

Subject Expanding the scope of the small city exception to restrictions on economic development districts

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Overview

Economic development districts are a type of tax increment financing district designed to expand employment or tax base in the state. Increment from these districts must generally be spent on developing buildings for manufacturing, warehousing, research and development, telemarketing, tourism in qualifying areas, or qualifying workforce housing.

Small cities are given an exception from this limit on use of increment from economic development districts. To qualify as a small city, a city must both have a population under 5,000 and be at least 10 miles from the nearest Minnesota city with a population over 10,000. A small city may use an economic development district to develop any separately owned commercial facility of up to 15,000 square feet.

This bill would expand the number of cities which would qualify as a small city by reducing the buffer zone around cities with populations over 10,000 from ten to five miles. Cities meeting the population requirement that are between five and ten miles from the nearest city with a population over 10,000 do not currently qualify for the small city exception, but they would with this change.

Summary

Section	Description
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1	Small city.
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	Modifies the definition of small city by decreasing the required distance from the nearest Minnesota city with a population over 10,000 from ten to five miles.
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