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# DAKOTA COUNTY POLICIES AND PROCEDURES MANUAL

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## Policy 8002 Tax Increment Financing

Original Publication Date: 9/16/2002

Revision Date(s): 1/6/2015

Last Reviewed: 1/6/2015

Department: Property Taxation & Records

Board or Administrative: Board

Related Policies:

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### POLICY STATEMENT

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Dakota County may support housing, redevelopment, renewal and renovation and soils condition TIF districts that increase or have a neutral effect on the number of affordable housing units in the community, clearly demonstrate that they meet the "but for" test, and meet at least one of the following:

1. Provide affordable housing
2. Include livable community housing and provide mixed use
3. Remove blight conditions and/or contamination
4. Provide a net increase in livable wage jobs

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### DEFINITIONS

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*Affordable Housing:* Rental housing that must meet all of the requirements for a low income housing credit under section 142(d) of the Internal Revenue Codes, regardless of whether the project actually receives housing credit, including maximum income and rent limits established annually by the U.S. Department of Housing and Urban Development (HUD).

Owner occupied housing that must meet both of the following: (1) the definition of "housing project" under Minnesota Statutes 469.1761 Subd. 2: 95 percent of the housing units must be initially purchased and occupied by individuals and families whose household income is less than or equal to the income requirements for qualified mortgage bond projects under Section 143(d) of the Internal Revenue Code; and (2) the Dakota County policy requirement that 50 percent of the housing units must be initially purchased and occupied by individuals and families whose household income is less than or equal to 80 percent of the area median income (AMI) as determined annually by HUD. Maximum initial sale price limits will be enforced to ensure homes are affordable to homebuyers at these incomes.

*Blight conditions:* Areas that contain (or conditions that cause) high percentages of dilapidated buildings or otherwise deteriorating and substandard structures. (Minn. Stat. § 469.174, subd. 10).

*"But-For" Test:* Shows that, in the opinion of the municipality:

- (i) the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future; and
- (ii) the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of

the district permitted by the plan. The requirements of this item do not apply if the district is a housing district. (Minn. Stat. § 469.175, subd. 3, b, (2)).

*Contamination:* The presence of hazardous substances, pollution, or contaminants that require removal or remedial action.

*Livable Community:* A community that is designed with 1) mobility options such as transit, walk, bike or drive, 2) protects and enhances natural resources, 3) provides housing choices including single-family homes, condominiums and apartments in a variety of architectural styles and prices to meet the needs of people of all ages and incomes, and 4) a plan for mixed uses such as locating housing, workplaces, shopping, daily services, schools, parks, civic places and public facilities together in an area.

*Livable Community Housing:* Housing located in a livable community.

*Livable Wage:* Living wage levels that are equal to what a full-year, full time worker would need to earn (exclusive of benefits) to support a family of four at 130% of the poverty level.

*Mixed Use:* Developments that include housing, varied by type and prices, integrated with commercial development and places of employment. It includes those developments being accessibility by multiple transportation modes.

*Project area:* The geographic area in which tax increment revenues may be spent. Project areas are designated by the development authority under the applicable development law, such as an HRA, port authority, economic development authority, or municipal development act.

*Qualifying Inspection:* The inspections performed to document the status of the property to determine that the district meets the criteria as a redevelopment district, a renewal and renovation district, or other TIF district.

*Redevelopment:* Actions taken to improve areas affected by substandard buildings, blight, railroad or tank facilities, as described by Minn. Stat. § 469.174, subd. 10.

*Tax Increment Financing:* A statutory financing tool used to promote economic development, housing, redevelopment, renewal and renovation in areas where it otherwise would not have occurred. TIF enables an authority to "capture" property taxes generated by new development or redevelopment to pay for development expenses. A TIF authority captures the increase in net tax capacity resulting from new development within a designated geographic area called a TIF district.

*Tax Increment Financing Authority:* An authority created pursuant to Minnesota Statutes to administer a tax increment financing district. (Minn. Stat. § 469.174, subd. 2)

*Tax Increment Financing District:* The geographic area from which tax increments are collected. The development authority defines the area in the tax increment financing plan. A district may be a contiguous or noncontiguous area within a project area. (Minn. Stat. § 469.174, subd. 9)

*Tax Increment Financing Plan:* A plan that must describe the project supported by tax increment financing, project objectives, development programs and activities to be undertaken, type and duration of district being created, parcels included in the district, estimated costs and revenues, impact on other taxing jurisdictions, and other details of the proposal. The TIF plan may be approved by the municipality after the required public hearing is held. (Minn. Stat. § 469.175, subds.1, 4)

## **SOURCE**

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Tax Increment Financing is governed by Minn. Stat. § 469.174-469.1794 as amended.  
Dakota County Board Resolution No.15-013.

## **GENERAL**

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Dakota County must receive sufficient information to be able to determine that the qualifying criteria has been met. Depending on the type of TIF district, Dakota County requires documentation related to:

- TIF plan
- qualifying inspections
- analysis of net affordable housing impact within the TIF district or project area
- analysis of net livable wage jobs
- average market value of comparable housing in the city or area
- estimated financial impact on the county
- map(s) of the proposed TIF district and project area
- traffic study, if appropriate

Per Minn. Stat. 469.175 1a, the Dakota County Board of Commissioners may require the authority to pay all or a portion of the cost of county road improvements out of increment revenues, if the following conditions occur:

1. The proposed tax increment financing plan or an amendment to the plan contemplates construction of a development that will, in the judgment of the county, substantially increase the use of county roads requiring construction of road improvements or other road costs; and
2. The road improvements or other road costs are not scheduled for construction within five years under the county capital improvement plan or within five years under another formally adopted county plan and in the opinion of the county, would not reasonably be expected to be needed within the reasonably foreseeable future if the tax increment financing plan were not implemented.

Dakota County encourages municipalities to furnish TIF plans, or documentation related to the above, at least 45 days prior to the public hearing for the following purposes:

1. To coordinate the timeline of the road improvement cost estimates and the comments from the Dakota County Board. Dakota County reserves the right to identify costs after the public hearing if necessary.
2. To allow for a thorough analysis by essential county departments and an appropriate recommendation to the county board prior to the public hearing.
  - a. To assure documentation is received timely, in addition to the requirement of delivery to the auditor, Dakota County encourages municipalities to electronically forward the TIF Plan to [tax.increment@co.dakota.mn.us](mailto:tax.increment@co.dakota.mn.us), which automatically distributes the document(s) to departments included in the review process.

Dakota County will indicate its position on municipal TIF districts via comments in a County Board resolution provided to the city, except when a County Board meeting is not held within the 30-day response period. If the County Board cannot provide comments by resolution within the 30-day response period, comments will be provided following Board action. The Dakota County Board must approve or disapprove all CDA TIF Districts.

Dakota County encourages municipalities to 1) limit the duration of the district and supports the early decertification of all TIF districts and 2) require that TIF assistance provided in housing districts be repaid at the time the project is sold or transferred and appreciates in value. Dakota County will consider a municipality's history regarding compliance with Dakota County's TIF policy and state law in its deliberation.

## **PROCEDURES**

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The Dakota County Property Taxation & Records Department will develop and maintain procedures.

Staff contact: Amy Koethe Ext: 4370 Email: amy.koethe@co.dakota.mn.us

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Board Resolution or Manager Signature: Res. 15-013

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