~~(h)~~ Subd. 9. No state bank shall lease personal property, directly or indirectly, to any of its directors, officers, stockholders, or employees.

~~(i)~~ Subd. 10. The total amount of unpaid rental obligations to be paid to the bank on personal property, shall not exceed 200 percent of the sum of the bank's capital actually paid in cash and its actual surplus fund.

Sec. 2. Minnesota Statutes 1978, Chapter 50, is amended by adding a section to read:

[50.1465] SERVICE CORPORATIONS. Subdivision 1. In addition to other investments authorized by law, a mutual savings bank may invest in the following:

The capital stock, obligations, or other securities of any corporation organized under the laws of this state if all or a majority of the capital stock of the corporation is owned by the mutual savings bank, and if substantially all of the activity of the corporation consists of originating, making, purchasing, selling and servicing loans, and participation in loans, secured by real estate including brokerage and warehousing of the real estate loans.

Subd. 2. No mutual savings bank may make any investment under subdivision 1 if its aggregate outstanding investment under this section exceeds three percent of the assets of the mutual savings bank.

Sec. 3. This act is effective July 1, 1979.

Approved June 5, 1979.

CHAPTER 322—H.F.No.257

An act relating to taxation; providing standards and procedures for tax increment financing; authorizing the issuance of bonds; authorizing tax increment financing for the payment of principal and interest on such bonds; providing limitation on extent of districts to which tax increment financing applies; authorizing deferred property taxation for private redevelopment; amending Minnesota Statutes 1978, Sections 362A.05; 458.192, Subdivision 11; 462.545, Subdivision 5; 462.585, Subdivisions 2, 3 and 4; 472A.06; 472A.07, by adding a subdivision; 473F.02, Subdivision 3; 473F.05; 473F.08, Subdivisions 2, 4 and 6; 474.10, Subdivisions 2 and 3; and Chapter 273, by adding sections; repealing Minnesota Statutes 1978, Sections 458.192, Subdivision 12; 472A.02, Subdivision 3; 472A.07, Subdivision 4; and 472A.08.

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

Section 1. Minnesota Statutes 1978, Chapter 273, is amended by adding a section to read:

[273.71] **TAX INCREMENT FINANCING ACT, CITATION.** Sections 1 to 8 may be cited as the Minnesota tax increment financing act.

Sec. 2. Minnesota Statutes 1978, Chapter 273, is amended by adding a section to read:

[273.72] **STATEMENT OF PURPOSE.** The statutes governing the use of tax increment financing in Minnesota have evolved over a long period of time and exist in several different special and general laws. These laws are sometimes inconsistent and provide varying procedures which render them difficult to administer. It is the intent of the legislature, by enacting the Minnesota tax increment financing act, to ratify and confirm the findings, declarations and determinations made by the legislature in connection with chapters 362A, 458, 462, 472A and 474 and to establish a uniform set of standards and procedures to be followed when using this method of financing.

Sec. 3. Minnesota Statutes 1978, Chapter 273, is amended by adding a section to read:

[273.73] **DEFINITIONS.** Subdivision 1. **TERMS.** For the purposes of sections 1 to 8 the terms defined in this section shall have the meanings given them.

Subd. 2. **AUTHORITY.** "Authority" means a rural development financing authority created pursuant to chapter 362A, a housing and redevelopment authority created pursuant to chapter 462; a port authority created pursuant to chapter 458; a redevelopment agency as defined by chapter 474; a municipality which is administering a development district created pursuant to chapter 472A or any special law, a municipality which undertakes a project pursuant to chapter 474; or a municipality which exercises the powers of a port authority pursuant to any general or special law.

Subd. 3. **BONDS.** "Bonds" means any bonds, including but not limited to refunding bonds, notes, interim certificates, debentures, or other obligations issued by an authority under section 7 or which were issued in aid of a project under any other law, except revenue bonds issued pursuant to chapter 474, prior to the effective date of this act.

Subd. 4. **CAPTURED ASSESSED VALUE.** "Captured assessed value" means any amount by which the current assessed value of a tax increment financing district exceeds the original assessed value, including the value of property normally taxable as personal property by reason of its location on or over property owned by a tax-exempt entity.

Subd. 5. **GOVERNING BODY.** "Governing body" means the duly elected council or board of a municipality, not withstanding any contrary definition thereof contained in chapter 475.

Subd. 6. **MUNICIPALITY.** "Municipality" means any city, however, organized, and with respect to a project undertaken pursuant to chapter 474, "municipality" has the meaning given in chapter 474, and with respect to a project undertaken pursuant to chapter 362A, or a county or multi-county project undertaken pursuant to sections

462.426 to 462.4291, "municipality" shall also include any county.

Subd. 7. **ORIGINAL ASSESSED VALUE.** "Original assessed value" means the assessed value of all taxable real property within a tax increment financing district as most recently certified by the commissioner of revenue as of the date of the request by an authority for certification by the county auditor, together with subsequent adjustments as set forth in section 6, subdivisions 1 and 4; provided, however, that in determining the original assessed value the assessed value of real property exempt from taxation at the time of the request shall be zero except for real property which is tax exempt by reason of public ownership by the requesting authority and which has been publicly owned for less than one year prior to the date of the request for certification, in which event the assessed value of the property shall be the assessed value as most recently determined by the commissioner of revenue. For purposes of this subdivision, "real property" shall include any property normally taxable as personal property by reason of its location on or over property owned by a tax-exempt entity.

Subd. 8. **PROJECT.** "Project" means a project as defined in section 362A.01; an industrial development district as defined in section 458.191, subdivision 1; a redevelopment project as defined in section 462.421, subdivision 14; a development district as defined in section 472A.02, subdivision 3 or any special law; or a project as defined in section 474.02, subdivisions 1, 1a or 1b.

Subd. 9. **TAX INCREMENT FINANCING DISTRICT.** "Tax increment financing district" or "district" means a contiguous or noncontiguous geographic area within a project delineated in the tax increment financing plan, as provided by section 4, subdivision 1, for the purpose of financing redevelopment, housing or economic development in municipalities through the use of tax increment generated from the captured assessed value in the tax increment financing district.

Subd. 10. **REDEVELOPMENT PROJECT.** (a) "Redevelopment project" means a project within which the authority finds by resolution that one of the following conditions, reasonably distributed throughout the project, exists:

(1) The land is predominantly occupied by buildings, streets, utilities or other improvements and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; or

(2) The land is predominantly occupied by buildings, streets, utilities or other improvements and 20 percent of the buildings are structurally substandard and an additional 30 percent of the buildings are found to require substantial renovation or clearance in order to remove such existing conditions 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; or

(3) The land is not predominantly occupied by buildings, streets, utilities or other improvements, but at least 80 percent of the total acreage of such land has a fair market

value upon inclusion in the project which, when added to the estimated cost of preparing the land for use, including utilities, if any, exceeds its anticipated fair market value after completion of said preparation; or

(4) The property consists of underutilized air rights existing over a public street, highway or right-of-way.

(b) For purpose of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance. "Predominantly occupied" shall mean at least 50 percent of the parcels comprising at least 50 percent of the acreage.

Subd. 11. **HOUSING PROJECT.** "Housing project" means a project, or that part of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts.

Subd. 12. **ECONOMIC DEVELOPMENT PROJECT.** "Economic development project" means any project not meeting the requirements found in the definition of redevelopment project or housing project, but which the authority finds to be in the public interest because:

(a) It will discourage commerce, industry or manufacturing from moving their operations to another state; or

(b) It will result in increased employment in the municipality; or

(c) It will result in preservation and enhancement of the tax base of the municipality.

Subd. 13. **ADMINISTRATIVE EXPENSES.** "Administrative expenses" means all expenditures of an authority other than amounts paid for the purchase of land or amounts paid to contractors or others providing materials and services, including architectural and engineering services, directly connected with the physical development of the real property in the district, relocation benefits paid to or services provided for persons residing or businesses located in the district, or amounts used to pay interest on, fund a reserve for, or sell at a discount bonds issued pursuant to section 7.

Sec. 4. Minnesota Statutes 1978, Chapter 273, is amended by adding a section to read:

[273.74] ESTABLISHING, MODIFYING TAX INCREMENT FINANCING PLAN, ANNUAL ACCOUNTS. Subdivision 1. **TAX INCREMENT FINANCING PLAN.**

A tax increment financing plan shall contain a statement of objectives of an authority for the improvement of a district. The plan shall contain a statement as to the development program for the district, including the property within the district, if any, which the authority intends to acquire. It shall also contain estimates of the following: cost of the district, including administration expenses; amount of bonded indebtedness to be incurred; sources of revenue to finance or otherwise pay public costs; the most recent assessed value of taxable real property within the district; the estimated captured assessed value of the district at completion; and the duration of the district's existence. The plan shall also contain a statement of the authority's estimate of the impact of tax increment financing on the assessed values of all taxing jurisdictions in which the district is located in whole or in part.

Subd. 2. **CONSULTATIONS; COMMENT AND FILING.** Before formation of a tax increment financing district, the authority shall provide an opportunity to the members of the county boards of commissioners of any county in which any portion of the proposed district is located and the members of the school board of any school district in which any portion of the proposed district is located to meet with the authority. The authority shall present to the members of the county boards of commissioners and the school boards its estimate of the fiscal and economic implications of the proposed tax increment financing district. The members of the county boards of commissioners and the school boards may present their comments at the public hearing on the tax increment financing plan required by subdivision 3. Upon adoption of the tax increment financing plan, the authority shall file the same with the state planning agency.

Subd. 3. **MUNICIPALITY APPROVAL.** No county auditor shall certify the original assessed value of a tax increment financing district until the tax increment financing plan proposed for that district has been approved by the municipality in which the project is located. If an authority which proposes to establish a tax increment financing district and the municipality are not the same, the authority shall apply to the municipality in which the district is proposed to be located and shall obtain the approval of its tax increment financing plan by the municipality before the authority may use tax increment financing. The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing. This hearing may be held before or after the approval or creation of the project or it may be held in conjunction with a hearing to approve the project. Before or at the time of approval of the tax increment financing plan, the municipality shall make the following findings:

(a) That the project comprising the proposed tax increment financing district is a redevelopment project, a housing project or an economic development project and the specific bases for such determination.

(b) That the proposed development or redevelopment, in the opinion of the municipality, would not occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

(c) That the tax increment financing plan conforms to the general plan for the

development or redevelopment of the municipality as a whole.

(d) That the tax increment financing plan will afford maximum opportunity, consistent with the sound needs of the municipality as a whole, for the development or redevelopment of the district by private enterprise.

(e) That the municipality elects the method of tax increment computation set forth in section 6, subdivision 3, clause (b), if applicable.

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

Subd. 4. **MODIFICATION OF PLAN.** A tax increment financing plan may be modified by an authority, provided that any reduction or enlargement of geographic area, increase in amount of bonded indebtedness to be incurred, increase in the portion of the captured assessed value to be retained by the authority, increase in total estimated tax increment expenditures or designation of additional property to be acquired by the authority shall be approved upon the notice and after the discussion, public hearing and findings required for approval of the original plan.

The geographic area of a tax increment financing district may be reduced, but shall not be enlarged after five years following the date of certification of the original assessed value by the county auditor or five years from the effective date of this act for tax increment financing districts authorized prior to the effective date of the act, except that development districts created pursuant to chapter 472A prior to the effective date of this act may be reduced but shall not be enlarged after five years following the date of designation of such district.

Subd. 5. **ANNUAL DISCLOSURE.** For all tax increment financing districts, whether created prior or subsequent to the effective date of this act, on or before July 1 of each year, the authority shall submit to the county board, the school board, the state planning agency and, if the authority is other than the municipality, the governing body of the municipality a report of the status of the district. The report shall include the following information: the amount and the source of revenue in the account, the amount and purpose of expenditures from the account, the amount of any pledge of revenues, including principal and interest on any outstanding bonded indebtedness, the original assessed value of the district, the captured assessed value retained by the authority, the captured assessed value shared with other taxing districts, the tax increment received and any additional information necessary to demonstrate compliance with any applicable tax increment financing plan. An annual statement showing the tax increment received and expended in that year, the original assessed value, captured assessed value, amount of outstanding bonded indebtedness and any additional information the authority deems

necessary shall be published in a newspaper of general circulation in the municipality.

Sec. 5. Minnesota Statutes 1978, Chapter 273, is amended by adding a section to read:

[273.75] LIMITATIONS. Subdivision 1. **DURATION OF TAX INCREMENT FINANCING DISTRICTS.** Subject to the limitations contained elsewhere in this subdivision any tax increment financing district as to which bonds are outstanding, payment for which the tax increment and other revenues have been pledged, shall remain in existence at least as long as any such bonds continue to be outstanding; provided, however, the tax increment pledged to the payment of bonds and interest thereon may be discharged and the tax increment financing district may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or date of redemption and interest thereon to such maturity or redemption date, provided that for bonds issued pursuant to section 7, clauses (a) and (b) the full faith and credit and any taxing powers of the municipality or authority shall continue to be pledged to the payment of the bonds until the principal of and interest on the bonds has been paid in full; provided, further, that no tax increment shall be paid to an authority for a tax increment financing district after three years from the date of certification of the original assessed value of the taxable real property in the district by the county auditor or three years from the effective date of this act for tax increment financing districts authorized prior to the effective date of the act unless within the three year period (a) bonds have been issued pursuant to section 7, or in aid of a project pursuant to any other law, except revenue bonds issued pursuant to chapter 474, prior to the effective date of this act, or (b) the authority has acquired property within the district, or (c) the authority has constructed or caused to be constructed public improvements within the district; and provided, further, that no tax increment shall in any event be paid to the authority from a redevelopment project after 25 years from date of receipt by the authority of the first tax increment, after 25 years from the date of the receipt for a housing project and after eight years from the date of the receipt, or 10 years from approval of the tax increment financing plan, whichever is less, for an economic development project.

For tax increment financing districts created prior to the effective date of this act, no tax increment shall be paid to the authority after 30 years from the effective date of this act.

Modification of a tax increment financing plan pursuant to section 4, subdivision 4, shall not extend the durational limitations of this subdivision.

Subd. 2. **EXCESS TAX INCREMENTS.** In any year in which the tax increment exceeds the amount necessary to pay the costs authorized by the tax increment financing plan, including the amount necessary to cancel any tax levy as provided in section 475.61, subdivision 3, the authority shall use the excess amount to (a) prepay any outstanding bonds, (b) discharge the pledge of tax increment therefor, (c) pay into an escrow account dedicated to the payment of such bond, or shall return the excess amount to the municipality, county and school district in which the tax increment financing district is located in direct proportion to their respective mill rates.

Subd. 3. **LIMITATION ON ADMINISTRATIVE EXPENSES.** No tax increment shall be used to pay any administrative expenses for a district which exceed five percent of the total tax increment expenditures authorized by the tax increment financing plan or the total tax increment expenditures for the district, whichever is less.

Subd. 4. **LIMITATION ON USE OF TAX INCREMENT.** All revenues derived from tax increment shall be used in accordance with the tax increment financing plan. The revenues shall be used solely for the following purposes: (a) to pay the principal of and interest on bonds issued to finance a project; (b) by a rural development financing authority for the purposes stated in section 362A.01, subdivision 2, by a port authority or municipality exercising the powers of a port authority to finance or otherwise pay the cost of redevelopment pursuant to chapter 458, by a housing and redevelopment authority to finance or otherwise pay public redevelopment costs pursuant to chapter 462, by a municipality to finance or otherwise pay the capital and administration costs of a development district pursuant to chapter 472A, by a municipality or redevelopment agency to finance or otherwise pay premiums for insurance guaranteeing the payment of net rentals when due under the project lease or to accumulate and maintain a reserve securing the payment when due of the principal of and interest on the bonds pursuant to chapter 474. These revenues shall not be used to circumvent existing levy limit law.

Subd. 5. **REQUIREMENT FOR AGREEMENTS.** No more than 25 percent, by acreage, of the property to be acquired within a redevelopment project, or ten percent, by acreage, of the property to be acquired within a housing or economic development project, as set forth in the tax increment financing plan, shall at any time be owned by an authority as a result of acquisition with the proceeds of bonds issued pursuant to section 7 without the authority having prior to acquisition in excess of the percentages concluded an agreement for the development or redevelopment of the property acquired and which provides recourse for the authority should the development or redevelopment not be completed.

Subd. 6. **LIMITATION ON INCREMENT.** If, after five years from the date of certification of the original assessed value of the tax increment financing district pursuant to section 6, no demolition, rehabilitation or renovation of property or other site preparation, including improvement of a street adjacent to a property but not installation of utility service, has been commenced on a property located within a tax increment financing district by the authority or by the owner of the property in accordance with the tax increment financing plan, no additional tax increment may be taken from that property, and the original assessed value of that property shall be excluded from the original assessed value of the tax increment financing district. If the authority or the owner of the property subsequently commences demolition, rehabilitation or renovation or other site preparation on that property including improvement of a street adjacent to that property, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced, and the property may be added into the tax increment financing district. The county auditor shall certify the most recently assessed value of that property and add it to the original assessed value of the tax increment financing district.

Sec. 6. Minnesota Statutes 1978, Chapter 273, is amended by adding a section to

read:

[273.76] **COMPUTATION OF TAX INCREMENT.** Subdivision 1. **ORIGINAL ASSESSED VALUE.** Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original assessed value of the tax increment financing district as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original assessed value has increased or decreased as a result of a change in tax exempt status of property within the district, reduction or enlargement of the district or changes pursuant to section 6, subdivision 4. The amount to be added to the original assessed value of the district as a result of previously tax exempt real property within the district becoming taxable shall be equal to the assessed value of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the value which shall be assessed by the assessor at the time of such transfer as of the date of title transfer. The amount to be added to the original assessed value of the district as a result of enlargements thereof shall be equal to the assessed value of the added real property as most recently certified by the commissioner of revenue as of the date of the tax increment financing plan. The amount to be subtracted from the original assessed value of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original assessed value initially attributed to the property becoming tax exempt or being removed from the district. If the assessed value of property located within the tax increment financing district is reduced by a court-ordered abatement, the original assessed value of the district shall be reduced by that amount. The county auditor shall have the power to specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 4, subdivision 4.

Subd. 2. **CAPTURED ASSESSED VALUE.** The county auditor shall certify the amount of the captured assessed value to the authority each year, together with the proportion that the captured assessed value bears to the total assessed value of the real property within the tax increment financing district for that year.

(a) An authority may choose to retain any part or all of the captured assessed value for purposes of tax increment financing according to one of the two following options:

(1) If the plan provides that all the captured assessed value is necessary to finance or otherwise make permissible expenditures under section 5, subdivision 5, the authority may retain the full captured assessed value.

(2) If the plan provides that only a portion of the captured assessed value is necessary to finance or otherwise make permissible expenditures under section 5, subdivision 5, only that portion shall be set aside and the remainder shall be distributed among the affected taxing districts by the county auditor.

(b) The portion of captured assessed value that an authority intends to use for purposes of tax increment financing must be clearly stated in the tax increment financing plan.

Subd. 3. **TAX INCREMENT, RELATIONSHIP TO CHAPTER 473F.** (a) Unless the governing body elects pursuant to clause (b) of this subdivision the following method of computation shall apply:

(1) The original assessed value shall include any portion thereof which is subject to the area-wide tax imposed by section 473F.08, subdivision 6, in the levy and assessment of taxes in the year the district is certified and the current assessed value shall not be reduced to any extent to reflect the contribution of the municipality to the area-wide tax base pursuant to section 473F.08, subdivision 2, clause (a).

(2) In each subsequent year, the county auditor shall compute assessed valuation, mill rates and the tax increment as follows:

(i) If the authority retains the full captured assessed value, the county auditor shall include no more than the original assessed value of the real property in the tax increment financing district for purposes of determining assessed value for local mill rates. The county auditor shall compute the mill rates of all taxes levied by the state, the county, the municipality or town, the school district and every other taxing district in which the district is located in whole or in part of the aforementioned assessed value. The county auditor shall extend all mill rates against the current assessed value, including the captured assessed value, except for that portion of the current assessed value which is subject to the area-wide tax rate determined pursuant to section 473F.08, subdivision 5. In each year for which the current assessed value exceeds the original assessed value, the county treasurer shall remit to the authority that portion of all taxes paid that year on real property in the district, including taxes paid as a result of the application of the area-wide tax determined pursuant to section 473F.08, subdivision 5, which exceeds the taxes *attributable to the application of local mill rates to the original assessed value.* The amount so remitted each year is referred to in this section as the tax increment for that year.

(ii) If the authority retains only a portion of the captured asssessed value for its use and returns the remaining portion to the tax rolls of all affected taxing districts, the county auditor shall include the original assessed value which is shared with all the affected taxing districts in determining the assessed value for computing mill rates. He shall compute the mill rates of all taxes levied by the state, county, municipality, school district, and every other taxing district in which the district is located in whole or in part on this assessed value. He shall extend all mill rates against the total current assessed value including that portion of the captured assessed value which the authority is retaining for its use only, except for that portion of the current assessed value which is subject to the area-wide tax rate determined pursuant to section 473F.08, subdivision 5. In each year for which the current assessed value exceeds the original assessed value, the county treasurer shall remit to the authority that portion of all taxes paid on real property in the district, including taxes paid as a result of the area-wide tax rate determined pursuant to section 473F.08, subdivision 5, that exceeds the taxes attributable to the application of local mill rates to the original assessed value and to that portion of the captured assessed value which is shared with all the affected taxing districts. The amount so remitted each year is referred to as the tax increment.

(3) In any year in which the current assessed value of the tax increment financing district is less than the original assessed value, thereby creating a tax increment deficit, the county auditor shall compute and extend taxes against the current assessed value, except for that portion of the current assessed value which is subject to the area-wide tax rate *determined pursuant to section 473F.08, subdivision 5.* Taxes, *including taxes paid as a* result of the application of the area-wide tax rate determined pursuant to section 473F.08, subdivision 5, shall be distributed from the affected property to each of the taxing jurisdictions as determined by the current levy and there will be no tax increment. In any year subsequent to a year in which there exists a tax increment deficit, the tax increment shall be computed without regard to said deficit.

(b) Notwithstanding clause (a) of this subdivision, the governing body may, by resolution approving the tax increment financing plan pursuant to section 4, subdivision 3, elect the following method of computation:

(1) The original assessed value shall not include any portion thereof which is subject to the area-wide tax imposed by section 473F.08, subdivision 6, in the levy and assessment of taxes in the year the district is certified and the current assessed value shall not include the portion thereof which is subject to the area-wide tax imposed by section 473F.08, subdivision 6, but shall not otherwise be reduced by the amount of the contribution of the municipality to the area-wide tax base pursuant to section 473F.08, subdivision 2, clause (a).

(2) In each subsequent year, the county auditor shall compute assessed valuation, mill rates and tax increments as follows:

(i) If the authority retains the full captured assessed value, the county auditor shall include no more than the original assessed value of the real property in the tax increment financing district for purposes of determining assessed value for local mill rates. The county auditor shall compute the mill rates of all taxes levied by the state, the county, the municipality or town, the school district and every other taxing district in which the district is located in whole or in part on the aforementioned assessed value. The county auditor shall extend all mill rates against the current assessed value, including the captured assessed value. In each year for which the current assessed value exceeds the original assessed value, the county treasurer shall remit to the authority that proportion of all taxes paid that year on real property in the district which the captured assessed value bears to the current assessed value. The amount so remitted each year is referred to in this section as the tax increment for that year.

(ii) If the authority retains only a portion of the captured assessed value for its use and returns the remaining portion to the tax rolls of all affected taxing districts, the county auditor shall include the original assessed value and that portion of the captured assessed value which is shared with all the affected taxing districts in determining the assessed value for computing mill rates. He shall compute the mill rates of all taxes levied by the state, county, municipality, school district, and every other taxing district in which the district is located in whole or in part on this aforementioned assessed value. He shall extend all mill rates against the total current assessed value including that portion of the captured assessed value which the authority is retaining for its use only. In each year for

which the current assessed value exceeds the original assessed value, the county treasurer shall remit to the authority that portion of all taxes paid on real property in the district that the retained captured assessed value bears to the total current assessed value in the district. The amount so remitted each year is referred to as the tax increment.

(3) In any year in which the current assessed value of the tax increment financing district is less than the original assessed value, thereby creating a tax increment deficit, the county auditor shall compute and extend taxes against the current assessed value. Taxes shall be distributed from the affected property to each of the taxing jurisdictions as determined by the current levy and there is no tax increment. In any year subsequent to a year in which there exists a tax increment deficit, tax increments shall be computed without regard to the deficit.

(4) An election by the governing body pursuant to part (b) of this subdivision shall be submitted to the county auditor by the authority at the time of the request for certification pursuant to section 6, subdivision 1.

(c) The method of computation of tax increment applied to a district pursuant to clause (a) or (b) of this subdivision, once established, shall remain the same for the duration of the district.

Subd. 4. **PRIOR PLANNED IMPROVEMENTS.** The authority shall, after due and diligent search, accompany its request for certification to the county auditor pursuant to section 6, subdivision 1, or its notice of district enlargement pursuant to section 4, subdivision 5, with a listing of all properties within the tax increment financing district or area of enlargement for which building permits have been issued during the 18 months immediately preceding approval of the tax increment financing plan by the municipality pursuant to section 4, subdivision 4. For 12 months after completion of the improvements for which a building permit was issued during said 18 month period, the county auditor is authorized, but not required, to increase the original assessed value of the district by the assessed valuation of the improvements for which the building permit was issued, as certified by the assessor.

Subd. 5. **TAX INCREMENT ACCOUNT.** The tax increment received with respect to any district shall be segregated by the authority in a special account or accounts on its official books and records or as otherwise established by resolution of the authority to be held by a trustee or trustees for the benefit of holders of the bonds.

Sec. 7. Minnesota Statutes 1978, Chapter 273, is amended by adding a section to read:

[273.77] **TAX INCREMENT BONDING.** Any other law, general or special, notwithstanding, after the effective date of this act no bonds, payment for which tax increment is pledged, shall be issued in connection with any project for which tax increment financing has been undertaken other than as is authorized hereby and the proceeds therefrom shall be used only in accordance with section 5, subdivision 5 as if said proceeds were tax increment, except that a tax increment financing plan need not be adopted for any project for which tax increment financing has been undertaken prior to

the effective date of the act pursuant to statutes not requiring a tax increment financing plan. Such bonds shall not be included for purposes of computing the net debt of any municipality.

(a) A municipality may issue general obligation bonds to finance any expenditure by the municipality or an authority the jurisdiction of which is wholly or partially within that municipality, pursuant to section 5, subdivision 5 in the same manner and subject only to the same conditions as those provided in chapter 475 for bonds financing improvement costs reimbursable from special assessments. Any pledge of tax increment, assessments or other revenues for the payment of the principal of and interest on general obligation bonds issued under this subdivision, except when the authority and the municipality are the same, shall be made by written agreement by and between the authority and the municipality and filed with the county auditor. When the authority and the municipality are the same, the municipality may by covenant pledge tax increment, assessments or other revenues for the payment of the principal of and interest on general obligation bonds issued under this subdivision and thereupon shall file the resolution containing such covenant with the county auditor. When tax increment, assessments and other revenues are pledged, the estimated collections of said tax increment, assessments and any other revenues so pledged may be deducted from the taxes otherwise required to be levied before the issuance of the bonds under section 475.61, subdivision 1, or the collections thereof may be certified annually to reduce or cancel the initial tax levies in accordance with section 475.61, subdivision 1 or 3.

(b) When the authority and the municipality are not the same, an authority may, by resolution, authorize, issue and sell its general obligation bonds to finance any expenditure which that authority is authorized to make by section 5, subdivision 5. Said bonds of the authority shall be authorized by its resolution, shall mature as determined by resolution of the authority in accordance with this act, and may be issued in one or more series and shall bear such date or dates, bear interest at such rate or rates, be in such denomination or denominations, be in such form either coupon or registered, carry such conversion or registration privileges, have such rank or priority, be executed in such manner, be payable in medium of payment at such place or places, and be subject to such terms of redemption, with or without premium, as such resolution, its trust indenture or mortgage may provide. The bonds may be sold at public or private sale at the price or prices as the authority by resolution shall determine, and any provision of any law to the contrary notwithstanding, the bonds shall be fully negotiable. In any suit, actions, or proceedings involving the validity of enforceability of any bonds of the authority or the security therefor, any bond reciting in substance that it has been issued by the authority to aid in financing a district shall be conclusively deemed to have been issued for such purpose, and the district shall be conclusively deemed to have been planned, located, and carried out in accordance with the purposes and provisions of this act. Neither the authority, nor any director, commissioner, council member, board member, officer, employee or agent of the authority nor any person executing the bonds shall be liable personally on the bonds by reason of the issuance thereof. The bonds of the authority, and such bonds shall so state on their face, shall not be a debt of any municipality, the state or any political subdivision thereof, and neither the municipality nor the state or any political subdivision thereof shall be liable thereon, nor in any event shall such bonds be payable out of any funds or properties other than those of the authority and any tax

increment and revenues of a tax increment financing district pledged therefor.

(c) Notwithstanding any other law general or special, an authority may, by resolution, authorize, issue and sell revenue bonds payable solely from all or a portion of revenues, including but not limited to tax increment revenues and assessments, derived from a tax increment financing district located wholly or partially within the municipality to finance any expenditure which the authority is authorized to make by section 5, subdivision 5. The bonds shall mature as determined by resolution of the authority in accordance with this act and may be issued in one or more series and shall bear such date or dates, bear interest at such rate or rates, be in such denomination or denominations, be in such form either coupon or registered, carry such conversion or registration privileges, have such rank or priority, be executed in such manner, be payable in medium of payment at such place or places, and be subject to such terms of redemption, with or without premium, as such resolution, its trust indenture or mortgage may provide. The bonds may be sold at public or private sale at the price or prices as the authority by resolution shall determine, and any provision of any law to the contrary notwithstanding, shall be fully negotiable. In any suit, action, or proceedings involving the validity or enforceability of any bonds of the authority or the security therefor, any bond reciting in substance that it has been issued by the authority to aid in financing a district shall be conclusively deemed to have been issued for such purpose, and the district shall be conclusively deemed to have been planned, located, and carried out in accordance with the purposes and provisions of this act. Neither the authority, nor any director, commissioner, council member, board member, officer, employee or agent of the authority nor any person executing the bonds shall be liable personally on the bonds by reason of the issuance thereof. The bonds may be further secured by a pledge and mortgage of all or any portion of the district in aid of which the bonds are issued and such convenants as the authority shall deem by such resolution to be necessary and proper to secure payment of the bonds. The bonds, and the bonds shall so state on their face, shall not be payable from nor charged upon any funds other than the revenues and property pledged or mortgaged to the payment thereof, nor shall the issuing authority be subject to any liability thereon or have the powers to obligate itself to pay or pay the bonds from funds other than the revenues and properties pledged and mortgaged and no holder or holders of the bonds shall ever have the right to compel any exercise of any taxing power of the issuing authority or any other public body, other than as is permitted or required under this act and pledged therefor hereunder, to pay the principal of or interest on any such bonds, nor to enforce payment thereof against any property of the authority or other public body other than that expressly pledged or mortgaged for the payment thereof.

Sec. 8. Minnesota Statutes 1978, Chapter 273, is amended by adding a section to read:

[273.78] EXISTING PROJECTS. The provisions of sections 1 to 7 shall not affect any project for which tax increment certification was requested pursuant to law prior to the effective date of sections 1 to 7, or any project carried on by an authority pursuant to Minnesota Statutes, Section 462.545, Subdivision 5 with respect to which the governing body has by resolution designated properties for inclusion in the project prior to the effective date of sections 1 to 7, except:

(a) As otherwise expressly provided in sections 1 to 7; or

(b) As an authority may elect to proceed with an existing project, under the provisions of sections 1 to 7; or

(c) That any enlargements of the geographic area of an existing tax increment financing district subsequent to the effective date of sections 1 to 7 shall be accomplished in accordance with and shall subject the property added as a result of the enlargement to the terms and conditions of sections 1 to 7; or

(d) That commencing with taxes payable in 1980, section 6, subdivision 3, clause (b) shall apply to all development districts created pursuant to chapter 472A, or any special law, prior to the effective date of this act.

Sec. 9. Minnesota Statutes 1978, Chapter 273, is amended by adding a section to read:

[273.86] DEFERRED PROPERTY TAXATION FOR PRIVATE REDEVELOPMENT. Subdivision 1. **APPLICATION.** A developer proposing to construct improvements on property located within an industrial development district as defined in section 458.191, subdivision 1; a development district as defined in section 472A.02, subdivision 3, or any special law; or a redevelopment project as defined in section 462.421, subdivision 14 may apply to the governing body of the city or municipality in which the property is located to obtain deferral of property tax on the improved property, stating the nature and location of the proposed improvement, its estimated cost, and the projected length of construction time. If the governing body finds that the proposed development is consistent with the requirements of the above referred sections, it may approve the application. If the application is approved by June 30, the tax exemption shall be in effect for taxes paid the following year; if it is approved later than June 30, the exemption shall be in effect for taxes paid in the second subsequent taxable year.

Subd. 2. **TAX TREATMENT.** Property approved for the tax deferral provided in this section shall be exempt from taxation during the time while the improvements proposed in the plan are under construction. The exemption shall be in effect for the number of taxable years approved by the governing body at the time of approval of the application. The period of deferral shall not exceed the length of the construction period projected in the plan. For taxes payable in the first year following the levy year during which 50 percent of the area of the building becomes occupied, the tax due on the property shall be the amount of tax paid on the property in the year in which the developer applied for the deferral, multiplied by the number of years during which the property was exempt from taxation pursuant to this section plus the amount of taxes which would ordinarily be due in the first year following the levy year during which 50 percent of the area of the building becomes occupied, plus at the option of the governing body, the amount of increased taxes that would have been due and payable each year during the period of deferral. If the improvements which had been present on the property were demolished prior to the year of the application, the governing body may require that the deferred tax be computed based on the amount of tax due on the

property for the last taxable year preceding the demolition of the improvement. For all subsequent taxable years, the property shall be assessed as provided in section 273.11.

Subd. 3. **TRANSFERABILITY.** When ownership of property which has been approved for the tax deferral provided in this section is transferred from the original applicant, the governing body may elect to continue to defer the tax on the property if the subsequent owner agrees to redevelop the property according to either the original redevelopment plan approved under subdivision 1 or a plan proposed by the subsequent owner and approved by the governing body if the governing body does not approve continuation of the tax.

Subd. 4. **EXCEPTIONS.** The provisions of this section shall not apply to any property purchased from an authority which acquired such property with tax increment or bonds issued pursuant to sections 10 to 12.

Sec. 10. Minnesota Statutes 1978, Section 362A.05, is amended to read:

362A.05 **AGREEMENTS FOR RESERVATION OF TAX INCREMENTS.** The authority may enter into an agreement with any county in which a project is to be situated, under which the increment of taxable value of property to be created by the project, over and above the taxable value of the project site as last finally determined before the project was undertaken, may be excluded from the taxable value of property on which the mill rate of taxes is computed in every subsequent year, for so long as may be agreed, but the aggregate mill rate of taxes levied by the county and all other taxing districts on other properties in each such year shall be spread also on the incremental taxable value of the project, and the tax resulting therefrom, when collected, shall be remitted to the authority, and may be pledged, together with charges or special assessments, to pay or guarantee the payment of its bonds, or may be used by the authority for the purposes stated in section 362A.01, subdivision 2. Every county shall have the power by resolution of the county board to do all acts and things necessary for the computation, segregation, and application of tax increments under agreements made with the authority in accordance with this section. This section shall not apply with respect to any project established subsequent to the effective date of the Minnesota tax increment financing act.

Sec. 11. Minnesota Statutes 1978, Section 458.192, Subdivision 11, is amended to read:

Subd. 11. Upon or after the creation of an industrial development district under section 458.191 which is not subject to the provisions of sections 1 to 8 of the Minnesota tax increment financing act, the auditor of the county in which it is situated shall upon request of the port authority certify the then most recently determined assessed valuation of all or so much of the taxable real property within the district as is identified by legal description in the request, other than that portion of the valuation which is contributed to an area-wide tax base under chapter 473F. The auditor shall certify to the authority in each year thereafter the amounts and percentages of subsequent increases or decreases in such valuation other than that portion of such increases or decreases which is contributed to an area-wide tax base under chapter 473F. The auditor shall compute the mill rates of

taxes against such original valuation but shall extend such rates also against any incremental value and remit the resulting tax increment to the port authority in the same manner as that provided for the computation and remittance of tax increments under section 462.585, subdivisions 2 and 3. The port authority shall segregate tax increments received with respect to any such property district in a special account on its official books and records. Such tax increments shall be remitted to the port authority until the cost of redevelopment of the marginal land within the district, including interest thereon, has been fully reimbursed from the tax increments. When such full reimbursement has been made, it shall be reported by the port authority to the county auditor, who shall thereafter include the entire assessed valuation of the property in the assessed valuations upon which tax mill rates are computed and extended and taxes are remitted to all taxing districts. Any part or all of such tax, if so directed by the city council, shall be pledged and appropriated for the payment of any general obligation bonds of the port authority. Increases in the value of such property, subsequent to certification of the base for computing the tax increment therefrom, shall not be included in the assessed valuation of any taxing district for the purpose of computing any debt or levy limitation or the amount of any state or federal aid to the taxing district, so long as the tax increment therefrom is segregated under the provisions of this section. The provisions of this subdivision shall not apply with respect to any project, certification of which is requested subsequent to the effective date of the Minnesota tax increment financing act.

Sec. 12. Minnesota Statutes 1978, Section 462.545, Subdivision 5, is amended to read:

Subd. 5. **SPECIAL BENEFIT TAX FUND.** In the event the authority shall issue bonds or other obligations to finance a redevelopment project, the authority may, in its discretion, with the consent of the governing body obtained at the time of the approval of the redevelopment plan as required in section 462.521, notify the county treasurer to set aside in a special fund, for the retirement of such bonds and interest thereon, all or part of the real estate tax revenues derived from the real property in the redevelopment area which is in excess of the tax revenue derived therefrom in the tax year immediately preceding the acquisition of such property by the authority, and it shall be the duty of the county treasurer so to do. Such setting aside of funds shall continue until the bonds or other obligations have been retired. The provisions of this subdivision shall not apply with respect to any property which the governing body has not by resolution designated for inclusion in a project prior to the effective date of the Minnesota tax increment financing act.

Sec. 13. Minnesota Statutes 1978, Section 462.585, Subdivision 2, is amended to read:

Subd. 2. **ORIGINAL TAXABLE VALUE.** Upon or after approval of a redevelopment project of any housing and redevelopment authority under section 462.521, the auditor of the county in which it is situated shall upon request of the authority certify the assessed valuation of all taxable real property within the project area as then most recently determined, which is referred to in this section as the "original taxable value", and shall certify to the authority in each year thereafter the amount by which the original taxable value has increased or decreased, and the proportion which any such increase

bears to the total assessed valuation of the real property for that year or the proportion which any such decrease bears to the original taxable value. The provisions of this subdivision shall not apply with respect to any redevelopment project, certification of which is requested subsequent to the effective date of the Minnesota tax increment financing act.

Sec. 14. Minnesota Statutes 1978, Section 462.585, Subdivision 3, is amended to read:

Subd. 3. **TAX INCREMENTS.** In each subsequent year the county auditor shall include no more than the original taxable value of such real property in the assessed valuation upon which he computes the mill rates of all taxes levied by the state, the county, the municipality or town, the school district and every other taxing district in which the project area is situated; but he shall extend all mill rates so determined against the entire assessed valuation of such real property for that year. In each year for which the assessed valuation exceeds the original taxable value, the county treasurer shall remit to the authority, instead of the taxing districts, that proportion of all taxes paid that year on the real property in the project area which such excess valuation bears to the total assessed valuation. The amount so remitted each year is referred to in this section as the "tax increment" for that year. Tax increments received with respect to any redevelopment project shall be segregated by the authority receiving them in a special account on its official books and records until the public redevelopment cost of the project, including interest on all money borrowed therefor, has been fully paid, and the municipality or other public body in which the project is situated has been fully reimbursed from the tax increments or revenues of the project for any principal and interest on general obligation bonds which it has issued for the project and has paid from taxes levied on other property within its corporate limits. Such payment shall be reported to the county auditor, who shall thereafter include the entire assessed valuation of the project area in the assessed valuations upon which tax mill rates are computed and extended and taxes are remitted to all taxing districts. The provisions of this subdivision shall not apply with respect to any redevelopment project, certification of which is requested subsequent to the effective date of the Minnesota tax increment financing act.

Sec. 15. Minnesota Statutes 1978, Section 462.585, Subdivision 4, is amended to read:

Subd. 4. **TAX INCREMENT FINANCING.** The authority may pledge and appropriate any part or all of the tax increments received for any redevelopment project, and any part or all of the revenues received from lands in the project area while owned by the authority, for the payment of the principal of and interest on bonds issued in aid of the project pursuant to sections 462.551, 462.581, or chapter 474, by the authority or by the governing body of the municipality or other state public body within whose corporate limits the project area is situated. Any such pledge for the payment of bonds issued by the governing body shall be made by written agreement executed on behalf of the authority and the governing body and filed with the county auditor. The estimated collections of the tax increments and any other revenues so pledged may be deducted from the taxes otherwise required to be levied before the issuance of the bonds under section 475.61, subdivision 1, or the collections thereof may be certified annually to reduce or cancel the

initial tax levies in accordance with section 475.61, subdivision 3. When such an agreement is made and filed, the bonds may be issued by the governing body in the same manner and subject only to the same conditions as those provided in chapter 475 for bonds financing improvement costs reimbursable from special assessments. Bonds shall not be issued nor tax increments or other revenues pledged pursuant to this subdivision subsequent to the effective date of the Minnesota tax increment financing act.

Sec. 16. Minnesota Statutes 1978, Section 472A.06, is amended to read:

472A.06 **ISSUANCE OF BONDS.** The governing body of the municipality, may authorize, issue and sell general obligation bonds, which shall mature within 30 years from the date of issue, to finance the acquisition and betterment of real and personal property needed to carry out the development program within the development district together with all relocation costs incidental thereto in accordance with sections 475.51, 475.53, 475.54, 475.55, 475.56, 475.60, 475.61, 475.62, 475.63, 475.65, 475.66, 475.69, 475.70, 475.71. All tax increments received by the municipality pursuant to section 472A.08 shall be pledged for the payment of these bonds and used to reduce or cancel the taxes otherwise required to be extended for that purpose, and the bonds shall not be included when computing the municipality's net debt. Bonds shall not be issued under this section subsequent to the effective date of the Minnesota tax increment financing act.

Sec. 17. Minnesota Statutes 1978, Section 472A.07, is amended by adding a subdivision to read:

Subd. 5. The provisions of this section shall not apply to a development district created subsequent to the effective date of the Minnesota tax increment financing act.

Sec. 18. Minnesota Statutes 1978, Section 473F.02, Subdivision 3, is amended to read:

Subd. 3. "Commercial-industrial property" means the following categories of property, as defined in section 273.13, excluding that portion of such property (a) which may, by law, constitute the tax base for a tax increment pledged pursuant to sections 462.585 or 474.10, certification of which was requested prior to the effective date of the Minnesota tax increment financing act, to the extent and while such tax increment is so pledged; (b) which may, by law, constitute the tax base for tax revenues set aside and paid over for credit to a sinking fund pursuant to direction of the city council in accordance with Laws 1963, Chapter 881, as amended, to the extent that such revenues are so treated in any year; or (c) which is exempt from taxation pursuant to section 272.02:

(a) That portion of class 3 property consisting of stocks of merchandise and furniture and fixtures used therewith; manufacturers' materials and manufactured articles; and tools, implements and machinery, whether fixtures or otherwise.

(b) Class 3h property.

(c) Class 3j property.

(d) That portion of class 4 property which is either used or zoned for use for any commercial or industrial purpose, except for such property which is, or, in the case of property under construction, will when completed be used exclusively for residential occupancy and the provision of services to residential occupants thereof. Property shall be considered as used exclusively for residential occupancy only if each of not less than 80 percent of its occupied residential units is, or, in the case of property under construction, will when completed be occupied under an oral or written agreement for occupancy over a continuous period of not less than 30 days.

If the classification of property prescribed by section 273.13 is modified by legislative amendment, the references in this subdivision shall be to such successor class or classes of property, or portions thereof, as embrace the kinds of property designated in this subdivision.

(e) That property valued and assessed under section 273.13, subdivision 14.

Sec. 19. Minnesota Statutes 1978, Section 473F.05, is amended to read:

473F.05 **ASSESSED VALUATION; 1972 AND SUBSEQUENT YEARS.** On or before November 20 of 1972 and each subsequent year, the assessors within each county in the area shall determine and certify to the county auditor the assessed valuation in that year of commercial-industrial property subject to taxation within each municipality in his county, determined without regard to section 6, subdivision 3.

Sec. 20. Minnesota Statutes 1978, Section 473F.08, Subdivision 2, is amended to read:

Subd. 2. The taxable value of a governmental unit is its assessed valuation, as determined in accordance with other provisions of law including section 6, subdivision 3, subject to the following adjustments:

(a) There shall be subtracted from its assessed valuation, in each municipality in which the governmental unit exercises ad valorem taxing jurisdiction, an amount which bears the same proportion to 40 percent of the amount certified in that year pursuant to section 473F.06 in respect to that municipality as the total preceding year's assessed valuation of commercial-industrial property which is subject to the taxing jurisdiction of the governmental unit within the municipality, determined without regard to section 6, subdivision 3, bears to the total preceding year's assessed valuation of commercial-industrial property within the municipality, determined without regard to section 6, subdivision 3;

(b) There shall be added to its assessed valuation, in each municipality in which the governmental unit exercises ad valorem taxing jurisdiction, an amount which bears the same proportion to the area-wide base for the year attributable to that municipality as the total preceding year's assessed valuation of residential property which is subject to the taxing jurisdiction of the governmental unit within the municipality bears to the total preceding year's assessed valuation of residential property of the municipality.

Sec. 21. Minnesota Statutes 1978, Section 473F.08, Subdivision 4, is amended to read:

Subd. 4. In 1972 and subsequent years, the county auditor shall divide that portion of the levy determined pursuant to subdivision 3, clause (b), by the assessed valuation of the governmental unit, taking section 6, subdivision 3 into account, less that portion subtracted from assessed valuation pursuant to subdivision 2, clause (a). The resulting rate shall apply to all taxable property except commercial-industrial property, which shall be taxed in accordance with subdivision 6.

Sec. 22. Minnesota Statutes 1978, Section 473F.08, Subdivision 6, is amended to read:

Subd. 6. The rate of taxation determined in accordance with subdivision 5 shall apply in the taxation of each item of commercial-industrial property subject to taxation within a municipality, including property located within any tax increment financing district, as defined in section 3, subdivision 9, to that portion of the assessed valuation of the item which bears the same proportion to its total assessed valuation as 40 percent of the amount determined pursuant to section 473F.06 in respect to the municipality in which the property is taxable bears to: (a) the amount determined pursuant to section 473F.05 minus (b) the entire portion thereof located within any tax increment financing district, as defined in section 3, subdivision 9 for which tax increment is computed in accordance with section 6, subdivision 3, clause (a)(2), regardless of the extent to which it is or is not included in determining assessed value for purposes of computing local mill rates under section 6, subdivision 3, clause (a)(2). The rate of taxation determined in accordance with subdivision 4 shall apply in the taxation of the remainder of the assessed valuation of the item.

Sec. 23. Minnesota Statutes 1978, Section 474.10, Subdivision 2, is amended to read:

Subd. 2. Any municipality or redevelopment agency may request the county auditor of the county in which a project is situated to certify the original taxable value of the real property included therein and the tax increments realized each year after the commencement of the project, as defined in section 462.585, and shall be entitled to receive, use, and pledge such tax increments for the further security of the revenue bonds issued to finance the project, in either of the following ways:

(1) To pay premiums for insurance guaranteeing the payment of net rentals when due under the project lease; or

(2) To accumulate and maintain a reserve securing the payment when due of the principal of and interest on the bonds.

The provisions of this subdivision shall not apply to a project, certification of which is requested subsequent to the effective date of the Minnesota tax increment financing act.

Sec. 24. Minnesota Statutes 1978, Section 474.10, Subdivision 3, is amended to read:

Subd. 3. Tax increments with respect to any industrial development project shall be segregated and specially accounted for by the county treasurer until all bonds issued to finance the project have been fully paid; but the county treasurer shall remit the same to the municipality or redevelopment agency only in the amount certified to him to be required for any of the purposes stated in subdivision 2. The amount so needed shall be certified annually to the county auditor and treasurer by the municipality or redevelopment agency on or before October 1. Any tax increment remaining in any year after such remittance shall, when collected, be distributed among all of the taxing districts levying taxes on the project area, in proportion to the amounts so levied by them, respectively. The provisions of this subdivision shall not apply to a project, certification of which is requested subsequent to the effective date of the Minnesota tax increment financing act.

Sec. 25. **REPEALER.** Minnesota Statutes 1978, Sections 458.192, Subdivision 12; 472A.02, Subdivision 3; 472A.07, Subdivision 4; and 472A.08, are repealed.

Approved June 5, 1979.

CHAPTER 323—H.F.No.260

An act relating to health; providing for health planning; requiring certificates of need for construction or modification of certain health care facilities and services; amending Minnesota Statutes 1978, Chapter 144, by adding a section; repealing Minnesota Statutes 1978, Sections 145.71 to 145.831.

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

Section 1. **[145.832] PURPOSE; CITATION.** Subdivision 1. The legislature finds that the unnecessary construction or modification of health care facilities increases the cost of care and threatens the financial ability of the public to obtain necessary medical services. The purposes of sections 1 to 14 are to promote comprehensive health planning; to assist in providing the highest quality of health care at the lowest possible cost; to avoid unnecessary duplication by ensuring that only those health care facilities and services which are needed will be developed; and to provide an orderly method of resolving questions concerning the necessity of construction or modification of health care facilities.

It is the policy of sections 1 to 14 that decisions regarding the construction or modification of health care facilities should be based on the maximum possible participation on the local level by consumers of health care and elected officials, as well as the providers directly concerned.

Subd. 2. Sections 1 to 14 may be cited as "The Minnesota Certificate of Need Act."