

Subject Using redevelopment tax increment financing districts to convert vacant or underused properties in Minneapolis or St. Paul

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Date March 30, 2025

Summary

Redevelopment tax increment financing districts can only be established when blight is found in the area where the districts are established. This bill would expand the definition of blight to include vacant or underused properties in the cities of Minneapolis or St. Paul.

Except for housing districts, a tax increment financing district can only be established if the expected market value of the site to be developed would exceed what the market value of the site would be without tax increment financing by at least the value of the tax increment. This bill would exempt redevelopment districts established to convert vacant or underused buildings from that requirement.

Generally, the original net tax capacity of a district is the net tax capacity for either the previous or the current assessment year, depending on when the request for district certification was made. Taxes on any net tax capacity over the original net tax capacity are delivered to the authority as increment. Under this bill, the original net tax capacity of property in redevelopment districts established to convert vacant or underused buildings would equal the value of the land. This approach to determining the original net tax capacity is currently used for redevelopment districts in qualified disaster areas. Under this approach, the local taxing jurisdictions would receive less property tax revenues from properties in one of these districts than they received before the district was established, so long as the district was active.