Property Tax
Tax Increment Financing
Brooklyn Park Creek Improvements

April 2, 2001

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 992 (Betzold) / H.F. 1233 (Haas)

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**F.Y. 2005**
		(000's)		
General Fund	$0	$0	$0	$0

Effective the day following final enactment.

EXPLANATION OF THE BILL

Current Law: Minnesota Statutes, sections 469.174 to 469.179 provide authority for tax increment financing (TIF) and make provisions that govern its use. Generally, increments may be used only as authorized in the TIF plan. Further restrictions on the use of tax increments are detailed for different types of district. Economic development districts are restricted, in part, by M.S. 469.176, subd. 4c. This subdivision requires that revenues for economic development districts may be used only for developments in which no more than 15% of the buildings and facilities are used for purposes other than manufacturing, warehousing, research and development, telemarketing, tourism, or qualified border retail facilities. Exceptions are made for bedrock soils conditions, small city commercial, and qualified border retail. Redevelopment districts are restricted, in part, by M.S 469.176, subd. 4j. This subdivision requires 90% of revenues for redevelopment districts to be used to finance the costs of correcting the conditions that allowed its designation. No provisions of TIF law allow increments to be spent on creek improvement costs as defined by the proposal.

Additionally, M.S. 469.1763 places restrictions on pooling--the sharing of increments between districts or the use of increments outside the boundaries of the district. No more than 20 or 25 percent of the increments may be spent outside the district depending on the type of district and date it was created.

M.S. 273.1399 requires municipalities to incur local government aid reductions for TIF districts with a request for certification after April 30, 1990. For districts created after June 30, 1994, municipalities may elect to make local contributions to the project from unrestricted funds, equaling five or ten percent of the district costs depending on the type of district, to earn an exemption from these aid reductions. Redevelopment districts require a 5% local contribution while economic development districts require 10%.

EXPLANATION OF THE BILL (CONTINUED)

Proposed Law: The proposal allows the city of Brooklyn Park's economic development authority to use revenues derived from tax increment from a redevelopment district on qualified costs, and to use increment from economic development districts numbered 15 and 18 (called "enhancement districts") for the qualified costs of the redevelopment district. Qualified costs include some defined "creek improvement costs" and others costs of the redevelopment district. Creek improvement costs are defined to include things such as bank stabilization and the creation or stabilization of wetlands and aquatic habitat. The proposal specifies that amounts transferred from the economic development districts shall not be counted in determining local contributions for the economic development districts and shall be counted for the redevelopment district. Limitations require: 1) 30% of the transfers from the economic development districts to be spent on creek improvement costs, 2) no expenditure outside the redevelopment district except for certain creek improvement costs, 3) all transfers from the economic development districts to be spent on qualified costs or redistributed to affected jurisdictions, or 4) no change in the district boundaries.

REVENUE ANALYSIS DETAIL

- Economic development district number 18 and the qualified redevelopment district are both exempt from aid reductions due to local contributions. Economic development district number 15 is exempt from aid reductions and local contributions by special law. Therefore, the proposal has no impact on aid reductions.
- By permitting increment us that is otherwise unauthorized, the proposal may result in additional or extended capture of increments within a TIF district. The additional capture will affect the tax base upon which a school district may levy, which in turn affects the amount of state aid received by the district. However, because state aid is fixed to an appropriation, changes in captured value will shift the amount of aid between school districts rather than impact the total amount of aid.

Number of Taxpayers Affected: Taxpayers in jurisdictions affected by the TIF district would be affected by the proposal.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/polic.html#analyses

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