

HOUSE RESEARCH

Bill Summary

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Authors: Dehn

Subject: Tax increment financing (TIF) for compact development and transit oriented development

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Overview

This bill reinstates the expired TIF authority for compact development districts and expands where these districts may be created to include areas containing multiunit rental housing or that are within one-half mile of light rail transit, commuter rail transit, or bus rapid transit lines. Uses of increments from these districts are expanded to include transit-related costs.

Section

- 1 Compact development district, definition.** Modifies the qualifying rules for a compact development districts in two ways:
 - It expands the test under the expired law to include multiunit rental housing properties, in addition to commercial developments (office, industrial, and retail).
 - As an alternative to the test under the expired law, areas may be included if the authority makes two findings:
 1. Each parcel in the district is within one-half mile of a qualifying transit line (defined in section 3); and
 2. Establishing the district is in the public interest because it will help to finance improvements or services that increase the effectiveness of the transit.
- 2 Definition of administrative expenses.** Excludes from the definition of administrative expenses the cost of operating paratransit or circulator systems, which is a permitted use of

Section

compact development districts under section 4.

Present 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. Use of increments from compact development districts for transit operating costs would result in these expenditures being treated as administrative expenses subject to the 10-percent limit.

3 Qualifying transit line, definition. Defines “qualifying transit line” as:

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

4 Compact development districts, expanded use of increments. Allows increments from a compact development district to be used 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
- Financing mitigation cost related to the line
- Financing housing under the rules applicable to housing districts

5 Limitations on decorative and aesthetic improvements. Exempts expenditures on streetscaping for compact development districts from the limits on improvements, equipment, and other items that serve decorative purposes or whose cost is at least doubled because of the selection of materials and so forth.

6 Repealer. Repeals the sunset clause (June 30, 2012) for compact development districts and states that this is intended to reinstate the authority to establish these districts.