

Subject Special tax increment financing legislation for Maplewood

Authors Fischer and others

Analyst Justin Cope

Date March 28, 2025

Summary

Under general tax increment financing law, a local government can only establish a redevelopment district in a blighted area. After establishing the district, 90 percent of the increment generated from the district must be spent on blight correction. Under general law, a TIF district must generally spend the majority—a percentage that varies by law—of increment within the district. For increment expenditures to count as occurring within the district for these purposes, those expenditures (or debt for those expenditures) must be undertaken within the first five years after the district is certified; this rule is called the five-year rule.

In 2013, the legislature authorized the city of Maplewood to establish multiple redevelopment districts on a single parcel in Maplewood. Those districts were exempt from blight finding requirements and exempt from blight correction requirements on that parcel. Those districts had their five-year rule periods extended to ten years. The districts were also exempt from the requirement that a certain percentage of increment be spent within the district, but the law required that all increment be spent on the parcel where the districts were located. The authority to establish a district under this legislation expired in 2018.

This bill would significantly expand the area in which tax increment from these special districts could be spent. Because the original legislation extended the five-year rule period and exempted the districts from the requirement that the in-district percentage of increment be spent within these districts, a majority of the expenditures of a district established under this legislation could occur outside the district. Outside of the parcel where these districts were allowed to be established, 90 percent of increment would need to be spent on blight correction.