c, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

5.1 **EFFECTIVE DATE.** This section is effective for districts for which the request for
5.2 certification is made after June 30, 2015.

5.3 Sec. 4. Minnesota Statutes 2014, section 469.1761, is amended by adding a subdivision
5.4 to read:

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

5.9 **EFFECTIVE DATE.** This section is effective for districts for which the request for
5.10 certification is made after June 30, 2015.