HOUSE RESEARCH

Bill Summary

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Authors: Mack

Subject: City of Apple Valley – special tax increment financing (TIF) authority

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This bill grants the city of Apple Valley special exceptions from the general law TIF rules to help it develop an area of the city that contains sand and gravel pits. The bill identifies this area by referring to the property tax parcel numbers for land in the area. The city has about ten years (through December 31, 2023) to establish TIF districts that would be exempt from the following general law TIF rules:

- These districts could be created as redevelopment districts even though the area does not meet the blight test or the other bases for permitting creating a 26-year redevelopment district. (Absent this authority, the city would have few options for designating TIF districts in this area, except for manufacturing, research and development, and warehousing developments as economic development districts or for low-income housing as housing districts.)

- The pooling restrictions (limiting the amount of increment that may be spent outside the area of the district from which it was collected to 25 percent, less administrative expenses) do not apply. However, the bill requires the increments to be spent within the designated larger area. This will give the city flexibility to collect more increments in the easier to develop parts of the area, while spending a larger proportion of them on costs in the more difficult to develop areas. It could achieve the same effect by creating one large district, but this would constrain how long it could collect increments, since the duration limit would start to run when the first district is created. By contrast, the pooling exemption allows the city to create multiple districts over the 10-year period stretching out how long it collects increments.

- The 5-year rule does not apply. This is a corollary to the pooling exemption. The 5-year rule limits the amount of time the city has to enter contracts and pay for developments within each TIF district. Eliminating it will give the city more flexibility to collect increment from easy to develop areas or areas that generate higher levels of increment and, then, use them elsewhere in the district. General law would require them to be used to decertify the districts more quickly and to return the property to the regular tax rolls.