

HOUSE RESEARCH

Bill Summary

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Subject: TIF - Elgin, Eyota, Byron, and Oronoco

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Overview

This bill allows the cities of Elgin, Eyota, Byron, and Oronoco to qualify as "small cities" under the tax increment financing (TIF) law. Small cities may use economic development TIF districts for retail, office, and other commercial uses, while other cities may not.

Under the general law, a "small city" must have a population of 5,000 or less and be located 10 miles or more from a city with a population of 10,000 or more. The bill would allow these four cities to qualify without regard to whether they are located less than 10 miles from a city with a population of more than 10,000.

Section

- 1 Elgin, Eyota, Byron, and Oronoco TIF.** Allows these four cities to qualify as small cities for purposes of the TIF law without regard to whether they are located within 10 miles of a city with a population of 10,000 or more. As a result of annexations by the city of Rochester, some or all of these cities are now within 10 miles of Rochester, a city whose population exceeds 10,000. Their populations would need to remain at or below 5,000 to continue qualifying. The test is applied at the time the TIF plan is approved.

Background information. Qualifying as a "small city" under the TIF Act enables the city to use economic development TIF districts for small commercial developments-i.e., retail, office space, and similar developments. These developments cannot exceed 15,000 square feet. However, the city can do multiple districts, if each development is separately owned.

Section

Economic development districts can be used at any location, i.e., they are not restricted to difficult to develop parcels containing "blight."

Cities that do not qualify as "small cities" may only use economic development TIF districts for more "footloose" type industries-manufacturing, research and development, and warehousing. The mileage restriction was included in the definition of small cities to prevent neighboring cities (e.g., suburbs in the metropolitan areas or cities located close to regional centers) from using economic development TIF districts to assist retail developments that would compete with retailers in the larger neighboring cities.

Effective date: Upon local approval by the city.