MN HOUSE RESEARCH

Bill Summary

H.F. 220

As Introduced

Subject	**Bloomington; special Tax Increment Financing authority modified for the Central Station district**
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Overview

This bill modifies a 2008 special law for the city of Bloomington, which provided special rules for the city's Bloomington Central Station TIF district. The special law was then amended in 2013. Under both the 2008 and 2013 special laws, the TIF district was allowed to:

- extend the five-year rule to 15 years;
- extend the district's duration by 8 years; and
- unfreeze the original tax rate so that tax increment is computed using the current tax rates, rather than the tax rate in effect when the district was certified.

This bill would fully exempt the district from the five-year rule.

This bill is effective upon approval by the city.

Background on the five-year rule

Five-year rule. Under current law for redevelopment districts, 75 percent of increment generated in a district in the district's first five years after certification must be spent on development activity within the district. After the fifth year, increments may only be spent to decertify the district by paying off obligations that were incurred to fund work done during the five-year period, or to reimburse a developer for costs it paid during the first five years.

The rule is intended to ensure that the property within the district is put back on the tax rolls in a reasonable amount of time, rather than increment being used to undertake new projects or expenditures instead of being used to pay existing debts.