Q and A on November and December 2009 TIF Newsletters

The November 2009 TIF Newsletter clarified what is meant by “cost of project” in a TIF plan.1 In response, we received the following questions:

Q. How did the enactment of the 2009 amendment to the “cost of project” provision change the provision’s meaning?

A. Prior to the 2009 amendment, “cost of project” could include other public funds, such as grants, loans, special assessments, but tax increment costs were required to be identified separately. TIF plans and modified plans adopted after June 30, 2009, are now required to contain only tax increment costs, including administrative costs.2

Q. Our TIF plan includes interest as a cost to be paid with tax increment revenues. Why can’t interest be included as a line-item project cost?

A. Interest is a financing cost.3 The Minnesota Attorney General’s position is that “cost of project” means an estimate of the cost of proposed development activity to be financed with tax increment. An authority may legally exceed the total estimated cost of the project, including administrative costs, that are paid with tax increment only by modifying the TIF plan.

The December 2009 TIF Newsletter clarified what is included in a TIF plan and how the OSA reviews TIF plans. We received the following questions:

Q. Where in the TIF Act does it require an authority to have a signed agreement or a designated developer when a TIF district is established?

A. The TIF Act requires an agreement when property is to be acquired within a redevelopment, housing, or economic development district and tax increment from the property is pledged to the payment of bonds issued to acquire the property.4

Q. The newsletter stated that the initial review of a TIF plan by the OSA would look for evidence of a signed agreement or name of a designated developer. Why would the OSA be checking for agreements or designated developers?

A. The TIF plan is to contain a list of any development activities the plan proposes to take place within the project, for which an authority has entered into an agreement or designated a developer including the names of the parties or designated developer.5

1 Minn. Stat. § 469.175, subd. 1 (a) (Supp. 2009).
2 Minn. Stat. § 469.175, subd. 1 (a) (5) (i)
3 Minn. Stat. 469.175, subd. 1 (a) (5) (ii) lists bond costs separately from cost of project.
4 Minn. Stat. § 469.176, subd. 5.
5 Minn. Stat. § 469.175, subd. 1 (a) (3).