

HOUSE RESEARCH

Bill Summary

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Authors: Zellers

Subject: City of Maple Grove – special tax increment financing (TIF) authority

Analyst: Joel Michael, joel.michael@house.mn

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This bill grants special law authority to the city of Maple Grove to create TIF districts (until December 31, 2022) under special rules in a defined area of the city. Before using this authority, the city must find that 80 percent of the defined area has one or more of the following conditions (a parcel is treated as wholly meeting a requirement if 70 percent of its area meets the requirement, except a 30-percent test applies for the substandard building requirement):

- Peat or other geotechnical difficulties with the soil that “impair” the ability to develop the parcel
- Substantial fill is required for commercial development
- Landfills, dumps, or similar conditions
- Quarries (e.g., gravel pits) or similar
- Floodway
- Substandard building(s), as defined under the TIF blight test under general law, on the parcel

Special TIF rules that apply. The following exceptions to general law TIF rules would apply to new districts created in the defined area. Any type of TIF district, except an economic development district or housing district, could be created in the area and qualify for these special rules.

- **A new type of TIF district – a soils deficiency district – with special qualifying rules would be allowed.** This authority roughly mirrors a similar type of district that existed under an old TIF law, which was repealed by the legislature in the 1990s. To qualify, 80 percent of the area would need to have soils or terrain difficulties with estimated correction costs (basically grading or filling) that exceed the fair market value of the property (but not counting the cost of roads and other public improvements that landowners could be specially assessed for). These soils

deficiency districts would be allowed to collect 21 years of increments and would be limited to spending increments on land acquisition, soils correction, public improvements, and administrative expenses. These expenditures would qualify if they are made for these types of costs anywhere in the defined area.

- **The five-year rule is extended to ten years.** Under general law, the five-year rule limits the period of time that in-district expenditures (under the percentage-pooling rules) may be spent. This is intended to ensure that after a reasonable period of time, tax increments are used to pay off development costs and to put the property back on the tax rolls.
- **The pooling percentage is increased from 20 percent to 80 percent.** However, to qualify for the higher percentage, the increment would need to be spent in the area defined by the bill (i.e., the project area could not extend beyond these boundaries).
- **The requirement that increments be used for decertification does not apply.** The bill exempts districts from the requirement that increments required to be spent on in-district costs after the running of the five-year rule (ten years under the bill) must be used to pay outstanding obligations and, then, the district must be decertified. The bill does not specify what these increments may be used for after the 10-year period permitted has run.
- **Soils districts increments may be spent on infrastructure, not just cleanup costs.** Under general law, soils districts are limited to paying for hazardous waste cleanup and cannot be used to pay for roads, public utilities, and similar infrastructure costs.
- **Redevelopment district increments need not be spent on blight correction.**