469.043 PROPERTY TAX EXEMPTION.

Subdivision 1. **Application.** A developer proposing to construct a building on land located within a redevelopment project as defined in section 469.002, subdivision 14, may apply to the governing body of the city in which the land is located to obtain a partial tax exemption as provided in subdivision 2 for the approved property. The land and the building to be constructed thereon are referred to in this section as the "development." The development shall be designed and used primarily for housing purposes but portions of it may be planned and used for related business, commercial, cultural, or recreational purposes, consistent with the project plan. In applying for the tax exemption, the developer must submit a plan of the development that shall contain a general description of the area to be redeveloped and a statement of the plan for redevelopment that includes:

(1) height and bulk of structures, density of population, and percentage of land covered by structures as to their conformity with the purposes of sections 469.001 to 469.047 and with the project plan, if any; and the relationship of the density of population contemplated by the development plan, or project plan, to the distribution of the population of the city in other areas or parts thereof;

(2) provision, if any, for business or commercial facilities related to the development, relationship to existing and planned public facilities, adequacy and planned rearrangement of street facilities and provisions for light, air, cultural, and recreational facilities as to their conformity with the purposes of sections 469.001 to 469.047 and their adequacy for accommodation of the density of population contemplated by the development plan or project plan; and

(3) a development contract with the authority covering the acquisition, construction, financing, operation, and maintenance of the development. The contract shall provide that:

(i) after deducting all operating expenses, debt service payments, taxes or payments in lieu of taxes, and assessments, the developer may be paid annually out of the earnings of the project an amount equal to a specified percentage of the equity invested in the project; the percentage shall be fixed for the term of the tax exemption and shall be determined at the time of the approval of the development contract, provided that no percentage greater than eight percent shall be approved; the contract shall set out the terms of the developer's return on equity and shall define "developer's invested equity," "project earnings," "debt service," and "operating expenses"; and that any cash surplus derived from earnings from that project remaining in the treasury of the developer in excess of the amount necessary to provide such cumulative annual sums shall, upon a conveyance of the project or upon a dissolution of the company, be paid into the general fund of the city or town in which that project is located; and

(ii) a provision that, so long as this section remains applicable to a project, the real property of the project shall not be sold, transferred, or assigned except as permitted by the terms of the contract or as subsequently approved by the governing body.

Subd. 2. **Partial tax exemption.** The governing body of a city in which the proposed development is to be located, after the approval required by subdivision 3, may exempt from all local taxes up to 50 percent of the net tax capacity of the development which represents an increase over the net tax capacity of the property, including both land and improvements, acquired for the development at the time of its original acquisition for redevelopment purposes. If the governing body grants an exemption, the development shall be exempt from any or all county and school district ad valorem property taxes to the extent of and for the duration of the municipal exemption. The tax exemption shall not operate for a period of more than ten years, commencing from the date on which the exemption first becomes effective. No exemption may be granted from payment of special assessments or from the payment of inspection, supervision, and auditing fees of the authority.

The governing body may not approve a tax exemption or a development contract for a development unless it finds by resolution that (1) the land which is part of the proposed development would not, in the foreseeable future, be made available for redevelopment in the manner proposed without the partial exemption; (2) the development plan submitted by the developer will meet a specific housing shortage identified by the city or the authority and will afford maximum opportunity, consistent with the project plan, for redevelopment of the land by private enterprise; and (3) the development plan conforms to the project plan as a whole.

Subd. 3. **Comment by county board.** Before approving a tax exemption pursuant to this section, the governing body of the city must provide an opportunity to members of the board of commissioners of the county in which the proposed development is to be located and the members of the school board of the school district which the proposed development is to be located to meet with the governing body. The governing body must present to the members of those boards its estimate of the fiscal impact of the proposed property tax exemption. The tax exemption may not be approved by the governing body until the county board of commissioners has presented its written comment on the proposal to the governing body, or 30 days have passed since the date of the transmittal by the governing body to the board of the information on fiscal impact, whichever occurs first.

Subd. 4. **Change in project prohibited.** During the period of any tax exemption granted pursuant to this section, no developer or any approved successor in interest to its title to a project or any part thereof may transfer any ownership interest in the developer entity or in the project or change any feature of a project for which approval of the city is required, without the approval of the authority and the approval by the local governing body by a majority of the number of the votes authorized to be cast by all of the members of the local governing body.

Subd. 5. **Continuation of redevelopment company provisions.** The provisions of Minnesota Statutes 1986, sections 462.591 to 462.705, shall continue in effect with respect to any project to which a tax exemption had been granted under Minnesota Statutes 1986, section 462.651, prior to August 1, 1987, whether or not the project continues to be owned by a redevelopment company, provided that if the project is not owned by a redevelopment company or governmental unit, the exemption shall not be available during any period when the earnings of the owner from the project annually paid to the owner or its shareholders for interest, amortization, and dividends exceeds eight percent of invested capital or equity in the project.

History: *1987 c 291 s 43; 1988 c 719 art 5 s 84; 1989 c 329 art 13 s 20; 1990 c 604 art 7 s 2*