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This bill authorizes the Economic Development Authority (EDA) of South St. Paul to retroactively approve an interfund loan agreement for the 4th Avenue Village Tax Increment Financing District for purposes of Minnesota Statutes, section 469.178, subdivision 7. To do so, the EDA must act by August 1, 2017. The provision is effective the day following final enactment without local approval.

Background information. Cities and development authorities (EDAs and similar) often pay for infrastructure costs with money in their general or development funds. In certain circumstances, these costs can be paid with tax increments if the expenditures qualify as an “interfund loan” for the TIF district—that is, the city’s general fund is lending money to the TIF project in the expectation of being repaid. (Paying with tax increments shifts some of the costs to the county and school districts, because tax increments are generated by their tax rates as well as the city’s tax rate.) The general law requires interfund loan agreements to be approved before the expenditures are made to qualify the spending as items that can be paid with tax increments. This general law provision is intended to prevent cities and development authorities from treating expenditures made from their general or development funds as TIF qualified costs after the fact when the TIF district unexpectedly has sufficient unrestricted increments (i.e., available under its percentage pooling restrictions) to reimburse the fund for those costs. This bill would exempt this South St. Paul TIF district from that general law rule.