

February 18, 2025

**Re: SF0007 (Rest)**

Dear Chair Rest and Members of the Senate Tax Committee,

On behalf of the Economic Development Association of Minnesota (EDAM), we wanted to reach out to share concerns we have with SF0007 which modifies the criteria and duration of redevelopment TIF districts. As you may know, our members are economic development professionals. They work in all corners of the state and are engaged in projects big and small. Tax Increment Financing (TIF) is an important tool in our work that often provides key financial supports that help good projects become financially viable.

The average term of TIF Districts in Minnesota is 17 years. Approximately, 76% of Redevelopment TIF Districts on average decertify 10 years before their maximum duration. The data published by the Office of the State Auditor (OSA) in the TIF Legislative Report, dated January 27, 2025 suggests (i) cities are being fiscally responsible before establishing a TIF District and fiscally prudent when providing incentives to entice development that would otherwise not occur, and (ii) current TIF law specific to the Six-Year Rule (Minn. Stat. Section 469.1763, subd. 4) requiring early decertification of TIF Districts once “in-district” obligations are satisfied is effective at terminating TIF Districts early.

As proposed, the term of a Redevelopment TIF Districts would be shortened by 5 years, a reduction from 25 to 20 years. This will have a direct impact on roughly 20% +/- of cities annually that establish a Redevelopment TIF District where the full 25 years is necessary for the project to become financially viable. These cities would then be required to seek special legislation, which is never guaranteed and may not be approved if there isn't a tax bill in a given year. This adds uncertainty, pressure, and time delays to redevelopment projects that communities view as paramount to growth and diversification of their tax base.

If SF0007 passed the legislature, it would create unintended consequences which would increase the amount of special legislation requests, limit and delay cities ability to address the challenging redevelopment sites, and delay tax base growth for many communities – particularly communities in Greater MN where redevelopment can be even more challenging. Given the current market, with high construction costs and interest rates, communities with challenging sites would be faced with two options – 1) seek special legislation to extend the term of a Redevelopment TIF District, which most communities do not have the staff capacity to pursue, and projects cannot afford the delay, or 2) forgo the development opportunity all together. Either option delays development and creates an undue burden on the community. Instead, we urge you to eliminate the provision of SF0007 that shortens Redevelopment TIF Districts from 25 to 20 years.

We welcome the chance to provide feedback to your bill and are happy to provide additional insights into Redevelopment TIF if you have any questions.

Sincerely,



Eric Maass, AICP, EDFP  
Community Development Director, City of Chanhassen  
EDAM President