

Subject Tax increment financing; five-year pooling rule extended to ten years for redevelopment districts outside metro area

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Summary

This bill extends the five-year pooling rule to ten years for all redevelopment districts located outside of the seven-county metro area. This change only applies to districts certified after June 30, 2020.

This bill is effective the day following final enactment.

Background on the 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.

Thus, by extending the five-year rule the district's authority is given more time to use increment for development activities.

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.