

**PROPERTY TAX
SALES AND USE TAX
Various TIF and Economic
Development Provisions for
Brooklyn Park**

April 16, 2024

Department of Revenue

Analysis of S.F. 5254 (Hoffman) as proposed to be amended by SCS5254A-1

	Yes	No
DOR Administrative Costs/Savings		X

Fund Impact

	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
	(000's)			
General Fund	\$0	\$0	(\$450)	(\$450)
Natural Resources and Arts Funds	<u>\$0</u>	<u>\$0</u>	<u>(\$30)</u>	<u>(\$30)</u>
Total – All Funds	\$0	\$0	(\$480)	(\$480)

EXPLANATION OF THE BILL

Village Creek Area TIF Authority (Section 1)

Effective following local approval.

The proposal would allow the city of Brooklyn Park or its economic development authority to establish one or more redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority would have special rules that apply that would exclude it from requirements for establishing a redevelopment district, allow increment to be spent on a number of expenditures outside the current rules for redevelopment districts, exclude the districts from rules on requirement for agreements, and exclude the districts from all five-year rule requirements. The authority to request certification of any district under this proposal expires December 31, 2044.

610/Zane Area TIF Authority (Section 2)

Effective following local approval.

The proposal would allow the city of Brooklyn Park or its economic development authority to establish one or more redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority would have special rules that apply that would exclude it from requirements for establishing a redevelopment district, allow increment to be spent on a number of expenditures outside the current rules for redevelopment districts, exclude the districts from rules on requirement for agreements, and exclude the districts from all five-year rule requirements. The authority to request certification of any district under this proposal expires December 31, 2044.

Biotech Area TIF Authority (Section 3)

Effective following local approval.

The proposal would allow the city of Brooklyn Park or its economic development authority to establish one or more redevelopment tax increment financing (TIF) districts within a defined area. Any districts established under this authority would have special rules that apply that would exclude it from requirements for establishing a redevelopment district, allow increment to be

spent on a number of expenditures outside the current rules for redevelopment districts, exclude the districts from rules on requirement for agreements, and exclude the districts from all five-year rule requirements. The authority to request certification of any district under this proposal expires December 31, 2044.

TIF Authority for Districts No. 18, No. 20, and No. 3 (Sections 4-5)

Effective following local approval.

The proposal would allow TIF Districts Nos. 18 and 20 in the city of Brooklyn Park to collect increment for 25 years after the date of receipt of the first increment. Any increment received by the economic development authority from these districts would not have to be returned to Hennepin County for redistribution and could be transferred to the account for TIF District No. 3. Increment transferred to the TIF District No. 3 account would be subject to the rules for that TIF district and is excluded from rules on expenditures outside the district.

Value Capture District Authorization (Section 6)

Effective following local approval.

The proposal would allow the city of Brooklyn Park to create a value capture district in the areas surrounding METRO Blue Line Light Rail stations to be built by the city. The district would function similarly to a TIF district. The city would be able to remove parcels from the district at any time. Tax revenue derived from the district could be used for any expenditure authorized under TIF law and on additional expenditures outlined in the proposal. The city would be able to issue general obligation or revenue bonds or other obligations to finance costs associated with the district. These bonds would not be included in any debt limitations on the city and would not be subject to any levy limitations. The district established under this authority is limited to the lesser of 25 years of tax revenues or the time that the city council determines is necessary to collect revenues sufficient to pay for costs.

Special Property Tax Abatement Rules (Section 7)

Effective following local approval.

The proposal would apply special rules to any property tax abatements used by the city to finance costs of public infrastructure projects. The abatements would not be subject to the duration limits or abatement amount limits for economic development.

Sales Tax Exemption for Construction Materials (Section 8)

Effective for purchases made after February 28, 2023, and before April 1, 2030.

The bill would exempt materials and used or consumed in and equipment used in the following projects in the city of Brooklyn Park. The exemption would be administered as a refund and apply to purchases made after February 28, 2023, and before April 1, 2030. The projects are:

1. Improvements to the Brooklyn Park Senior Center
2. Renovation and expansion of the Zanewood Recreation Center
3. Improvements to the community activity center
4. Construction of a PFAS treatment facility
5. Construction of a water softening facility
6. Replacement of roofs and HVAC systems in city hall and public works buildings
7. Construction and rehabilitation of trails, underpass projects, and wayfinding projects

8. Projects within the BioTech Innovation District as identified in the city's development plan

REVENUE ANALYSIS DETAIL

- TIF and Value Capture District Provisions:
 - The proposed changes to the special TIF provisions and the proposed value capture district may have an impact on the local tax base and tax rate in the future and may result in a small change in property tax refunds paid by the state.
- Abatement Provision:
 - The proposed changes to the abatement authority may have an impact on property taxes paid in the future and may result in a small change in state income tax deductions.
- Sales and Use Tax Exemption Provision:
 - Information for the estimates was provided by a representative of the city of Brooklyn Park.
 - Total construction costs for materials, supplies, and equipment are estimated to be \$89.5 million.
 - All projects will complete in 2030. The distribution of expected refund claims is assumed based on the project timeline.
 - Over the cost of the projects the total exemption is estimated to be \$6.2 million
 - Some of the refunds are outside of the forecast window.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
<https://www.revenue.state.mn.us/revenue-analyses>

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