

Subject Plymouth Tax Increment Financing District

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Summary

This bill authorizes establishment of a redevelopment district in Plymouth. This authority expires December 31, 2029.

The following special rules apply to the district:

- The district would qualify as a redevelopment district without meeting the statutory “blight test” which limits where redevelopment may be created under general law. Redevelopment districts are allowed a longer duration (25 years) than districts that meet a lesser blight test (e.g., renewal and renovation districts—15 years) or that are not required to meet a blight test at all (economic development districts—eight years).
- Increments from the districts would not be required to be spent on “blight correction,” as is required under general law for redevelopment districts.
- Extends the five-year rule to ten years.
- Would allow expenditures of increment on improvements to County Road 47 outside the district and would deem the expenditures as occurring within the district for the purposes of pooling limits.

This bill would become effective once local approval of the district is certified by the chief clerical officer of the city of Plymouth.

Background on the five-year rule and pooling limits

Five-year rule. The five-year rule requires 80 percent (75 percent for redevelopment districts) of tax increment revenues derived from a TIF district after the fifth year to be spent to decertify the district.

After the fifth year, money may only be spent to (1) pay bonds or contracts that financed improvements, if bonds were issued before the end of the five-year period, or (2) reimburse the developer for costs it paid to make improvements in the district during the first five years. When sufficient money has been set aside, the district is decertified. This is intended to ensure that after a reasonable period of time, tax increments are used only to pay off bonds or development contracts and to put the property back on the tax rolls, rather than undertaking new expenditures or projects.

Pooling limits. The pooling rules under general law limit the amount of increments that may be spent on activities outside the area of the TIF district to statutory percentages. These percentages are the inverse of the percentages that apply under the five-year rule. So if 80 percent of increments are subject to the five-year rule, 20 percent may be spent outside of the district. No time limits apply to the percentage of increments that may be pooled. These percentage limits are a complement to the five-year rule and are intended to prevent use of unlimited amounts of a district's increment on projects or activities outside of the district. In all cases, increments must be spent in the "project area" for district, but the law imposes no significant limits on how large those areas may be or how frequently they can be changed, even well after the TIF district was established.



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