CHAPTER 472A

MUNICIPAL DEVELOPMENT DISTRICTS

472A.01 DEVELOPMENT PROGRAM; PURPOSE. It is found that there is a need for new development in areas of a municipality which are already built up to provide employment opportunities to improve the tax base and to improve the general economy of the state. Therefore, municipalities are authorized to develop a program for improving a district of the municipality to provide impetus for commercial development; to increase employment; to protect pedestrians from vehicle traffic and inclement weather; to provide the necessary linkage between peripheral parking facilities and places of employment and shopping; to provide off-street parking to serve the shoppers and employees of the district; to provide open space relief within the district; and to provide other facilities as are outlined in the development program adopted by the governing body. It is hereby declared by the legislature of the state of Minnesota that the actions required to assist the implementation of these development programs are a public purpose and that the execution and financing of such programs are a public purpose.

[*1974 c 485 s 1*]

472A.02 DEFINITIONS. Subdivision 1. For the purposes of sections 472A.01 to 472A.13, the terms defined in this section shall have the meanings given them unless otherwise provided or indicated by the context.

Subd. 2. "Municipality" means any city, however organized.

Subd. 3. A "development district" is a specific area within the corporate limits of any municipality which has been so designated and separately numbered by the governing body. No less than 60 percent of the area of any such district shall consist of land which has been platted and developed. The area of a district shall not be enlarged after five years following the date of designation of the district. At the time of the designation of the first development district in any municipality, the governing body of that municipality shall by formal action adopt one of the three following alternative restrictive options. Once the choice is made, that municipality must use the same option for all succeeding development districts.

(a) The total acreage included in any one development district when designated shall not exceed one percent of the total acreage of the municipality, and when added to the total current acreage within development districts for which unrecovered cost of bonds remain shall not exceed three percent of the total acreage of the municipality.

(b) The total market value of taxable real property of any one development district when designated shall not exceed five percent of the total market value of taxable real property in the municipality as most recently certified by the county auditor, and when added to the current total market value of taxable real property within development districts for which unrecovered cost of bonds remain shall not exceed ten percent of the total market value of taxable real property in the municipality as most recently certified by the county auditor.

(c) No development district shall exceed six acres. At no time shall another development district be designated by the governing body of the municipality until all cost of bonds for the previously designated district has been paid.

Subd. 4. "Substantially residential development district" means any development district in which 40 percent or more of the land area, exclusive of streets and open space, is used for residential purposes at the time the district is designated by the governing body.

Subd. 5. A "development program" is a statement of objectives of the municipality for improvement of a development district which shall contain a complete statement as to the public facilities to be constructed within the district, the open space to be created, the environmental controls to be applied, the proposed reuse of private property, the proposed operations of the district after the capital improvements within the district have been completed.

Subd. 6. "Pedestrian skyway system" means any system of providing for pedestrian traffic circulation, mechanical or otherwise, elevated aboveground, within and without the public right of way, and through or above private property and buildings, and includes overpasses, bridges, passageways, walkways, concourses, hallways, corridors, arcades, courts, plazas, malls, elevators, escalators, heated canopies and accesses and all fixtures, furniture, signs, equipment, facilities, services, and appurtenances which in the judgment of the governing body of the municipality will enhance the movement, safety, security, convenience and enjoyment of pedestrians and benefit the municipality and adjoining properties. The use of a public street or public right of way for pedestrian travel only constitutes a public use and shall not require a vacation of the street or right of way.

Subd. 7. "Special lighting systems" means lights or light displays of any type located within or without the public right of way.

Subd. 8. "Parking structure" means any building the principal use of which is designed for and intended for parking of motor vehicles. Open air parking on parking lots shall also be construed as parking structures for the purpose of sections 472A.01 to 472A.13.

Subd. 9. "Maintenance and operation" means all activities necessary to maintain facilities after they have been developed and all activities necessary to operate the facilities including but not limited to informational and educational programs, and safety and surveillance activities.

Subd. 10. "Governing body" means the duly elected council of a city, notwithstanding any contrary definition thereof contained in chapter 475.

[*1974 c 485 s 2*]

472A.03 AUTHORITY GRANTED. A municipality may after consultation with its planning agency or planning department and after public hearings, notice of which shall have been published in the official newspaper of the municipality, or if the municipality has no official newspaper, in a newspaper of general distribution within the municipality, designate development districts within the boundaries of the municipality. The municipality shall also provide for relocation pursuant to section 472A.12 and consult with the advisory board created by section 472A.11 before making this designation. Within these districts the municipality may adopt a development program consistent with which the municipality may acquire, construct, reconstruct, improve, alter, extend, operate, maintain, or promote developments aimed at improving the physical facilities, quality of life and quality of transportation. The municipality may acquire land or easements through negotiation or through powers of eminent domain. The municipal council may adopt ordinances regulating traffic in pedestrian skyway systems, public parking structures, and other facilities constructed within the development district. The municipal council may pass ordinances regulating access to pedestrian skyway systems and the conditions under which such access is allowed.

Traffic regulations may include but shall not be limited to direction and speed of traffic, policing of pedestrianways, hours that pedestrianways are open to the public, kinds of service activities that will be allowed in arcades, parks and plazas, fares to be charged on the people movers, and rates to be charged in the parking structures. The municipality shall have the power to require private developers to construct buildings so as to accommodate and support pedestrian systems which are part of the program for the development district. When the municipality requires the developer to construct columns, beams or girders with greater strength than required for normal building purposes, the municipality shall reimburse the developer for the added expense from development district funds. The municipality shall have the authority to install special lighting systems, special street signs and street furniture, special landscaping of streets and public property; to install special snow removal systems; to acquire property for the district; to lease air rights over public buildings and to spend public funds for constructing the foundations and columns in the public buildings strong enough to support the buildings to be constructed on air rights; to lease all or portions

of basement, ground and second floors of the public buildings constructed in the district; to negotiate the sale or lease of property for private development if the development is consistent with the development program for the district.

[*1974 c 485 s 3*]

472A.04 TAX STATUS. The pedestrian skyway system, underground pedestrian concourse, the people mover system, and publicly owned parking structures are all declared to be public property to be used for essential public and governmental purposes which shall be exempt from all taxes and special assessments of city, county, state, or any political subdivision thereof. Taxes do not include charges for utilities and special services such as heat, water, electricity, gas, sewage disposal, or garbage removal.

[*1974 c 485 s 4*]

472A.05 GRANTS. A municipality may accept grants or other financial assistance from the government of the United States or any other entity to do studies, construct and operate the pedestrian skyway system, underground pedestrian concourses, people mover systems, and other public improvements authorized by sections 472A.01 to 472A.13.

[*1974 c 485 s 5*]

472A.06 ISSUANCE OF BONDS. The governing body of the municipality, may authorize, issue and sell general obligation bonds, which shall mature within 30 years from the date of issue, to finance the acquisition and betterment of real and personal property needed to carry out the development program within the development district together with all relocation costs incidental thereto in accordance with sections 475.51, 475.53, 475.54, 475.55, 475.56, 475.60, 475.61, 475.62, 475.63, 475.65, 475.66, 475.69, 475.70, 475.71. All tax increments received by the municipality pursuant to section 472A.08 shall be pledged for the payment of these bonds and used to reduce or cancel the taxes otherwise required to be extended for that purpose, and the bonds shall not be included when computing the municipality's net debt.

[*1974 c 485 s 6*]

472A.07 TAX INCREMENT FINANCING PLAN. Subdivision 1. **Statement of objectives, costs and tax impact.** A tax increment financing plan shall contain a statement of objectives of a municipality for improvement of a development district. Such plan shall contain a complete statement as to the development program for the district. It shall also contain estimates of the following: cost of the development program; sources of revenue to finance these costs including estimates of tax increments; amount of bonded indebtedness to be incurred; and the duration of the program's existence. The plan shall also contain a statement of the estimated impact of tax increment financing on the assessed values of all taxing jurisdictions in which the district is located.

Subd. 2. **Notice, hearing.** Before approving any tax increment financing plan, the governing body shall hold a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of hearing. This hearing may be a part of a hearing on the development program.

Subd. 3. **Consultations with other jurisdictions.** Before formation of a development district the governing body shall provide a reasonable opportunity to the members of the county board of commissioners of any county in which any portion of the development district is located and to the members of the school board of any school district in which any portion of the development district is located to meet with the governing body. The governing body shall fully inform members of the county boards of commissioners and of the school boards of the fiscal and economic implications of the proposed development district. The members of the county boards of commissioners and of the school boards may present their recommendations at the public hearing on the tax increment financing plan. A governing body may enter into agreements with the county boards of commissioners, the school boards and the governing body of the municipality in which the district is located to share a portion of the captured assessed value of the district.

Subd. 4. **Modification of plan.** A tax increment financing plan may be modified provided such modification shall be approved by the governing body upon such notice

and after such public hearings and agreements as are required for approval of the original plan.

[*1974 c 485 s 7*]

472A.08 COMPUTATION OF TAX INCREMENT. Subdivision 1. **Original assessed value.** Upon or after formation of a development district, the auditor of the county in which it is situated shall upon request of the municipality certify the original assessed value of the real property within the boundaries of the development district as described in the tax increment financing plan. Property taxable at the time of the request shall be included in the original assessed value at its most recently determined valuation. Property exempt from taxation at the time of the request shall be included at zero unless it was taxable when the tax increment financing plan was approved in which case its most recently determined assessed valuation before it became exempt shall be included. Assessed valuation which is contributed to an area-wide tax base under section 473F.08 shall not be included in the original assessed value. Each year thereafter, the auditor shall certify the amount by which the assessed value has increased or decreased from the original assessed value. The auditor shall also certify the proportion which any such increase or decrease bears to the total assessed value of the real property in that district for that year.

Subd. 2. **Captured assessed value.** Any amount by which the current assessed value of a development district exceeds the original assessed value, other than the portion thereof to be contributed to an area-wide tax base under section 473F.08, is referred to as the captured assessed value. The county auditor shall certify the amount of the captured assessed value to the municipality each year thereafter.

(a) A municipality may choose to retain any part or all of the captured assessed value for purposes of tax increment financing according to one of the two following options:

(1) If the plan provides that all the captured assessed value is necessary to finance the development program the municipality may retain the full captured assessed value.

(2) If the plan provides that only a portion of the captured assessed value is necessary to finance the development program of the district only that portion shall be set aside and the remainder shall be distributed among the affected taxing districts by the county auditor.

(b) The portion of captured assessed value that a municipality intends to use for purposes of tax increment financing must be clearly stated in the tax increment financing plan.

Subd. 3. **Tax increments.** (a) In each subsequent year the county auditor shall compute assessed valuation, mill rates and tax increments according to the following method:

(1) If the municipality retains the full captured assessed value for the development district the county auditor shall include no more than the original assessed value of the real property in the development district for purposes of determining assessed value for local mill rates. He shall compute the mill rates of all taxes levied by the state, the county, the municipality or town, the school district and every other taxing district in which the district is located on the aforementioned assessed value. He shall extend all mill rates against the current assessed value, including the captured assessed value. In each year for which the current assessed value exceeds the original assessed value the county treasurer shall remit to the municipality that proportion of all taxes paid that year on real property in the district which the captured assessed value bears to the total current assessed value. The amount so remitted each year is referred to in this section as the tax increment for that year.

(2) If the municipality retains only a portion of the captured assessed value for the development district and returns the remaining portion to the tax rolls of all affected taxing districts the county auditor shall include the original assessed value and that portion of the captured assessed value which is shared with all the affected taxing districts in determining the assessed value for computing mill rates. He shall compute the mill rates of all taxes levied by the state, county, municipality, school district, and every other taxing district in which the district is located on this aforementioned assessed value. He shall extend all mill rates against the total current assessed value including that portion of the captured assessed value which the municipality is retaining for the development district only. In each year for which the current assessed

value exceeds the original assessed value the county treasurer shall remit to the municipality that proportion of all taxes paid on real property in the district that the retained captured assessed value bears to the total current assessed value in the district. The amount so remitted each year is referred to as the tax increment.

(b) In any year in which the current assessed value of the development district is equal to or less than the original assessed value the county auditor shall compute and extend taxes against the current value. Taxes shall be distributed from the affected property to each of the taxing authorities as determined by the current levy and there is no tax increment.

Subd. 4. **Limitation on use of tax increments.** The municipality shall expend the tax increments received for any development program only in accordance with the tax increment financing plan. Revenues derived from tax increments shall be used only to pay off capital costs and administrative expenses incurred in developing the district. These revenues shall not be used to circumvent existing levy limit laws.

Subd. 5. **Annual disclosure.** On or before July 1, of each year, the governing body shall submit to the governing body of the municipality, the county board and the school board a report on the status of the account. The report shall include the following information: the amount and source of revenue in the account, the amount and purpose of expenditures from the account, the amount of principal and interest on any outstanding bonded indebtedness, the original assessed value of the district, the captured assessed value retained by the district, the captured assessed value shared with other taxing districts, the tax increments received and any additional information necessary to demonstrate compliance with the tax increment financing plan. An annual statement showing the tax increments received and expended in that year, the original assessed value, captured assessed value, amount of outstanding bonded indebtedness, and any additional information the governing body deems necessary shall be published in a newspaper of general circulation in the municipality.

[*1974 c 485 s 8*]

472A.09 MAINTENANCE AND OPERATION. Maintenance and operation of the pedestrian systems, special lighting systems, parking structures, and other public improvements constructed under provisions of sections 472A.01 to 472A.13 shall be under the supervision of the administrator as designated in section 472A.10. The cost of maintenance and operation of the nonrevenue facilities together with the excess costs of operation and maintenance of revenue producing facilities, if any, shall be charged against the development district in which it is located. The amount of assessment against each property within the district shall be in proportion to the benefit to the several properties within the district. By July 1 of each year the administrator of the development district shall submit to the governing body of the municipality the maintenance and operating budget for the following year, and the pro rata share of the budget to be charged to each property in the district. The governing body of the municipality shall certify the assessments to the county auditor for collection. The governing body shall levy these assessments in accordance with the procedures established in Minnesota Statutes 1971, Section 429.061.

[*1974 c 485 s 9*]

472A.10 ADMINISTRATION. The governing body of a municipality may create a department or designate an existing department or office, or agency or municipal housing or redevelopment authority, to administer all districts authorized under sections 472A.01 to 472A.13. The head of this department may, subject to such rules and limitations as may be adopted by the governing body be granted the following powers:

(a) To acquire property or easements through negotiation;

(b) To enter into operating contracts on behalf of the municipality for operation of any of the facilities authorized to be constructed under the terms of sections 472A.01 to 472A.13;

(c) To lease space to private individuals or corporations within the buildings constructed under the terms of sections 472A.01 to 472A.13;

(d) To lease or sell land and to lease or sell air rights over structures constructed under the authority of sections 472A.01 to 472A.13;

(e) To enter into contracts for construction of the several facilities or portion thereof authorized under sections 472A.01 to 472A.13;

(f) Contract with the housing and redevelopment authority of the municipality for the administration of any or all of the provisions of sections 472A.01 to 472A.13;

(g) Certify to the governing body of the municipality for acquisition through eminent domain property that cannot be acquired by negotiation, but is required for implementation of the development program;

(h) Certify to the governing body of the municipality the amount of funds, if any, which must be raised through sale of bonds to finance the program for development districts;

(i) Apply for grants from the United States of America;

(j) Apply for grants from other sources.

[*1974 c 485 s 10*]

472A.11 ADVISORY BOARD. Subdivision 1. The governing body of the municipality may create an advisory board except in cities of the first class where the governing body shall create an advisory board. Except as provided in subdivision 2, a majority of the members shall be owners or occupants of real property located in or adjacent to the development district which they serve. The advisory board shall advise the governing body and the administrator on the planning, construction and implementation of the development program, and maintenance and operation of the district after the program has been completed.

Subd. 2. In a substantially residential development district the board shall be comprised of owners and occupants of real property within or adjacent to the district's boundaries. The board may be appointed or elected (except in the cities of Minneapolis and St. Paul where the board shall be elected) according to guidelines established by the governing body.

Subd. 3. The governing body shall by resolution delineate the respective powers and duties of the advisory board and the planning staff or agency. The resolution shall establish reasonable time limits for approval by the advisory board of the phases of the development program, and provide a mechanism for appealing to the governing body for a final decision when conflicts arise between the advisory board and the planning staff or agency, regarding the development program in its initial and subsequent stages.

[*1974 c 485 s 11*]

472A.12 RELOCATION. Unless they desire otherwise, provision must be made for relocation of all persons who would be displaced by a proposed development district prior to displacement in accordance with the provisions of sections 117.50 to 117.56. Prior to undertaking any relocation of displaced persons, the governing body of a municipality shall insure that housing and other facilities of at least comparable quality be made available to the persons to be displaced.

[*1974 c 485 s 12*]

472A.13 EXISTING PROJECTS. This law does not affect any project or program using tax increment financing which was approved by a city council under Laws 1971, Chapters 548 or 677 or Laws 1973, Chapters 196, 761 or 764 prior to July 1, 1974 and such projects or programs may be completed and financed in accordance with the provisions of the laws under which they were initiated notwithstanding any provision of this law. Provided, however, that Laws 1971, Chapters 548 and 677 and Laws 1973, Chapters 196, 761 and 764 are hereby specifically superseded, except as to those projects or programs which have been approved prior to July 1, 1974.

[*1974 c 485 s 13*]