

HOUSE RESEARCH

Bill Summary

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Overview

This bill creates a new type of tax increment financing (TIF) district to finance improvements and costs related to rail and bus rapid transit lines. These districts will have a 25-year duration limit. Increments from the districts may be spent on public and private costs related to transit, such as funding public infrastructure (e.g., station and related improvements, but not the transit line or rolling stock itself) and encouraging private development adjacent to the line (e.g., more dense land uses).

Section

- 1** **Definition of administrative expenses.** Excludes from the definition of administrative expenses the cost of operating paratransit or circulator systems and the cost of operating a streetcar line. The law limits administrative expenses to no more than 10 percent of increment. Under present law, the default rule is that all expenditures are administrative expenses, unless they are specifically excluded. The exclusions are largely limited to capital expenditures – e.g., land acquisition and infrastructure improvements. Since section 5 authorizes increments from transit improvement districts to be used for some transit operating costs, this would result in these expenditures being treated as administrative expenses subject to the 10 percent limit. Thus, this section excludes these expenses from the 10 percent limit on administrative expenses.
- 2** **Transit improvement district; definition.** Defines a “transit improvement district,” a new type of TIF district authorized by the bill. For an area to qualify as a transit improvement district, the development authority must make two findings:
 - Each parcel in the district is within one-half mile of a qualifying transit line; and
 - Establishing the district is in the public interest because it will help to finance improvements or services that increase the effectiveness of the transit.

A qualifying transit line is defined as:

- Light rail transit
- Commuter rail
- Bus rapid transit, identified and operated by the Metropolitan Council or MNDOT
- Streetcar

- 3 Transit improvement district approvals.** Requires the city to make the findings required by section 2 before approving a transit improvement district.
- 4 Transit improvement district, duration limit.** Provides that a transit improvement district has a duration limit of 25 years after the receipt of the first increment. This is the same as the duration limit for housing districts and redevelopment districts.
- 5 Transit improvement districts, permitted spending.** Authorizes increments from a transit improvement district to be spent for the same purposes permitted for a housing district or a redevelopment district. In addition, increments may be spent for:
 - Acquiring and improving transit stations
 - Acquiring and improving green space related to transit improvements
 - Streetscape improvements related to the transit
 - Operating paratransit or circulator transit that serves the line
 - Making transit improvement loans
 - Implementing transit improvement plans
 - Paying capital and operating costs of a streetcar line
 - Financing mitigation cost related to the line