

# HOUSE RESEARCH

## Bill Summary

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**Subject:** TIF - City of Faribault

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### Overview

This bill authorizes the city of Faribault to spend tax increments from several pre-1982 tax increment financing (TIF) districts on various public infrastructure improvements located outside of the districts. Under general law, these districts are limited to paying only pre-existing obligations (e.g., outstanding bonds or similar obligations).

#### Section

**1 Faribault; TIF pooling authority.** Authorizes the city of Faribault to use increments from its "Original 1981 Tax Increment District" (a series of separate districts) for a variety of public infrastructure improvements in a defined area of the city's downtown. Qualifying infrastructure improvements include:

- sidewalks
- streetscape improvements (surface treatment and lighting)
- water
- sanitary or storm sewer utility improvements.

**Background.** These districts were created before the TIF act was amended in 1982 to authorize "pooling" of increments - i.e., spending on activities outside of the boundaries of

**Section**

the district from which the increment was collected. (However, portions of some of the districts were added after the 1982 pooling law and would have been permitted to pool for increments derived from those areas.) The 1982 pooling authorization applied only to newly created districts (after 6/30/1982). A 1999 general law confirmed that these 1979-82 districts did not have pooling authority, but ratified past spending that was made outside of the district. For districts whose increments were spent outside of the district, the law limited the use of increments to only paying preexisting increments. Since the Office of the State Auditor (OSA) issued a violation letter to Faribault for at least three of these districts for spending increments outside of the districts, they are subject to this law. (The 1998 OSA violation letter indicated that Faribault was required to repay \$5.9 million of increment. The 1999 legislation ratified this spending, eliminating the violation.) The bill exempts these Faribault districts from the 1999 law's restrictions on the spending of increments in the future, if they are spent on the enumerated activities.

**Effective date** : Upon local approval by the city of Faribault.