

Community Planning & Economic Development

Crown Roller Mill, 105 Fifth Ave. S.

Suite 200

Minneapolis, MN 55401



Pooling of Tax Increment for Tornado Recovery Efforts

Special legislation was adopted during the 2011 First Special Session to provide a funding tool to assist recovery efforts within the federally designated disaster area resulting from the May 22, 2011 tornado in north Minneapolis (the "Legislation", 2011 1st Spec. Session, Ch. 7, Art. 5, Sec. 12.)

Under the Tax Increment Financing ("TIF") Act (MN Stat. 469.174 – 469.1791,) tax increment revenues are generally restricted to authorized uses within the respective geographic project area in which the individual TIF districts are located. The Legislation provides the City of Minneapolis with the authority to use available tax increment revenues from any of the City's tax increment districts to fund recovery efforts within the federally designated disaster area.

How could the Legislation assist private individuals and businesses?

The City could provide assistance to private individuals and businesses in financing the costs to reconstruct or substantially rehabilitate both residential and commercial buildings, including ancillary facilities that were damaged by the tornado within the disaster area. TIF revenues made available through this Legislation could be used to provide assistance through a broad range of mechanisms, as yet to be determined, including loans, interest subsidies, and grants.

How could the Legislation assist the funding of City costs?

As the City participates in the recovery of properties within the disaster area, TIF revenues made available through this Legislation could be used to pay for some of these efforts. Eligible costs could include, but are not necessarily limited to, acquisition of damaged properties as well as any relocation, demolition and/or site improvement costs. Administrative costs of the City in undertaking these efforts would also be eligible expenditures, subject to limitations of the TIF Act.

What TIF revenues are available?

Based on current projections, approximately \$1.0 million in TIF revenue from various TIF districts could be available to fund tornado recovery efforts.

What are the limitations on the use of these TIF revenues?

Beyond the uses mentioned above, TIF revenues made available through the Legislation must be spent or contractually committed within three years from the date of the Presidential declaration. The declaration, FEMA-1990-DR, was dated June 7, 2011, therefore the three-year period when TIF revenues must be spent or committed will end on June 6, 2014.

What are the next steps?

There are a number of steps that must be implemented before TIF revenues will be available for tornado recovery efforts.

First, the City Council must adopt a resolution approving the Legislation. It is currently anticipated that this will be part of an IGR action in August.

Second, a program must be developed, outlining the scope, criteria, and other parameters of the assistance being provided. The Legislation is broad, providing the City with great flexibility in developing the program. The City must determine what types of assistance will best serve the recovery efforts and the terms and conditions under which that assistance will be provided.

Third, upon approval of the assistance program, the Council must approve a written spending plan, identifying the TIF revenue to be used and what expenditures are authorized. A public hearing must be conducted prior to approval of the spending plan, upon published notice of no less than 10 days nor more than 30 days prior to the hearing.

Time is of the essence in implementing the recovery efforts. The steps outlined above can be undertaken concurrently; therefore Development Finance recommends that a work group be established immediately to begin development of the program and spending plan.