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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 606

02/14/2013 Authored by Dehn, R.; Hornstein; Newton and Nelson
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to tax increment financing; reenacting and modifying compact
1.3 development district authority; amending Minnesota Statutes 2012, sections
1.4 469.174, subdivisions 10c, 14, by adding a subdivision; 469.176, subdivisions 1i,
1.5 4g; repealing Minnesota Statutes 2012, section 469.175, subdivision 2b.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2012, section 469.174, subdivision 10c, is amended to
1.8 read:

1.9 Subd. 10c. **Compact development district.** "Compact development district" means
1.10 a type of tax increment financing district consisting of a project, or portions of a project,
1.11 within which the authority finds by resolution that either of the following conditions are
1.12 satisfied:

1.13 (1)(i) parcels consisting of 70 percent of the area of the district are occupied by
1.14 buildings or similar structures that are classified as class 3a property under section 273.13,
1.15 subdivision 24 or class 4a under section 273.13, subdivision 25; and

1.16 ~~(2)~~ (ii) the planned redevelopment or development of the district, when completed,
1.17 will increase the total square footage of buildings, classified as class 3a under section
1.18 273.13, subdivision 24, occupying the district by three times or more relative to the square
1.19 footage of similar buildings occupying the district when the resolution was approved; or

1.20 (2)(i) the nearest boundary of each parcel of the district lies within one-half mile
1.21 of a qualifying transit line; and

1.22 (ii) establishment of the district is in the public interest because it will aid in
1.23 financing improvements or services that will increase the effectiveness of the transit and
1.24 encourage compact development of property in the district.

2.1 **EFFECTIVE DATE.** This section is effective June 30, 2013.

2.2 Sec. 2. Minnesota Statutes 2012, section 469.174, subdivision 14, is amended to read:

2.3 Subd. 14. **Administrative expenses.** "Administrative expenses" means all
2.4 expenditures of an authority other than:

2.5 (1) amounts paid for the purchase of land;

2.6 (2) amounts paid to contractors or others providing materials and services, including
2.7 architectural and engineering services, directly connected with the physical development
2.8 of the real property in the project;

2.9 (3) relocation benefits paid to or services provided for persons residing or businesses
2.10 located in the project;

2.11 (4) amounts paid for services, as authorized by section 469.176, subdivision 1i,
2.12 clause (5), for a compact development district;

2.13 ~~(4)~~ (5) amounts used to pay principal or interest on, fund a reserve for, or sell at a
2.14 discount bonds issued pursuant to section 469.178; or

2.15 ~~(5)~~ (6) amounts used to pay other financial obligations to the extent those obligations
2.16 were used to finance costs described in clauses (1) to (3).

2.17 For districts for which the requests for certifications were made before August 1,
2.18 1979, or after June 30, 1982, "administrative expenses" includes amounts paid for services
2.19 provided by bond counsel, fiscal consultants, and planning or economic development
2.20 consultants.

2.21 **EFFECTIVE DATE.** This section is effective June 30, 2013.

2.22 Sec. 3. Minnesota Statutes 2012, section 469.174, is amended by adding a subdivision
2.23 to read:

2.24 Subd. 30. **Qualifying transit line.** "Qualifying transit line" means a light rail transit
2.25 line, commuter rail line, or bus rapid transit line, identified by and operated or to be operated
2.26 by the council, as defined in section 473.121, or by the commissioner of transportation.

2.27 **EFFECTIVE DATE.** This section is effective June 30, 2013.

2.28 Sec. 4. Minnesota Statutes 2012, section 469.176, subdivision 1i, is amended to read:

2.29 Subd. 1i. **Compact development districts.** Tax increments derived from a compact
2.30 development district may be used only to pay:

2.31 (1) administrative expenses up to the amount permitted under subdivision 3;

3.1 (2) the cost of acquiring land located in the district or abutting the boundary of
3.2 the district;

3.3 (3) demolition and removal of buildings or other improvements and other site
3.4 preparation costs for lands located in the district or abutting the boundary of the district; and

3.5 (4) installation of public infrastructure or public improvements serving the district,
3.6 including:

3.7 (i) acquiring, constructing, or improving transit stations;

3.8 (ii) acquiring and improving green space related to the transit improvements;

3.9 (iii) streetscape improvements, such as improvements to streets and sidewalks
3.10 or other public rights-of-way for the purpose of enhancing the movement, safety,
3.11 convenience, or enjoyment of users of a qualifying transit line and other pedestrians,
3.12 including decorative lighting and surfaces, plantings, display and exhibit space,
3.13 adornments, seating, and shelters; but excluding

3.14 (iv) the costs of streets, roads, highways, parking, or other public improvements
3.15 primarily designed to serve private passenger motor vehicles;

3.16 (5) operating paratransit or circulator systems that serve passengers of or feed
3.17 passengers to a qualifying transit line;

3.18 (6) making transit improvement loans as authorized by section 469.351, subdivision
3.19 4;

3.20 (7) implementing transit area improvement plans that meet the requirements of
3.21 section 469.351, subdivision 3; and

3.22 (8) financing the cost of programs to mitigate the economic and environmental
3.23 effects resulting from construction and operation of the qualifying transit line.

3.24 **EFFECTIVE DATE.** This section is effective June 30, 2013.

3.25 Sec. 5. Minnesota Statutes 2012, section 469.176, subdivision 4g, is amended to read:

3.26 Subd. 4g. **General government use prohibited.** (a) Tax increments may not be
3.27 used to circumvent existing levy limit law.

3.28 (b) No tax increment from any district may be used for the acquisition, construction,
3.29 renovation, operation, or maintenance of a building to be used primarily and regularly
3.30 for conducting the business of a municipality, county, school district, or any other local
3.31 unit of government or the state or federal government. This provision does not prohibit
3.32 the use of revenues derived from tax increments for the construction or renovation of
3.33 a parking structure.

3.34 (c)(1) Tax increments may not be used to pay for the cost of public improvements,
3.35 equipment, or other items, if:

4.1 (i) the improvements, equipment, or other items are located outside of the area of the
4.2 tax increment financing district from which the increments were collected; and

4.3 (ii) the improvements, equipment, or items that (A) primarily serve a decorative or
4.4 aesthetic purpose, or (B) serve a functional purpose, but their cost is increased by more than
4.5 100 percent as a result of the selection of materials, design, or type as compared with more
4.6 commonly used materials, designs, or types for similar improvements, equipment, or items.

4.7 (2) The provisions of this paragraph do not apply to expenditures related to the
4.8 rehabilitation of historic structures that are:

4.9 (i) individually listed on the National Register of Historic Places; ~~or~~

4.10 (ii) a contributing element to a historic district listed on the National Register of
4.11 Historic Places; or

4.12 (iii) as authorized for a compact development district under subdivision 1i, clause
4.13 (4), item (iii).

4.14 **EFFECTIVE DATE.** This section is effective June 30, 2013.

4.15 Sec. 6. **REPEALER.**

4.16 Minnesota Statutes 2012, section 469.175, subdivision 2b, is repealed.

4.17 **EFFECTIVE DATE.** This section is effective June 30, 2013, and reinstates
4.18 the statutory authority to establish and maintain compact development tax increment
4.19 financing districts.

APPENDIX
Repealed Minnesota Statutes: 13-1810

469.175 ESTABLISHING, CHANGING PLAN, ANNUAL ACCOUNTS.

Subd. 2b. **Compact development districts; sunset.** The authority to establish or approve the tax increment financing plan for a new compact development district expires on June 30, 2012.