

TIF Division Newsletter



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Annual TIF Legislative Report Released

The 2016 [Tax Increment Financing \(TIF\) Legislative Report](#) has been released and can be downloaded from the Office of the State Auditor (OSA) [website](#).

The report summarizes information collected from the 2016 TIF Annual Reporting Forms. It highlights current and long-term trends regarding the number and types of TIF districts, the amount of tax increment revenue, and other TIF data.

Among the highlights:

- Sixty-eight new districts were certified in 2016, down 28 percent from 2015 and the fewest in the last five years.
- Approximately \$208 million of tax increment revenue was reported in 2016 from 1,665 districts, a seven-percent increase in revenue and three-percent decline in districts.
- From 2012-2016, 81 percent of housing districts and over half of redevelopment districts decertified early.
- Pay-as-you-go (PAYG) obligations made up 56 percent of the \$1.7 billion of reported debt associated with TIF districts.

County Information Form Due April 2nd

The County TIF Information Form for reporting 2017 TIF activity and enforcement deduction transfers is due to the OSA by April 2, 2018.

Counties should download and submit the Form through the State Auditor's Form Entry System (SAFES). Usernames and password instructions were emailed on February 7, 2018, to county TIF contacts. If you need access but do not have a username and did not get an email, please contact us at TIF@osa.state.mn.us.

The information collected on the new form will be used to prepare and review the 2017 TIF reporting forms that will be filed by authorities in 2018. If you have any questions regarding the form, please contact us at TIF@osa.state.mn.us.

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TIF Videos

TIF Videos are available on the State Auditor’s website

Education Series

[Introduction to TIF](#)

[The History of TIF and Why It Matters](#)

[TIF District Types](#)

[TIF Pooling](#)

[Excess Increments vs. Excess Taxes](#)

Instruction Series

[Completing the Pooled Debt Form](#)

[Completing the TIF Annual Reporting Form](#)

[Completing the TIF Plan Collection Form for New Districts](#)

[Completing the TIF Plan Collection Form for Modified Districts](#)

Documenting Pay-As-You-Go Expenditures

Pay-as-you-go (PAYG) obligations are contractual obligations in which the developer, not the development authority, pays the up-front development costs. As tax increment is received by the development authority, the developer is reimbursed for TIF-eligible costs up to the lesser of (1) the amount stated in the Development Agreement/Note or (2) the costs substantiated by the developer.

Each PAYG obligation must be supported by documentation from the developer of the TIF-eligible costs that have been incurred. The municipality or development authority should review and approve that the invoices qualify as costs reimbursable with tax increment revenues and meet the requirements of the development agreement and TIF plan. The documentation should be kept in the authority’s TIF files to substantiate that tax increment revenues have been spent in compliance with the TIF Act.

Rental Property Income Requirements

The TIF Act requires that rental property in a TIF housing district must comply with the Internal Revenue Code’s income requirements for the duration of the district. This differs from the Act’s income requirements for TIF housing districts comprised of owner-occupied property, which apply only to the initial purchasers/occupiers. The “for the duration of the district” requirement applicable to rental property housing districts means that for such districts, TIF authorities must maintain and be prepared to produce documentation of ongoing compliance with the income requirements (generally, 20 percent of units be occupied by persons or families at 50 percent or less of the area median income, or 40 percent of units be occupied by persons or families at 60% or less of the area median income), even if the district extends beyond the conclusion of the authority’s agreement with the developer.

Since developers typically are the source of the income requirement documentation, authorities may wish to consider the continued need for such documentation when drafting their development agreements.

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