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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 978

01/30/2023 Authored by Davids
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 taxation; tax increment financing; modifying economic development
1.3 district limitation; amending Minnesota Statutes 2022, section 469.176, subdivision
1.4 4c.

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

1.6 Section 1. Minnesota Statutes 2022, section 469.176, subdivision 4c, is amended to read:

1.7 Subd. 4c. Economic development districts. (a) Revenue derived from tax increment
1.8 from an economic development district may not be used to provide improvements, loans,
1.9 subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting
1.10 of buildings and ancillary facilities, if more than 15 percent of the buildings and facilities
1.11 (determined on the basis of square footage) are used for a purpose other than:

1.12 (1) the manufacturing or production of tangible personal property, including processing
1.13 resulting in the change in condition of the property;

1.14 (2) warehousing, storage, and distribution of tangible personal property, excluding retail
1.15 sales;

1.16 (3) research and development related to the activities listed in clause (1) or (2);

1.17 (4) telemarketing if that activity is the exclusive use of the property;

1.18 (5) tourism facilities;

1.19 (6) space necessary for and related to the activities listed in clauses (1) to (5); or

1.20 (7) a workforce housing project that satisfies the requirements of paragraph (d).

2.1 (b) Notwithstanding the provisions of this subdivision, revenues derived from tax
2.2 increment from an economic development district may be used to provide improvements,
2.3 loans, subsidies, grants, interest rate subsidies, or assistance in any form for up to 15,000
2.4 square feet of any separately owned commercial facility located within the municipal
2.5 jurisdiction of a small city, if the revenues derived from increments are spent only to assist
2.6 the facility directly or for administrative expenses, the assistance is necessary to develop
2.7 the facility, and all of the increments, except those for administrative expenses, are spent
2.8 only for activities within the district. If the separately owned commercial facility is a
2.9 multilevel facility, the 15,000 square feet limitation under this paragraph shall apply to the
2.10 first floor only. For purposes of this paragraph, "first floor" means the floor at street level.

2.11 (c) A city is a small city for purposes of this subdivision if the city was a small city in
2.12 the year in which the request for certification was made and applies for the rest of the
2.13 duration of the district, regardless of whether the city qualifies or ceases to qualify as a
2.14 small city.

2.15 (d) A project qualifies as a workforce housing project under this subdivision if:

2.16 (1) increments from the district are used exclusively to assist in the acquisition of
2.17 property; construction of improvements; and provision of loans or subsidies, grants, interest
2.18 rate subsidies, public infrastructure, and related financing costs for rental housing
2.19 developments in the municipality;

2.20 (2) the governing body of the municipality made the findings for the project required
2.21 by section 469.175, subdivision 3, paragraph (f); and

2.22 (3) the governing bodies of the county and the school district, following receipt, review,
2.23 and discussion of the materials required by section 469.175, subdivision 2, for the tax
2.24 increment financing district, have each approved the tax increment financing plan, by
2.25 resolution.

2.26 **EFFECTIVE DATE.** This section is effective for districts for which the request for
2.27 certification was made after December 31, 2021.