



Redevelopment Tax Increment Financing Districts

Minnesota Statute 469.174 subdivision 10 allows an authority to establish a redevelopment tax increment financing (TIF) district to assist with redeveloping sites that contain substandard buildings. A redevelopment TIF district has a maximum term of 26 years of increment. In order to qualify the redevelopment property as a redevelopment TIF district, one must ensure the parcels meet three criteria related to coverage, blighted buildings, and reasonable distribution.

What is needed to meet the coverage test?

Land parcels consisting of 70% of the TIF district must be occupied by buildings, streets, utilities, paved or gravel parking lots.

To meet the coverage requirement, one must evaluate the proposed district parcel by parcel to determine how many of the parcels are “occupied.” For a single parcel to be meet this requirement, 15% of its area must contain improvements such as buildings, sidewalks, and paved or gravel parking lots. Once it is deemed “occupied”, 100% of the land area of that parcel can be used for the coverage test. For example, let us assume there are four properties of equal size in your proposed TIF district. If three of the properties meet the “occupied” test, your district as a whole will have 75% “coverage.”

What is needed to meet the blight test?

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.

Determining if a building is structurally substandard requires a two-part analysis.

1. A building must meet the definition of “structurally substandard” meaning “containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies area of sufficient total significance to justify substantial renovation or clearance.”
2. Needed repairs determined by the above definition must meet a cost requirement. A building is not structurally substandard if it could be brought up to the building codes applicable to new buildings at a cost of less than 15% of the cost of constructing a new building of the same size and type on the site.

An interior inspection is required unless the city has been unable to obtain permission to enter a building despite its best efforts. 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. Ultimately the governing body of a municipality must make the determination that buildings are substandard.

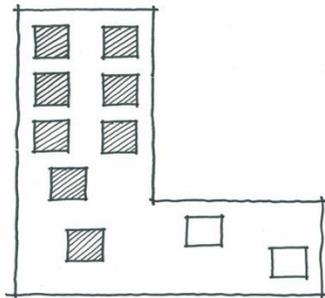




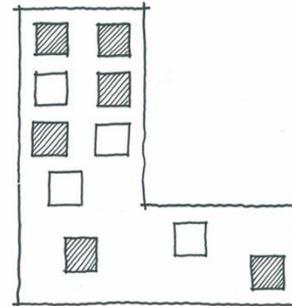
What is reasonable distribution?

The structurally substandard buildings must be reasonably distributed throughout the proposed TIF District. In the following example, both areas have 80 percent coverage; however, Area B has reasonable distribution of the substandard buildings, and therefore only Area B qualifies as a redevelopment TIF district.

Area A: 80% substandard buildings



Area B: 60% substandard buildings



What other conditions may qualify a district for redevelopment?

In addition to the above “blight” finding, a TIF district may qualify as a redevelopment district if either of the following conditions is present:

- Vacant, unused, underused, inappropriately used, or infrequently used rail yards, rail storage facilities, or excessive or vacated railroad rights-of-way.
- Tank facilities or property whose immediately previous use was for tank facilities, if the tank facilities have or had a capacity or more than 1,000,000 gallons; are located adjacent to rail facilities; and have been removed or are unused, underused, inappropriately used.

Use of TIF

A minimum of 90% of the increment must be used to correct the conditions causing the need for redevelopment. Specifically, increment can be used for site acquisition, environmental remediation, site preparation, public improvements, and public parking facilities.

Where can I get more information?

Contact your Ehlers Financial Advisor at 651-697-8500. A list of Minnesota Financial Advisors and their direct dial numbers can be found under the Contact Us tab at the top of our website at www.ehlers-inc.com.

