

## Types of Tax Increment Financing Districts

Tax Increment Financing (TIF) is the ability to capture and use most of the increased local property tax revenues from new development within a defined geographic area for a defined period of time without approval of the other taxing jurisdictions. Minnesota Statutes allows for several types of tax increment district and sub-districts, but there are four types of district that are most commonly established.

### Economic Development TIF Districts

Minnesota Statute 469.174 subdivision 12 allows an authority to establish an economic development tax increment financing district to assist with projects increase the tax base and create employment. An economic development TIF district has a maximum term of 9 years of increment.

Tax increment from an economic development district may be used to assist the following types of development:

- Manufacturing and processing
- Warehousing, storage and distribution
- Research and development related to manufacturing, warehousing, storage and distribution
- Telemarketing
- Tourism facilities
- Qualified border retail facilities; or
- Space necessary for and related to the activities listed above

### Housing TIF Districts

Minnesota Statute 469.174 subdivision 11 allows an authority to establish a housing tax increment financing district to assist with projects intended for occupancy, in part, by persons or families of low and moderate income. Low to moderate income is defined by the Minnesota Housing Finance Agency and is adjusted annually. A housing TIF district has a maximum term of 26 years of increment and can assist either single family, owner occupied housing or rental housing projects.

Tax increment from a housing district can only be spent on costs which are directly related to low and moderate income housing. No more than 20% of the square footage of buildings that receive assistance from tax increment may consist of commercial, retail or other nonresidential uses; therefore, housing tax increment cannot be used to assist a commercial building. The cost of public improvement directly related to the housing projects and the administrative expenses may be included in the cost of a housing project.

### Redevelopment TIF Districts

Minnesota Statute 469.174 subdivision 10 requires that an authority meet two criteria in order for a proposed tax increment financing (TIF) district qualify as a redevelopment district:

- Land parcels consisting of 70% of the TIF district must be occupied by buildings, streets, utilities, paved or gravel parking lots
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- More than 50% of the buildings, not including outbuildings, must be structurally substandard to a degree requiring substantial renovation or clearance and reasonably distributed throughout the geographic area

It is recommended that a building inspector or other qualified person perform an outside inspection of all buildings in the district and render a written opinion as to each building status with respect to this test.

### Renovation and Renewal TIF Districts

Minnesota Statute, Chapter 469.174 subdivision 10a requires that an authority meet three threshold criteria in order for a proposed tax increment financing (TIF) district qualify as a renovation and renewal district.

- Land parcels consisting of 70% of the TIF district must be occupied by buildings, streets, utilities, paved or gravel parking lots.
- More than 20% of the buildings, not including outbuildings, must be structurally substandard to a degree requiring substantial renovation or clearance and reasonably distributed throughout the geographic area.
- 30% of the other buildings must require substantial renovation or clearance to remove existing conditions such as: inadequate street layout, incompatible uses or land use relationships, overcrowding of buildings on the land, excessive dwelling unit density, obsolete buildings not suitable for improvement or conversion, or other identified hazards to the health, safety, and general well-being of the community.

It is recommended that a building inspector or other qualified person perform an outside inspection of all buildings in the district and render a written opinion as to each building status with respect to this test.