

TAX INCREMENT FINANCING (TIF): 2023 LEGISLATIVE SESSION INTRODUCTION

MINNESOTA OFFICE OF THE STATE AUDITOR – TIF DIVISION



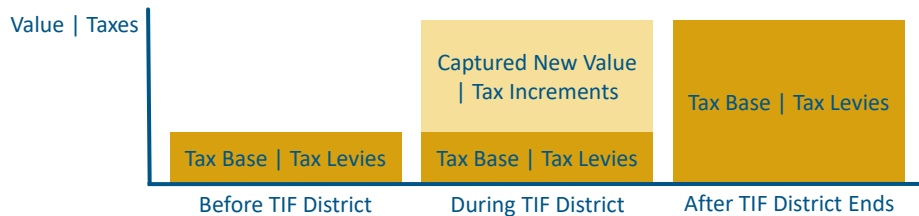
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WHAT IS TIF?

Tax Increment Financing (TIF) is a financing tool where **new value** from a development is **captured** from the **tax base** so that the **property taxes** on the new captured value (i.e. the **tax increments**) can instead pay **qualifying costs** that **enable** the development to occur.

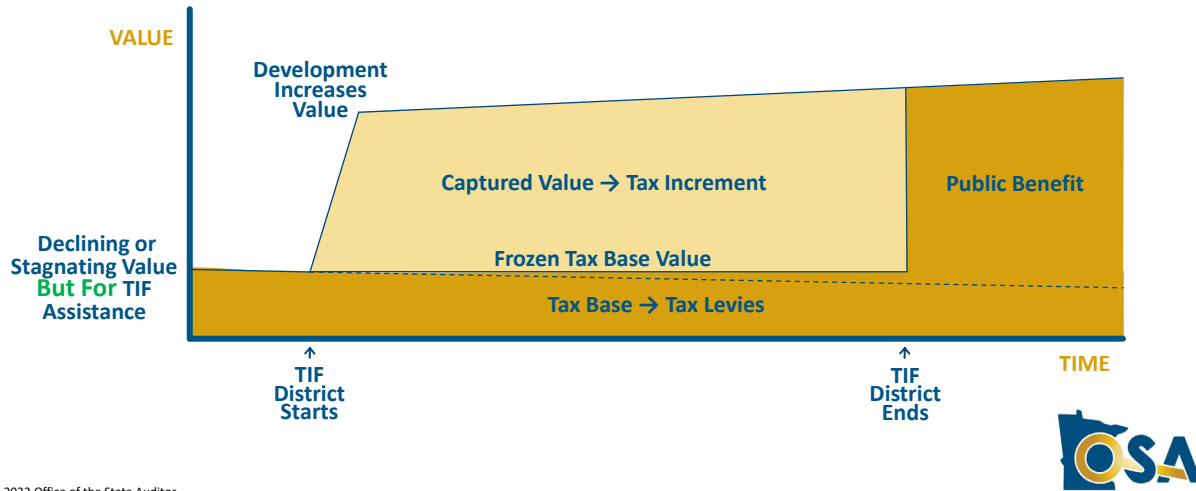


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THE TIF CONCEPT



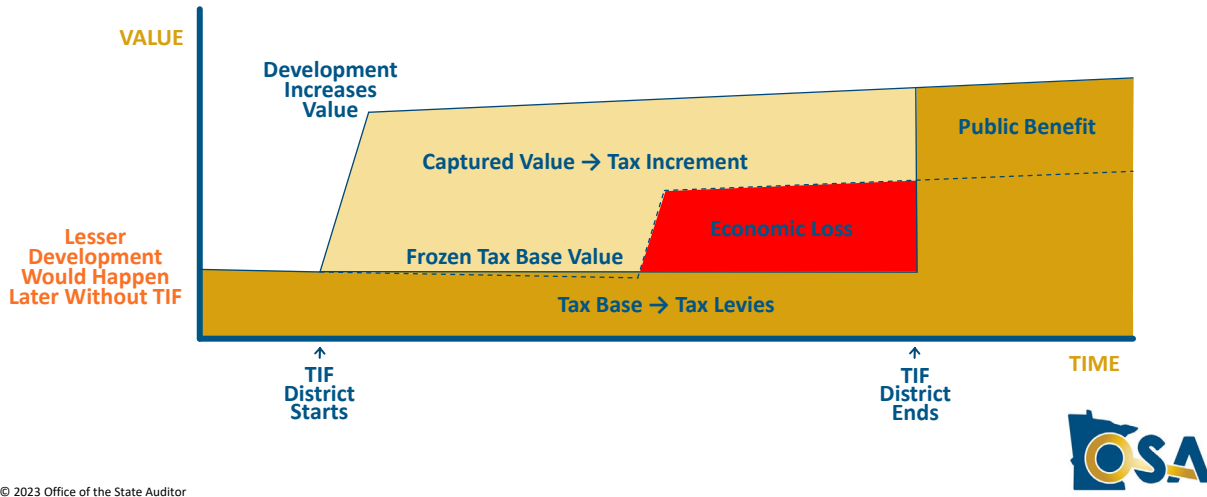
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THE TIF CONCEPT & BUT-FOR TEST



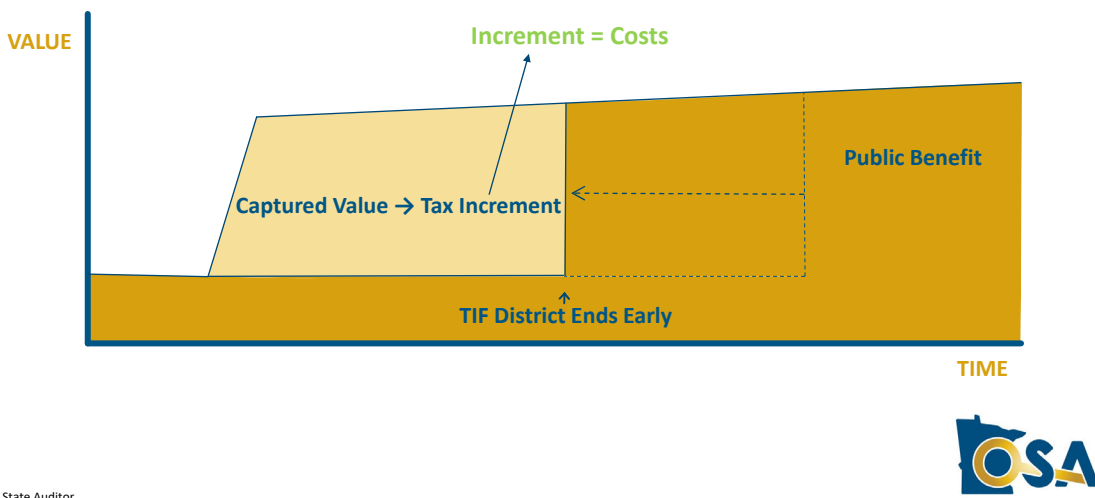
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THE TIF CONCEPT & BUT-FOR TEST



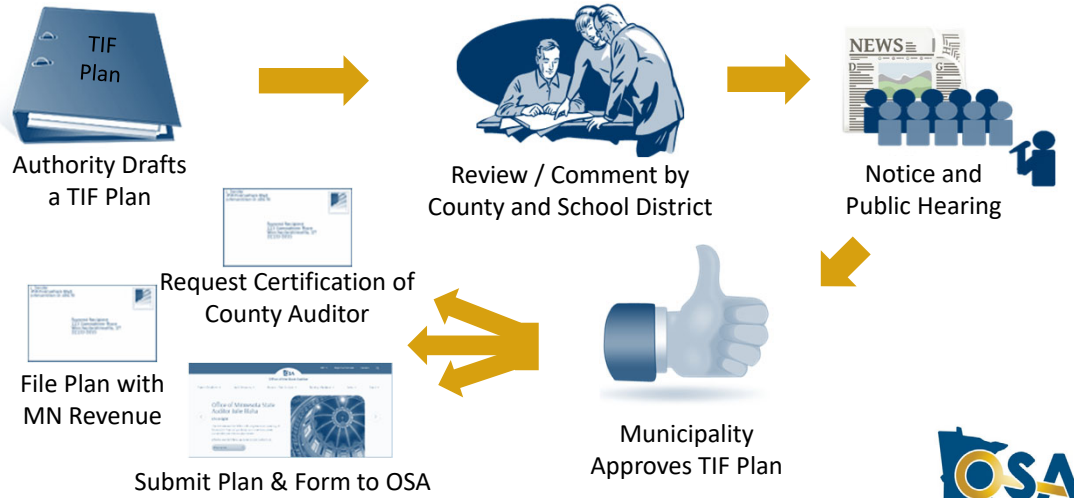
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EARLY DECERTIFICATION



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CREATION PROCESS



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TIF AUTHORITIES & STATUTES

- **Cities** | Minn. Stat. §§ 469.124-.133, 469.152-.165
- **City Port Authorities** | Minn. Stat. §§ 469.048-.089
- **City Economic Development Authorities (EDAs)** | Minn. Stat. §§ 469.090-.1082
- **City Housing and Redevelopment Authorities (HRAs)** | Minn. Stat. §§ 469.001-.047
- **County/Multi-County HRAs** | Minn. Stat. §§ 469.004-.008, 469.152-.165
- **County Rural Development Finance Authorities** | Minn. Stat. §§ 469.142-.151
- **Certain/Metro Town(s)** | Minn. Stat. §§ 469.152-.165
- **TIF Act** | Minn. Stat. §§ 469.174-.1794

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PROJECT AREAS & TIF DISTRICTS

Development Acts govern **project areas**

Broader activities than TIF-supported developments



TIF is used within **TIF districts** consisting of development parcels

There can be many TIF districts in the same project area

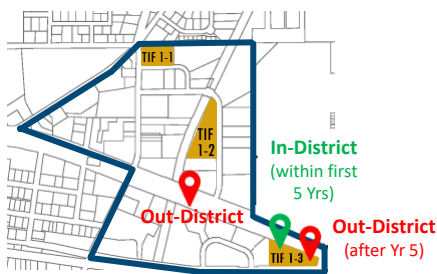
= Project Area = TIF Districts



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POOLING



= Project Area = TIF Districts

“Pooling” is the expenditure of increment outside the district but within the project area

Overall Pooling Limit = 25% (Redev Dists), 20% (Others) but can be increased by 10% for housing purposes

Five-Year Rule defines costs obligated after the first five as being “out-district” (must fit within pooling limit)

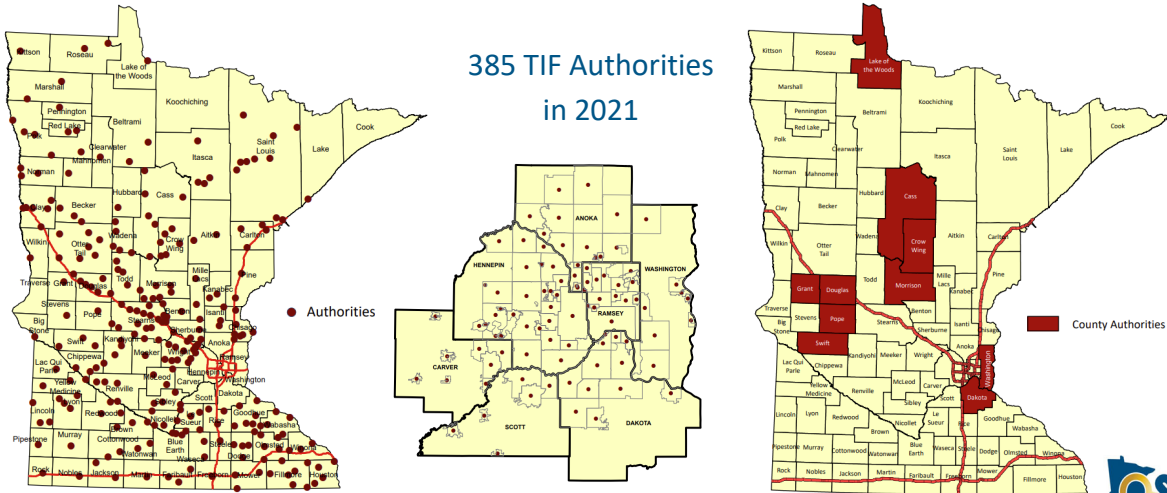
Six-Year Rule requires annual use of in-district share for in-district obligations, and requires decertification when in-district costs and obligations are paid



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TIF LEGISLATIVE REPORT HIGHLIGHTS/TRENDS



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TYPES OF DISTRICTS, 2021 COUNTS

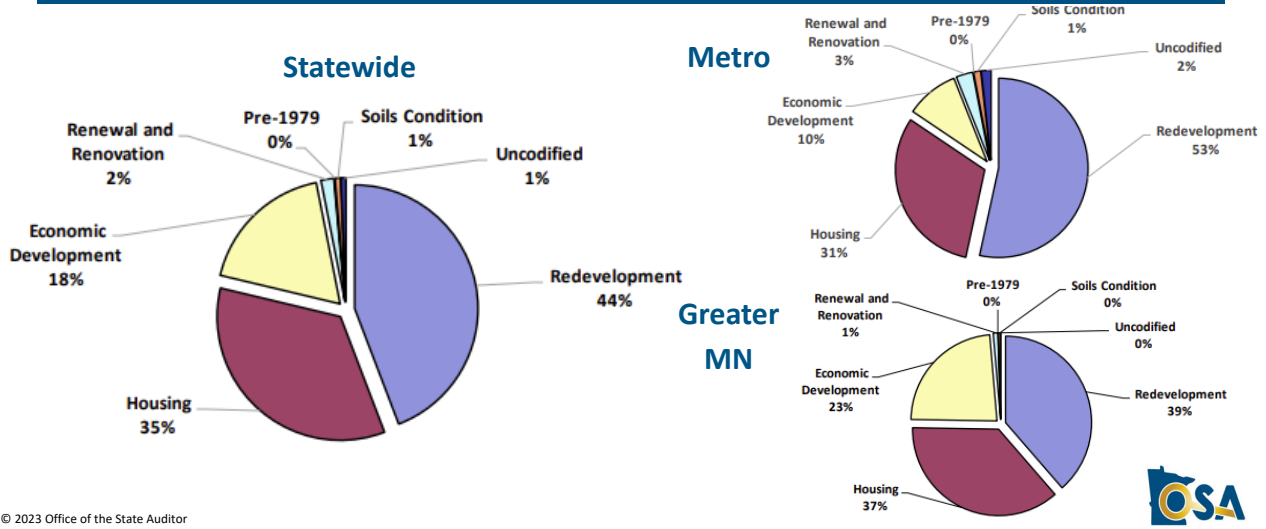
District Type (Max Duration)	Statewide	Greater MN	Metro
Redevelopment (26 years)	737	401	336
Housing (26 years)	576	381	195
Economic Development (9 years)	303	243	60
Renewal & Renovation (16 years)	28	9	19
Soils Condition (21 years)	12	4	8
Pre-1979	1	1	0
Uncodified	11	0	11
TOTALS	1,668	1,039 62%	629
Hazardous Substance Subdistricts	22	2	20

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TYPES OF DISTRICTS, 2021 COUNTS



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TYPES OF DISTRICTS, 2021 REVENUES

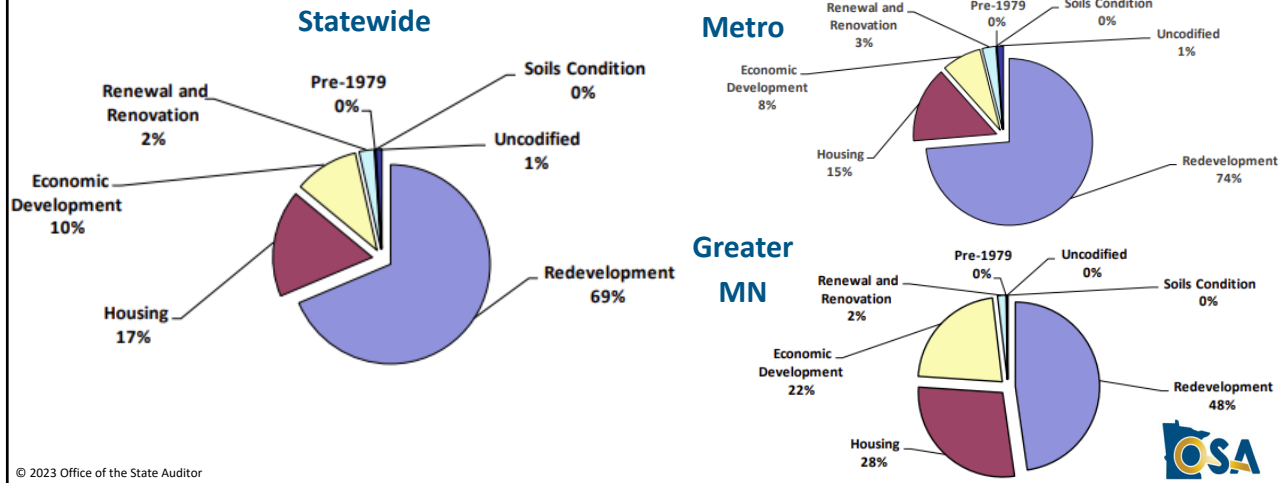
District Type (Max Duration)	Statewide	Greater MN	Metro
Redevelopment (26 years)	\$165.4 M	\$22.4 M	\$143.1 M
Housing (26 years)	\$41.8 M	\$13.3 M	\$28.5 M
Economic Development (9 years)	\$25.3 M	\$10.4 M	\$14.9 M
Renewal & Renovation (16 years)	\$5.9 M	\$0.8 M	\$5.1 M
Soils Condition (21 years)	\$0.3 M	\$0.1 M	\$0.2 M
Pre-1979	\$0	\$0	\$0
Uncodified	\$2.3 M	\$0	\$2.3 M
TOTALS	\$241.0 M	\$46.9 M	\$194.1 M

81%

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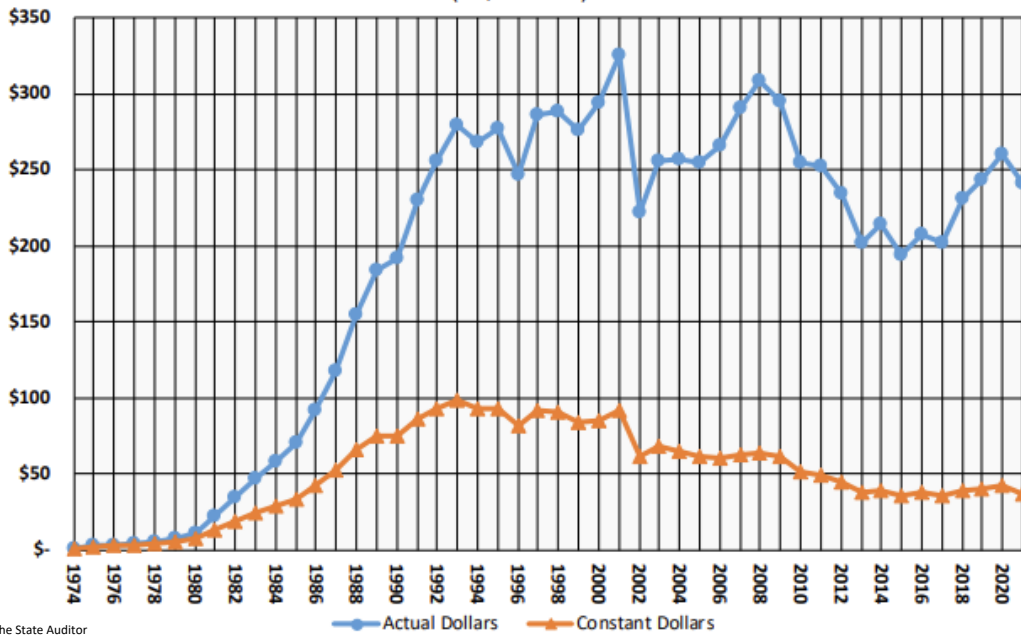
TYPES OF DISTRICTS, 2021 REVENUES



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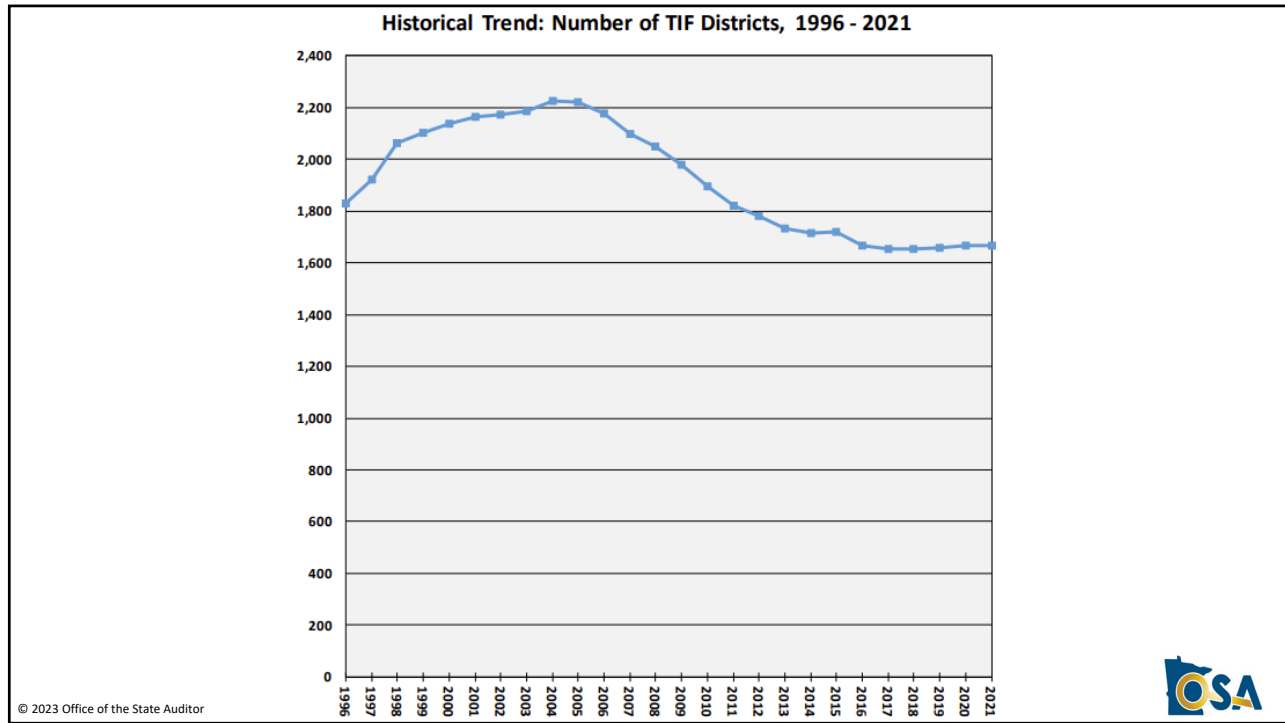
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Tax Increment Revenues in Minnesota, 1974 - 2021
(in \$millions)

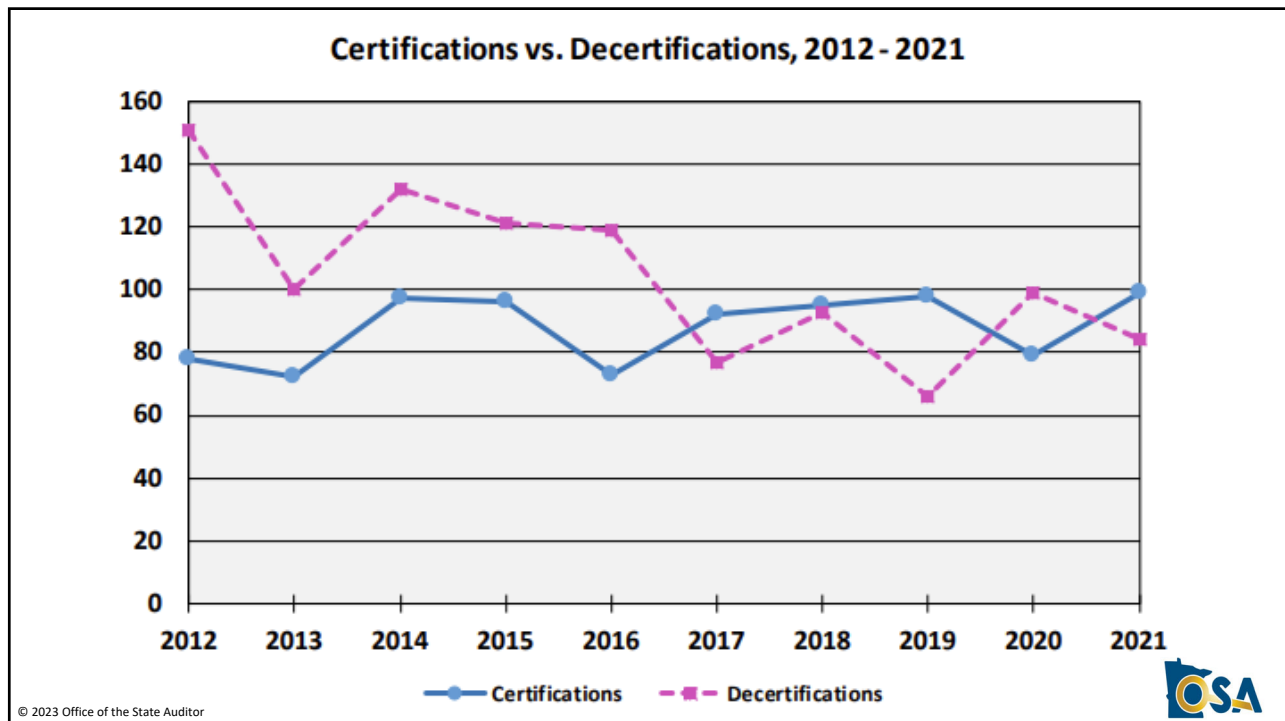


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EARLY DECERTIFICATION

Decertifications 2017-2021

District Type (Max Duration)	Decertified Districts	Lasted Full Duration	Decertified Early	
			%	Avg. Yrs.
Redevelopment (26 years)	174	22%	78%	10
Housing (26 years)	98	22%	78%	9
Economic Development (9 years)	138	62%	38%	4
Renewal & Renovation (16 years)	6	100%	0%	0
Soils Condition (21 years)	2	0%	100%	3

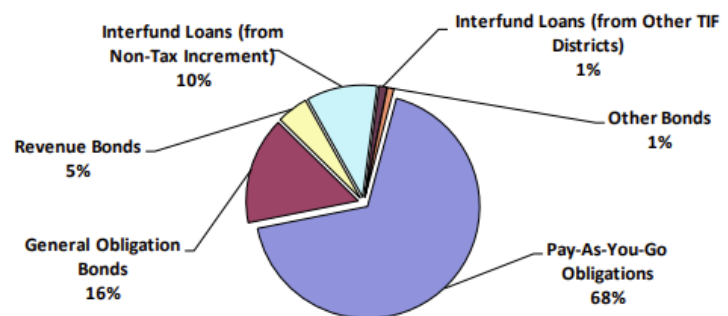
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TIF DEBT 2021

- Pay-As-You-Go (PAYG)**
 reimburse developer/owner/note-holder who bears the risk
- General Obligation (GO) Bonds**
 municipality pledges taxing powers / bears the risk
- Revenue Bonds**
 revenues are pledged / bondholders bear the risk
- Interfund Loans**
 authority borrows internally from other districts/funds

Reported Debt by Type, 2021 \$1,817,492,922*



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