

# TIF Division Newsletter



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## News Flash!!

*The 2007 TIF reporting forms are now available online. The forms can be found at <https://www.auditor.state.mn.us/safes>. Information has been emailed to authority representatives.*

## Legislature Enacts New TIF Amendments for Housing Districts.

This year, the following housing-related TIF technical amendments were enacted into law:

(i) The 2008 Legislature repealed the definition of *qualified housing district*. (Qualified housing districts had income limitations more restrictive than those for housing districts.)

(ii) The restrictions on spending of increments from housing districts for non-housing related improvements were clarified. The law limits the square footage for non-housing uses in a housing district to 20 percent of the total square footage of the buildings receiving assistance. It was clarified that, if an addition is constructed more than 3 years after the construction of the original building, the addition is treated separately for purposes of this non-housing square footage test.

(iii) Housing districts are exempt from the quantified portion of the but-for test. (The quantified portion of the test requires a finding that the use of tax increment will increase the development site's market value.)

(iv) The prohibition against including green acres and similar parcels in a housing district was removed.

## Housing District Income Requirements

The TIF Act uses income limit requirements from the Internal Revenue Code to define housing district low-and-moderate income criteria.

**Owner-Occupied Housing.** For owner-occupied housing, 95 percent of the housing units in the district must be intended for occupancy by persons or families whose incomes are 115 percent or less of the applicable median income. The applicable median income is the greater of (i) the area median gross income for the area in which residence is located, or (ii) the statewide median gross income for the state in which the residence is located.

**Rental Housing.** For rental property, there are two different tests. The first is the 20-50 test in which 20% or more of the residential units are occupied by individuals whose income is 50% or less than the area median gross income. The second test is the 40-60 test in which 40% or more of the residential units are occupied by individuals whose income is 60% or less than the area median gross income. The area median gross income is determined consistent with determinations made under section 8 of the United States Housing Act of 1937.

**Income Documentation.** Authorities are required to maintain documentation sufficient to substantiate that income requirements for housing districts were met. Income requirements for owner-occupied housing must be documented only for the first qualified purchaser. Income requirements for rental housing must be documented annually. Documentation for owner-occupied and rental housing must be retained for the life of the district.

**Further Information.** More detailed information on housing districts will be available in a TIF Statement of Position, soon to be available on the OSA Website. Housing districts will be a major topic at our June workshops. For more information on the June workshops, see the OSA website at [www.auditor.state.mn.us](http://www.auditor.state.mn.us).