

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 406

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Version: As introduced

Authors: Welti and others

Subject: Tax Increment Financing (TIF) - economic development districts for commercial developments in small cities

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Overview

This bill expands the definition of small cities under the TIF Act to include any city with a population under 5,000 whose border does not abut a city with a population of 10,000 or more. Under present law, the city must be located 10 miles or more from a city with a population of 10,000 or more. Small cities can use economic development TIF districts for retail, office, and other commercial uses, while other cities cannot.

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- 1** **Definition of small city.** Allows any city with a population of 5,000 or less to qualify as a small city, if its border does not touch the border of a city with a population of 10,000 or more. Present law requires a city to be located 10 miles or more from the nearest border of a city with a population of 10,000 or more to qualify as a small city.

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. 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

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for more "footloose" type industries - e.g., manufacturing, research and development, and warehousing.

Effective date: For districts for which the request for certification is made after the day following final enactment