

HOUSE RESEARCH

Bill Summary

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Overview

This bill authorizes spending tax increments for maintenance and preservation of properties that were acquired with tax increments, subject to the percentage limits on administrative expenses. In addition, the bill narrows the definition of increments that are subject to the percentage restrictions on pooling and five-year rule. Finally, the bill liberalizes the procedural rules governing interfund loans that are paid back with tax increments, as well imposing some new limits on those loans.

Section

- 1** **Definition of administrative expenses.** Modifies the definition of administrative expenses under the TIF statute to exclude expenditures by the development authority of usual and customary maintenance costs to preserve property the city or development authority owns. (This exclusion is limited to properties that are acquired with TIF; it could not be used for general city property, such as city offices or public works or safety facilities.) These expenditures include capital reserves for the qualifying properties, but not to exceed 10 percent of the market value of the property. Administrative expenses are subject to a limit of the lesser of 10 percent of (1) the total increment expenditures for the project or (2) the estimated expenditures in the TIF plan.
Effective date: day following final enactment for all TIF districts
- 2** **Authority to expend increments.** Modifies the general statute restricting the use of tax increments to permit spending for the maintenance expenditures that are authorized by section 1 (subject to the restriction on administrative expenses).
Effective date: day following final enactment for all TIF districts

Section

3 **Definition of increment under five-year and pooling rules.** Modifies the definition of tax increment that is subject to the five-year rule (imposing time limits on spending increments) and the pooling rule (imposing percentage geographic limits on spending increments) to exclude increments that are repaid by developers under agreements.

Effective date: districts for which the request was made after the day following final enactment

4 **Pooling limits; application to increments.** Clarifies that the percentage pooling rules only apply to increment derived from properties located in the TIF district.

Effective date: districts for which the request was made after the day following final enactment

5 **Five-year rule; application to increments.** Modifies five-year rule reference to increments to be consistent with the change made in section 4.

Effective date: districts for which the request was made after the day following final enactment

6 **Interfund loans.** Modifies the interfund loan provisions of the TIF statutes to make it easier for cites and development authorities to make and document interfund loans. The changes include:

- Allowing loans to be made up to 60 days after the money has already been transferred or spent (Under present law, the loan terms must be set before the loan is made.)
- Allowing the development authority to delegate to a staff person the ability to set the terms and conditions of the loan (Under present law, these terms must be set by the resolution that is passed by the governing body.)
- Authorizes passage of the resolution authorizing interfund loans before the TIF plan is approved (Under present law, it is unclear whether the resolution can authorize interfund loans for TIF districts that have not yet been created.)
- Authorizes the development authority to rewrite loan terms after the loan has been made so long as it is done before the TIF district that provided increment is terminated. (Note: It is unclear if “termination” of a TIF district means decertification or not; likely not.)

The section imposes and clarifies the reporting requirements for interfund loans and prohibits the use of interfund loans to pay for:

- Administrative expenses
- Planning, inspection, architectural, engineering, soil testing, surveying and similar costs that are incurred before creation of a TIF district
- Transfers in excess of a negative balance for a less than 12-month period

Effective date: day following final enactment for all TIF districts