

# TIF Division Newsletter



## 2009 TIF Market Value Homestead Credit

The TIF Market Value Homestead Credit was paid to development authorities on December 28, 2009, by the Department of Revenue. Information on the amount of credit received by each district can be found at:

[http://www.taxes.state.mn.us/taxes/property\\_tax\\_administrators/other\\_supporting\\_content/1Tax\\_increment\\_financing.shtml](http://www.taxes.state.mn.us/taxes/property_tax_administrators/other_supporting_content/1Tax_increment_financing.shtml)

## 2009 Amendments Clarify What is to be Included in the TIF Plan

A TIF plan is to contain a list of any development activities that the plan proposes will take place within the project for which: (i) the authority has entered into an agreement or designated a developer, including the names of the parties or of the designated developer; (ii) the activity is governed by the agreement or designation; and (iii) the expected date of completion of the activity is given.<sup>1</sup> These three requirements limit development to activities that will occur in the foreseeable future. To assure these requirements are met, plans will be reviewed by the Office of the State Auditor (OSA) on an on-going basis. Monitoring of development activity will include checking to make sure parcels in the district and revenues generated by the district meet the following requirements:

**Initial review.** The TIF plan will be reviewed to make sure the development activity is specifically described, that there is evidence of a signed agreement or the name of the designated developer, and that the cost of the project and the financing interest cost do not exceed the estimated tax increment to be generated by the development activity.<sup>2</sup> The principal amount of the bonds issued to finance development activities will be compared to the proposed cost of the project. They should be reasonably similar.

**Four-year activity.** The TIF plan is to identify the date when the development is likely to occur.<sup>3</sup> An authority is to submit to the county auditor, by February 1<sup>st</sup> of the fifth year following certification, evidence that development activity has commenced on each parcel in the district.<sup>4</sup> The authority may be asked for its agreement with the developer if more specific information on development activity is needed.

**Five-year limitation on use of revenues.** Tax increment from the district is to be spent on activities within the district before or within five years of certification of the district.<sup>5</sup> Revenues are considered to be “spent” only if one of the following occurs: (i) the revenues are actually paid to a third party; (ii) bonds are issued and sold, with the proceeds spent within the five-year period or deposited in a reserve; (iii) binding contracts are entered into with a third party and spent under the contractual obligation; and (iv) activity costs are paid for and revenues are spent to reimburse a party for payment of the costs.<sup>6</sup>

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<sup>1</sup> Minn. Stat. § 469.175, subd. 1 (a) (3).

<sup>2</sup> Minn. Stat. § 469.175, subd. 1 (a) (5) (i).

<sup>3</sup> Minn. Stat. § 469.175, subd. 1 (a) (4).

<sup>4</sup> Minn. Stat. § 469.176, subd. 6.

<sup>5</sup> Minn. Stat. § 469.1763, subd. 1 (b).

<sup>6</sup> Minn. Stat. § 469.1763, subd. 3 (a) (1) to (4).