

# TIF Division Newsletter



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The TIF Division recently completed a series of TIF Basics workshops throughout the State. Some questions asked by attendees during these workshops may be of interest to others in the TIF community. This newsletter is devoted to TIF inter-fund loans.

### **When are inter-fund loan agreements required for TIF expenditures?**

The TIF Act was amended in 2001 to require that internal loans to finance TIF expenditures, from the general fund or other internal funding source, must be authorized by resolution before money is transferred, advanced, or spent, if an authority or municipality anticipates that the loan will be repaid with TIF revenues. This TIF amendment is effective for loans and advances made after July 31, 2001 for all post-1979 TIF districts.

### **What are the requirements for the inter-fund loan agreements?**

Minn. Stat. § 469.178, subd. 7 requires that the loan or advance be authorized, by resolution of the municipality or the authority that has jurisdiction over the fund from which the advance or loan is to be made. It requires that the terms of repayment are to be in writing and must include the following:

- Statement of the principal amount of the loan,
- The interest rate, with the maximum rate limited to one of two state indices, and
- The maximum term of the loan.

### **Does a resolution have to be adopted each time a transfer of internal funds is made?**

No, the law was amended in 2003 to permit the municipality or authority to pass a resolution for financing a given development activity, much like a line of credit. The resolution cannot be blanket authority to expend internal funds, but can be tied to the expenditure of funds for specific project activities. A designated amount of funds, not to exceed the amount stated in the resolution, can be expended without passing another resolution.

### **What about the internal fund advances made before a TIF district is established?**

Many of the up-front costs, particularly administrative expenses, are incurred before an authority can determine whether to establish a TIF district. It is necessary to adopt an inter-fund loan resolution to cover these costs as well, if the authority anticipates that the costs will be repaid from TIF revenues, once the district is established.