

**Subject** Tax increment financing; increment use flexibility provided

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## Overview

This bill provides a number of provisions that allow for the flexible use of tax increment:

- allows unobligated increment to be transferred to a municipality's general fund or directly to a business that was impacted by COVID-19;
- allows certain increment to be transferred to a political subdivision's affordable housing trust fund;
- increases the percentage election an authority can make to spend increment outside of the district's area on affordable housing projects from ten percent to 25 percent;
- expands the type of housing projects eligible for development to include owner-occupied affordable housing; and
- grants an extension of the five-year rule to ten years for districts certified in calendar years 2020 and 2021.

## Summary

Section	Description
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1	<b>Temporary use of increments authorized.</b>
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Allows TIF authorities to transfer unobligated increment to the municipality's general fund or directly to a business that was impacted by COVID-19. The transferred increment is limited to the excess of increment that is required to make bond payments or other financial obligations within six months of the transfers. Transfers may be made through December 31, 2022.

Contains a requirement for the municipality to approve a spending plan and hold a public hearing that discusses the use of transferred increment. Also contains administrative provisions relating to reporting to the Office of the State Auditor.

Effective for current unobligated increment the day following final enactment for any TIF district.

Section	Description
2	<p><b>Expenditures outside district.</b></p> <p>Allows increment generated by a housing district to be transferred to a political subdivision's affordable housing trust fund for uses in conformity with the fund's policies. This provision expands the activities that are considered to be "in district" activities for housing districts.</p> <p>Increases the percentage of increment that an authority may elect to use for expenditures outside of the district's area from ten percent to 25 percent and expands the types of housing projects eligible for development to include owner-occupied affordable housing.</p> <p>Effective the day following final enactment.</p>
3	<p><b>Five-year rule.</b></p> <p>Extends the five-year rule to ten years for all redevelopment districts that are certified after December 31, 2017, and before January 1, 2022.</p> <p>Effective the day following final enactment.</p>
4	<p><b>Use of revenues for decertification.</b></p> <p>Makes a corresponding extension of the six-year rule for districts eligible for the extension in section 3. The six-year rule requires increment be spent on paying debt obligations incurred during the district's first five years.</p> <p>Effective the day following final enactment.</p>



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