

**SENATE  
STATE OF MINNESOTA  
NINETIETH SESSION**

**S.F. No. 4038**

(SENATE AUTHORS: DZIEDZIC)

DATE  
04/26/2018

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8384 Introduction and first reading  
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act  
1.2 relating to taxation; creating a Minneapolis Housing Restoration Tax Increment  
1.3 Financing District.

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

1.5 Section 1. **CITY OF MINNEAPOLIS; HOUSING RESTORATION TAX**  
1.6 **INCREMENT FINANCING DISTRICT.**

1.7 Subdivision 1. **Definitions.** (a) "City" means the city of Minneapolis.

1.8 (b) "Housing Restoration Tax Increment Financing District" or "district" means an area  
1.9 located in a municipal development district that consists of four noncontiguous parcels on  
1.10 which the city anticipates future development.

1.11 (c) "Eligible housing trust" means an entity that (1) is owned or operated by the city or  
1.12 by a nonprofit corporation that is a qualified charitable organization under section 501(c)(3)  
1.13 of the Internal Revenue Code of 1986, as amended, and (2) has five years of experience in  
1.14 the construction of new single-family homes or in the rehabilitation of rental property and  
1.15 rental property management.

1.16 (d) "Substandard" means a parcel (1) is a vacant site, (2) contains a vacant house that is  
1.17 not compliant with the State Building Code, or (3) contains a rental house that is structurally  
1.18 substandard, as defined in Minnesota Statutes, section 469.174, subdivision 10.

1.19 Subd. 2. **Establishment of tax increment financing district.** The city may create a  
1.20 Housing Restoration Tax Increment Financing District. To establish the district, the city  
1.21 shall adopt a housing restoration tax increment plan and otherwise comply with the  
1.22 requirements of Minnesota Statutes, section 469.175, except that the determinations required

2.1 in Minnesota Statutes, section 469.175, subdivision 3, paragraph (b), clauses (1) and (2),  
2.2 are not required.

2.3 Subd. 3. **Application of tax increment law.** Minnesota Statutes, sections 469.174 to  
2.4 469.179, apply to the administration of the district, except as otherwise provided in this  
2.5 section. The use for which tax increment may be expended is as provided in subdivision 6.  
2.6 Minnesota Statutes, sections 469.1761 and 469.1763, do not apply.

2.7 Subd. 4. **Duration limitation.** No tax increment generated by the district shall be paid  
2.8 to the city after the expiration of 15 years from the receipt of certificate of occupancy of a  
2.9 new building on a parcel located in the district.

2.10 Subd. 5. **Limitations on use of increment.** (a) A maximum of 75 percent of increment  
2.11 received by the city from the district may be used in accordance with the Housing Restoration  
2.12 Tax Increment Financing District. The remainder of the tax increment derived from the  
2.13 district shall be distributed to the jurisdictions according to provisions of current law.

2.14 (b) Allowable administrative expenses under subdivision 3 and Minnesota Statutes,  
2.15 section 469.176, are the responsibility of the city.

2.16 Subd. 6. **Permitted uses of increment.** (a) Only eligible housing trusts may undertake  
2.17 activities permitted by this act.

2.18 (b) Eligible housing trusts may (1) contract for construction and sale of new family  
2.19 homes on parcels containing no houses or vacant houses, and (2) purchase single-family  
2.20 substandard vacant houses or substandard rental properties for the purpose of rehabilitation.  
2.21 Rental properties may be rented or sold by the trust as provided in paragraph (c).

2.22 (c) An eligible trust may provide second mortgage financing to buyers. Such financing  
2.23 will be fully forgivable provided the buyer occupies the home for a minimum of ten years.  
2.24 Rents on the rehabilitated rental property shall equal the pre-rehabilitation rent for a minimum  
2.25 period of three years.

2.26 (d) An eligible trust may accept donations or matching grants from foundations, trusts,  
2.27 or philanthropic entities for the purposes under paragraph (c).

2.28 Subd. 7. **Applicability of other laws.** References in Minnesota Statutes to tax increment  
2.29 financing districts created and tax increment generated under Minnesota Statutes, sections  
2.30 469.174 to 469.179, include the Housing Restoration Tax Increment Financing District and  
2.31 tax increment subject to this section.

2.32 **EFFECTIVE DATE.** This section is effective upon compliance by the city of  
2.33 Minneapolis with Minnesota Statutes, section 645.021.