Tax Increment Financing Legislative Report

TIF Reports for the Year Ended December 31, 2024

TIF Reviews Concluded for the Year Ended December 31, 2025

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STATE OF MINNESOTA
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Highlights and Trends

- In 2024, $261 million of tax increment revenue was generated statewide, an almost 10 percent increase over the $238 million generated in 2023. The 2024 total edged the 2020 total as the largest amount generated over the last ten years. In inflation-adjusted constant dollars, the past decade of revenues has been less than totals in the previous two decades and is more on par with totals from the mid-1980s (pages 20-24).
- In 2024, 373 development authorities submitted reports to the Office of the State Auditor (OSA) for 1,657 TIF districts. The slight dip to 1,657 districts reporting for 2024 was the first decline since 2018 (pages 10-13).
- From 2020 to 2024, 73 percent of redevelopment and 72 percent of housing districts decertified early, while 36 percent of economic development districts decertified early. Overall, whether authorities have embraced early decertification to benefit from the new tax base as soon as possible, or whether the Six-Year Rule is driving this phenomenon, it is evident that maximum durations are no longer the norm and early decertification occurs throughout the span of a maximum term (pages 18-20).
- In 2024, 70 new TIF districts were certified, three fewer than the 73 new districts certified in 2023, which is a decline of four percent and the lowest number of certifications over the past five years. In 2024, 94 districts were decertified, ten fewer than in 2023 (pages 14-16).
- In 2024, development authorities returned $16,840,737 of tax increment revenue to county auditors for redistribution as property taxes to the cities, counties, and school districts (page 24).
- In 2024, there was over $1.9 billion of outstanding debt associated with TIF districts, an increase of three percent from 2023. Pay-As-You-Go (PAYG) obligations were the predominant type of debt, making up 73 percent of the debt reported (up from 71 percent in 2023). PAYG obligations have steadily made up an increasing share of TIF debt, while reliance on general obligation bonds has declined (pages 25-27).

Scope and Methodology

In 1995, the Minnesota Legislature assigned legal compliance oversight for tax increment financing (TIF) to the Office of the State Auditor (OSA).[1] The OSA's oversight authority extends to examining the use of TIF by political subdivisions, as authorized by the Minnesota Tax Increment Financing Act (TIF Act).[2]

The TIF Act requires development authorities to file with the OSA annual financial reports for each of their TIF districts on or before August 1 of each year.[3] Reporting starts in the year in which a district is certified and continues until the year following the year in which the district is both decertified and all remaining revenues derived from tax increment have been expended or returned to the county auditor.[4] Because new certifications and decertifications are not always reported in a timely manner, the data for prior years contained in this report may differ slightly from data presented in previous reports.

This 30th Annual Legislative Report (Report) was compiled from information reported by 373 development authorities currently exercising tax increment financing powers in Minnesota. The Report summarizes information reported by these development authorities for 1,657 districts for the calendar year ended December 31, 2024.[5] An additional two authorities were required but failed to submit reports on four districts for the period; accordingly, data for those districts is not reflected in this Report.[6]

The Report also provides a summary of any violations cited in the limited-scope reviews conducted by the OSA in 2025. This Report is provided annually to the chairs of the legislative committees with jurisdiction over TIF matters.[7]

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[1] 1995 Minn. Laws, ch. 264, art. 5, § 34. The OSA's oversight of TIF began in 1996.

[2] The TIF Act can be found at: Minn. Stat. §§ 469.174 through 469.1799 inclusive, as amended. The OSA's oversight authority can be found at: Minn. Stat. § 469.1771.

[3] Minn. Stat. § 469.175, subd. 6.

[4] Minn. Stat. § 469.175, subd. 6b.

[5] The summarized information reflects reported activity as of the end of calendar year 2024. Late and resubmitted reports may result in slight changes.

[6] Henning failed to report for three districts and Morton failed to report for their single district. The TIF Act provides for tax increment to be withheld when reports are not filed.

[7] Minn. Stat. § 469.1771, subd. 1(c).

Background

Tax increment financing is a financing tool established by the Legislature to support local economic development, redevelopment, and housing development. As its name suggests, TIF enables development authorities to finance development activities using the incremental property taxes, or "tax increments," generated by the increased taxable value of the new development.

TIF is not a tax reduction; taxes are paid on the full taxable value of the property. The original taxable value continues to be part of the tax base that supports the tax levies of the city, county, school district, and other taxing jurisdictions.[8] The new, additional value from development activity is "captured" from the tax base, meaning taxes levied on it do not contribute to local levies. The taxes paid on the captured value yield the tax increments, which are used to finance qualifying costs that make the new development possible and subject to various restrictions. Only when the TIF district is ended (or "decertified"), does the new value become part of the tax base.

Statutes define maximum durations for each type of TIF district, but often there are reasons that decertification prior to the maximum duration makes sense and is in the public interest.

For a municipality to finance development with TIF, it must find that, without the use of TIF, the development would not be expected to occur.[9] This is often referred to as the "But-For Test," (i.e. development would not happen but for the use of TIF). This helps ensure that the use of TIF is not capturing tax base that would be available to support local levies without its use.

The expenditures that qualify to be paid from tax increment depend on the type of development activity taking place, the type of TIF district created, and the year in which the TIF district was created. Examples of qualifying costs include: land and building acquisition, demolition of structurally substandard buildings, removal of hazardous substances, site preparation, installation of utilities, and road improvements.

A TIF district is created within a project area by a development authority. TIF districts are comprised of the parcels on which development activity occurs. Project areas can be larger than a TIF district and can contain multiple TIF districts. A development authority can be a city, an entity created by a city, or an entity created by a county.[10] Development authorities derive their authority to use TIF and assist projects from various development acts that underlie and are incorporated into the TIF Act by reference: the Housing and Redevelopment Authorities (HRA) Act, the Port Authorities Act, the Economic Development Authorities (EDA) Act, the City Development District Act, and the Rural Development Financing Authorities Act.[11] These acts govern the development projects, whereas the TIF Act governs the use of tax increments.

TIF districts must be decertified when they reach the earliest of the following times: (1) the applicable maximum duration limit provided in the TIF Act for each type of TIF district; (2) a shorter duration limit if so established by the authority in the TIF plan; (3) upon collecting sufficient increment to pay all in-district obligations and/or reaching the end of the term of the last outstanding pay-as-you-go note pursuant to the Six-Year Rule; or (4) upon written request by the authority to the county auditor

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[8] A hazardous substance subdistrict may capture original value due to the higher expense involved in cleaning up hazardous substances. Minn. Stat. §§ 469.174, subds. 7(b) and 23; 469.175, subd. 7.
[9] Minn. Stat. § 469.175, subd. 3(b)(2).
[10] Counties and towns may also be development authorities in certain instances.
[11] Minn. Stat. § 469.174, subd. 2 (listing the statutory citations for the various development acts).

to decertify the district.[12] Decertification ends the capture of the new value and the collection of increment, but many districts remain active and continue to report until all remaining tax increment revenues have been expended or returned to the county auditor. Most districts decertify before reaching the maximum duration limit.

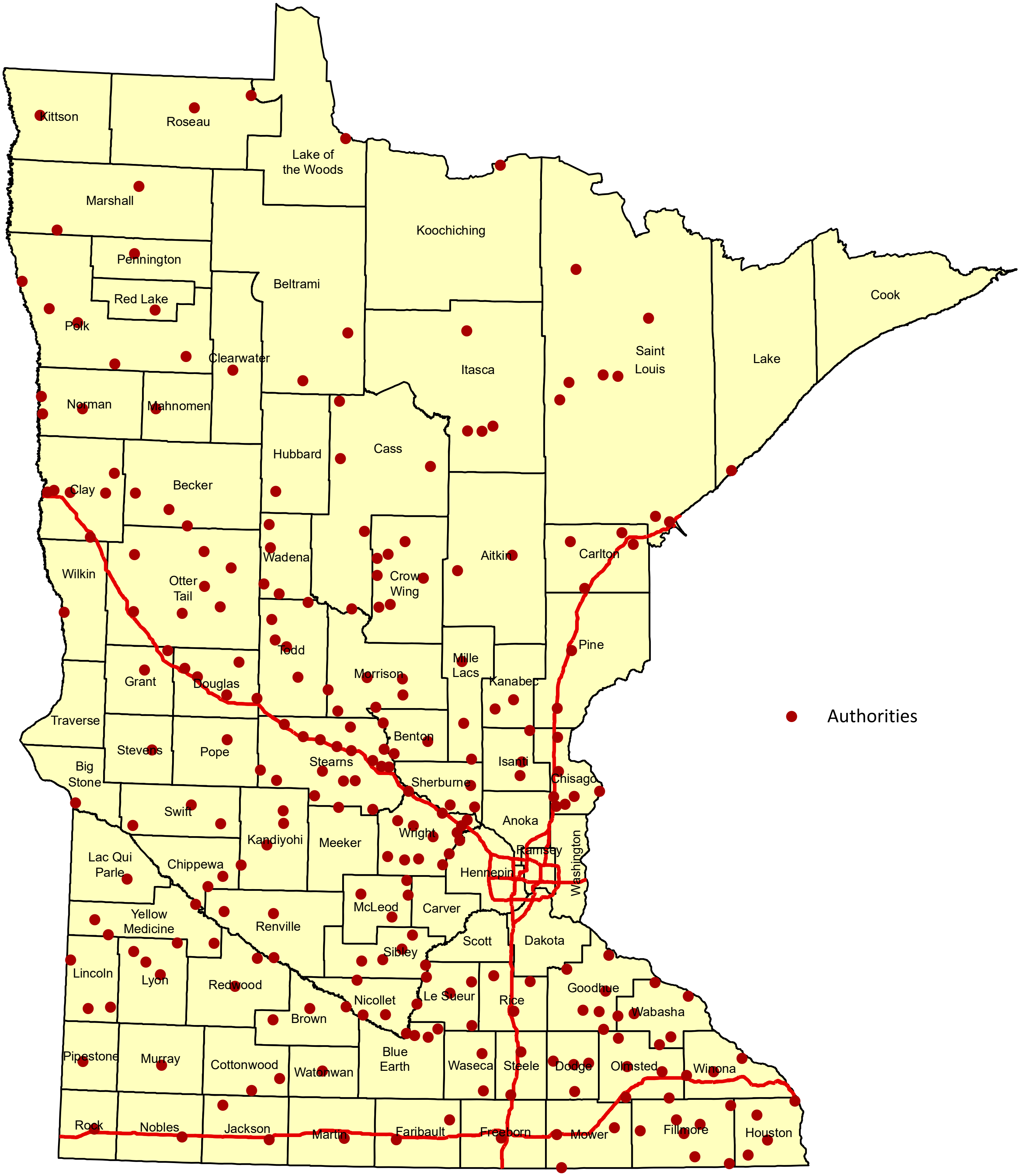
Development Authorities

In 2024, there were 375 development authorities in Minnesota actively using TIF, which is six less than the number active in 2023. Eight authorities became inactive, and two inactive development authorities became active again.

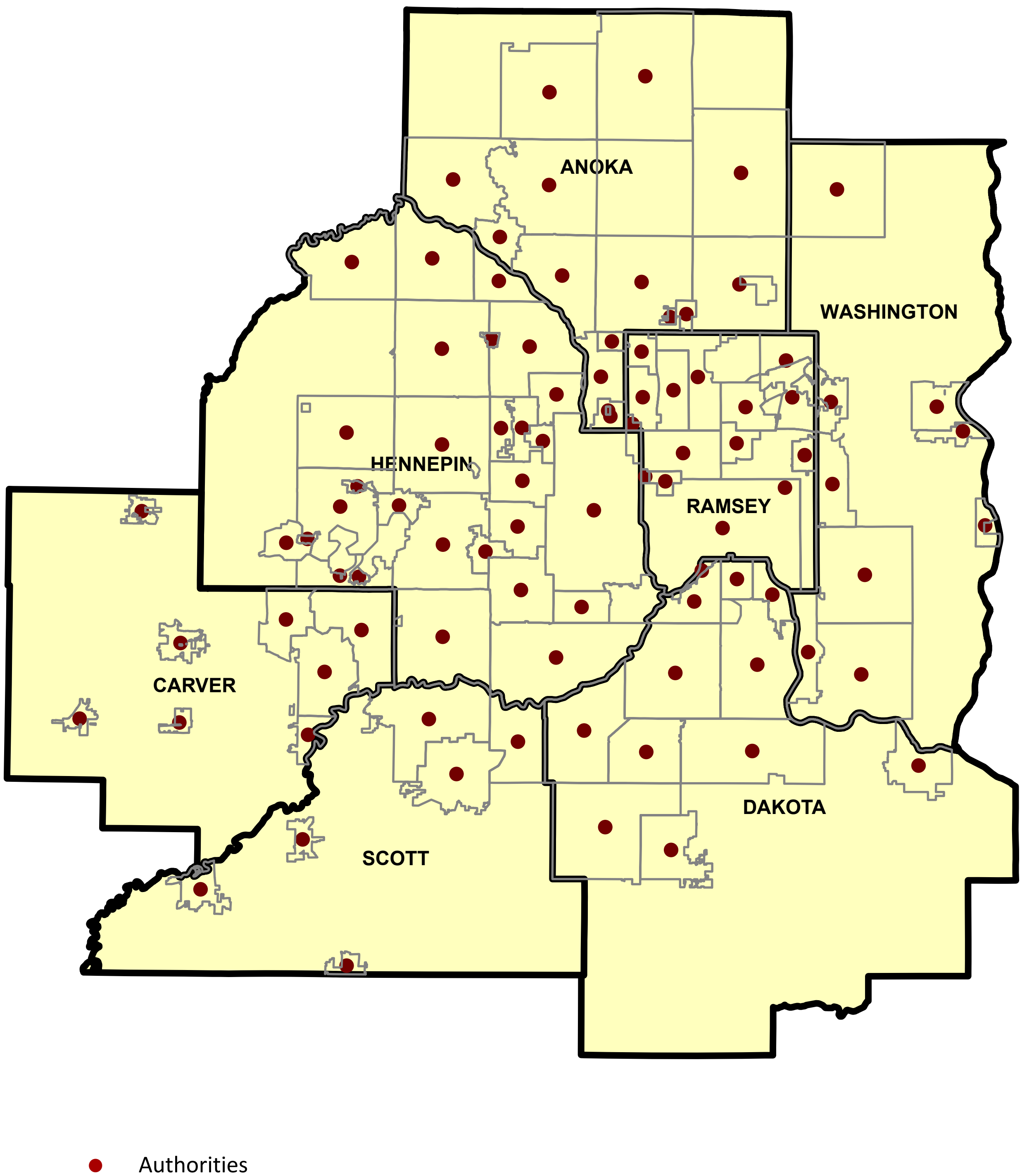
In 2024, of the 375 active development authorities, 275 were located in Greater Minnesota, and 100 were located in the Seven-County Metropolitan Area (Metro Area). Maps 1 and 2 on the following pages show the locations of these authorities. Map 3 identifies counties that have a development authority using TIF.[13]

[12] Minn. Stat. § 469.177, subd. 12.
[13] This map does not include the following joint authority: Southeast Minnesota Multi-County HRA.

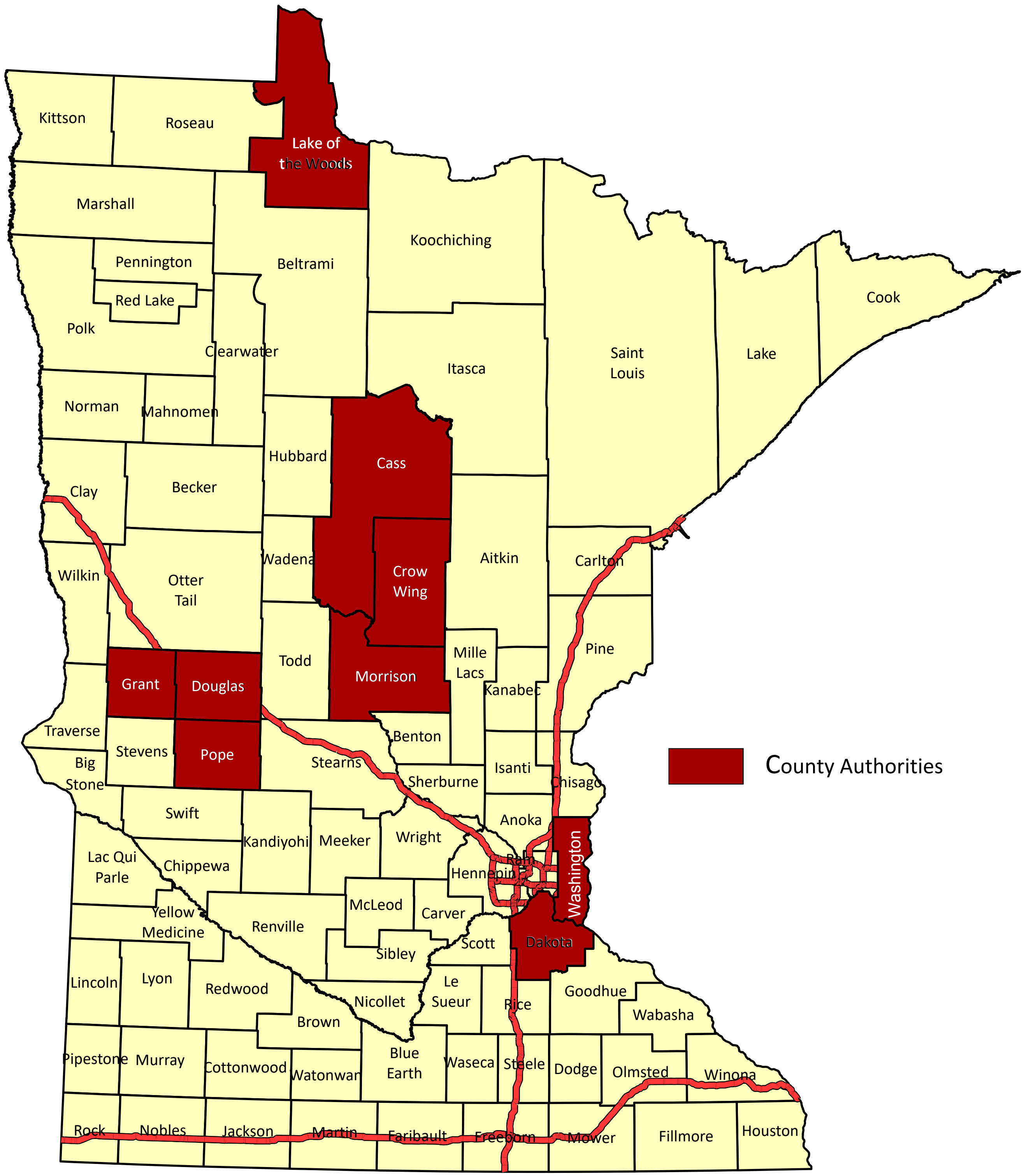
Map 1. Development Authorities in Greater Minnesota, 2024



Map 2. Development Authorities in Metro Area Minnesota, 2024



Map 3. County Development Authorities, 2024



Creation of TIF Districts

The first step a development authority takes in creating a TIF district is to adopt a TIF plan. The TIF plan outlines the development activity to be funded with tax increment.[14]

A development authority must obtain approval of the TIF plan from the governing body of the municipality in which the TIF district is to be located. For example, if a city's port authority proposes creating a TIF district in the city, the city council must first approve the TIF plan for the district. Approval of the TIF plan authorizes the use of tax increment to pay TIF-eligible project costs. Before approving a TIF plan, the municipality must publish a notice and hold a public hearing.[15]

Before the notice for a public hearing is published, the development authority must provide a copy of the proposed TIF plan to the county auditor and the clerk of the school board who, in turn, must provide copies of these documents to the members of their boards.[16] The county board and school board may comment on the proposed district, but cannot prevent its creation.[17]

Types of TIF Districts

Five different types of TIF districts are currently authorized by the TIF Act: redevelopment, economic development, housing, renewal and renovation, and soils condition.

There are two other general types of districts: districts created prior to the enactment of the TIF Act ("pre-1979 districts") and districts created by special law ("uncodified districts"). There is also one type of subdistrict that can be created within a TIF district, a hazardous substance subdistrict.

Each type of TIF district has different requirements for its creation, different restrictions on the use of tax increment revenue, and different maximum duration limits.

Redevelopment Districts – The purpose of a redevelopment district is to eliminate certain blighted conditions.[18] Redevelopment districts generally seek to conserve the use of existing utilities, roads, and other public infrastructure, and to discourage urban sprawl. Qualifying tax increment expenditures include: acquiring sites containing substandard buildings, streets, utilities, parking lots, or other similar structures; demolishing and removing substandard structures; eliminating hazardous substances; clearing the land; and installing utilities, sidewalks, and parking facilities. These TIF-financed activities can be considered a means to "level the playing field" so that blighted property can compete with property that is not blighted for development. These districts have a statutory maximum duration limit of 25 years after first receipt of tax increment.[19]

[14] Minn. Stat. § 469.175, subd. 1.
[15] Minn. Stat. § 469.175, subd. 3.
[16] Minn. Stat. § 469.175, subd. 2.
[17] When the county is the municipality that must approve the TIF plan, the county board may prevent the creation of a TIF district.
[18] Minn. Stat. § 469.174, subd. 10(a).
[19] Minn. Stat. § 469.176, subd. 1b(a)(4). Note that a duration of 25 years *after* first receipt of tax increment permits 26 years of collection.

Economic Development Districts – The purpose of an economic development district is to: (1) discourage commerce, industry, or manufacturing from moving to another state or city; (2) increase employment in the state; (3) preserve and enhance the tax base; or (4) satisfy requirements of a workforce housing project.[20] Tax increment revenue from economic development districts is used primarily to assist manufacturing, warehousing, storage and distribution, research and development, telemarketing, and tourism, but can also be used for workforce housing projects (as of 2017 and sunsetting in 2027).[21] Use of tax increment in these districts for commercial development (retail sales) is excluded by law, except in "small cities."[22] Economic development districts are short-term districts with a limit of eight years after first receipt of tax increment.[23]

Housing Districts – Housing districts encourage development of owner-occupied and rental housing for low- and moderate-income individuals and families. Tax increment revenue can be used in the construction of low- and moderate-income housing and to acquire and improve the housing site. These districts have a statutory maximum duration limit of 25 years after first receipt of tax increment.[24]

Renewal and Renovation Districts – Renewal and renovation districts are similar to redevelopment districts, but the blight standard includes inappropriate or obsolete land use. The statutory maximum duration limit for these districts is 15 years after first receipt of tax increment.[25]

Soils Condition Districts – Soils condition districts seek to address removal and remediation costs due to the presence of hazardous substances, pollutants, or contaminants. The estimated cost of the proposed removal and remediation must exceed the fair market value of the land before the remediation is completed.[26] The statutory maximum duration limit for these districts is 20 years after first receipt of tax increment.[27]

Pre-1979 Districts – These districts were created prior to the 1979 TIF Act and have all been decertified.[28]

Uncodified Districts – Special laws have been enacted to address unique issues and permit the use of TIF for geographic areas that do not meet the statutory qualifications for the main statutory types of TIF districts. They are referred to as "uncodified" districts. Examples of uncodified districts are housing transition districts for the cities of Crystal, Fridley, Minneapolis, and St. Paul, a district addressing distressed rental properties in Brooklyn Park, and soil deficiency districts for the cities of Apple Valley, Burnsville, Maple Grove, Savage, and Shakopee.

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[20] Minn. Stat. § 469.174, subd. 12.
[21] Minn. Stat. § 469.176, subd. 4c, identifies allowable purposes. Minn. Stat. § 469.175, subd. 3(g), contains the sunset, barring districts from being certified for requests made after June 30, 2027.
[22] Minn. Stat. § 469.174, subd. 27 (defining small cities as, generally, those with a population of 5,000 or less located five miles or more from a city of 10,000 or more), and Minn. Stat. § 469.176, subd. 4c. (The five-mile parameter was ten miles for districts with a request for certification on or before July 1, 2023.)
[23] Minn. Stat. § 469.176, subd. 1b(a)(3). Note that a duration of eight years *after* first receipt of tax increment permits nine years of collection.
[24] Minn. Stat. § 469.176, subd. 1b(a)(4). Note that a duration of 25 years *after* first receipt of tax increment permits 26 years of collection.
[25] Minn. Stat. § 469.176, subd. 1b(a)(1). Note that a duration of 15 years *after* first receipt of tax increment permits 16 years of collection.
[26] Minn. Stat. § 469.174, subd. 19.
[27] Minn. Stat. § 469.176, subd. 1b(a)(2). Note that a duration of 20 years *after* first receipt of tax increment permits 21 years of collection.
[28] Minn. Stat. § 469.176, subd. 1c. Princeton's TIF 1 Downtown Redevelopment District is the last pre-1979 district filed its final annual report for 2024.

Hazardous Substance Subdistricts – The purpose of a hazardous substance subdistrict (HSS) is to finance the cleanup of hazardous substance sites within a TIF district so that development or redevelopment can occur.[29] The subdistrict may be established at the time of approval of the TIF plan, or added later by modification, and requires certain findings and a development response action plan approved by the Minnesota Pollution Control Agency (PCA).[30] The HSS captures additional increment by reducing the original net tax capacity (ONTC) by the estimated costs of the removal actions.[31] The payment of these costs comes from what would normally be the “frozen” property tax base of the district and yields immediate increment without requiring any increase in property value. The additional increment may be used only to pay or reimburse specified costs, such as removal or remedial actions, pollution testing, purchase of environmental insurance, and related administrative and legal costs.[32] The statutory maximum duration limit for an HSS can extend beyond that of the overlying district and is 25 years from the date the extended period began or the period necessary to recover the costs specified in the development response plan, whichever occurs first.[33]

Special Legislation

The legislature has frequently enacted special legislation allowing exceptions to the TIF Act for individual districts. For 2024, 112 TIF districts reported having special laws. The most common types of special legislation include: (1) extending the five-year deadline for entering into contracts or issuing bonds, (2) extending the duration limit of a TIF district, (3) creating an exception to requirements or findings needed to create a TIF district, and (4) creating an exception to the limitations on the use of tax increment.

Number of TIF Districts

In 2024, 373 development authorities submitted reports to the OSA for 1,657 TIF districts. Of these districts, 1,017 (61 percent) were located in Greater Minnesota and 640 (39 percent) were located in the Metro Area.[34] (See Figure 1.) The Metro Area only outnumbered Greater Minnesota in Renewal and Renovation districts, Soils Condition districts, and Uncodified districts.

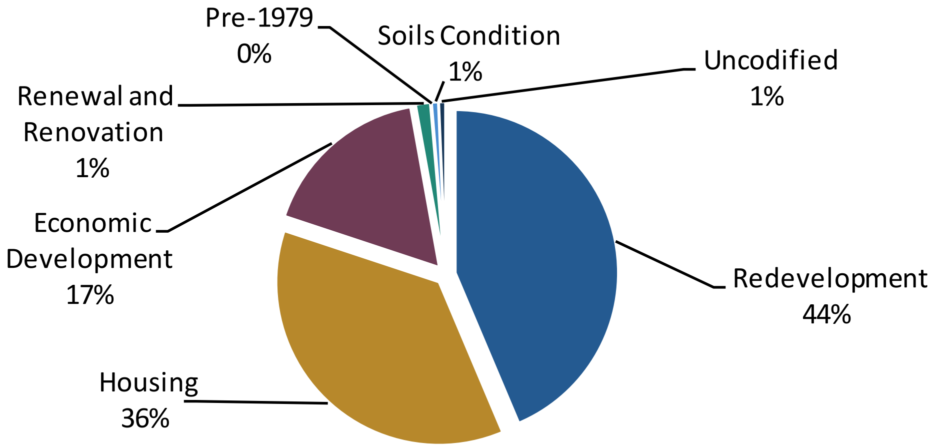
[29] Minn. Stat. § 469.174, subds. 16 and 23; Minn. Stat. § 469.175, subd. 7.
[30] Minn. Stat. § 469.174, subd. 17.
[31] Minn. Stat. § 469.174, subd. 7(b).
[32] Minn. Stat. § 469.176, subd. 4e.
[33] Minn. Stat. § 469.176, subd. 1e.
[34] The number of districts being reported includes districts that are decertified but must continue to report due to remaining tax increment assets.

Figure 1. TIF Districts by Type: Statewide, Greater MN, & Metro Area; 2024

Type of District	**Statewide**	**Greater MN**	**Metro Area**
Redevelopment	723	392	331
Housing	604	388	216
Economic Development	283	225	58
Renewal and Renovation	24	7	17
Pre-1979	1	1	0
Soils Condition	11	4	7
Uncodified	11	0	11
Total	**1,657**	**1,017**	**640**
Hazardous Substance Subdistricts	20	2	18

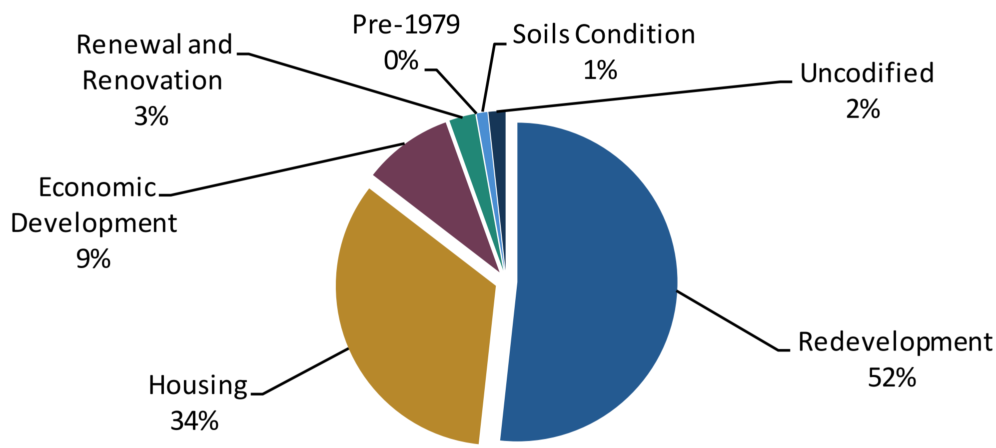
In 2024, redevelopment districts made up 44 percent of all TIF districts statewide, followed by housing districts at 36 percent, and economic development districts at 17 percent. Combined, these three types made up 97 percent of all districts. (See Figure 2.)

Figure 2. TIF Districts by Type Statewide, 2024



In the Metro Area, redevelopment districts made up over half (52 percent) of all districts, followed by housing districts at 34 percent, and economic development districts at nine percent. (See Figure 3.)

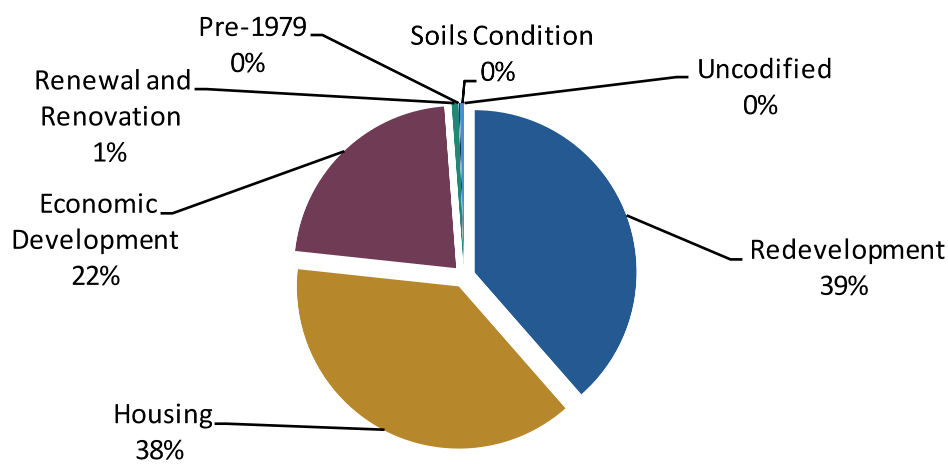
Figure 3. TIF Districts by Type in Metro Area, 2024



(Due to rounding, the sum of the percentages does not equal 100 percent.)

In Greater Minnesota, redevelopment districts edged housing districts by four districts, giving them nearly equal shares of all Greater Minnesota districts at 39 and 38 percent, respectively. Economic development comprised 22 percent of districts. (See Figure 4.)

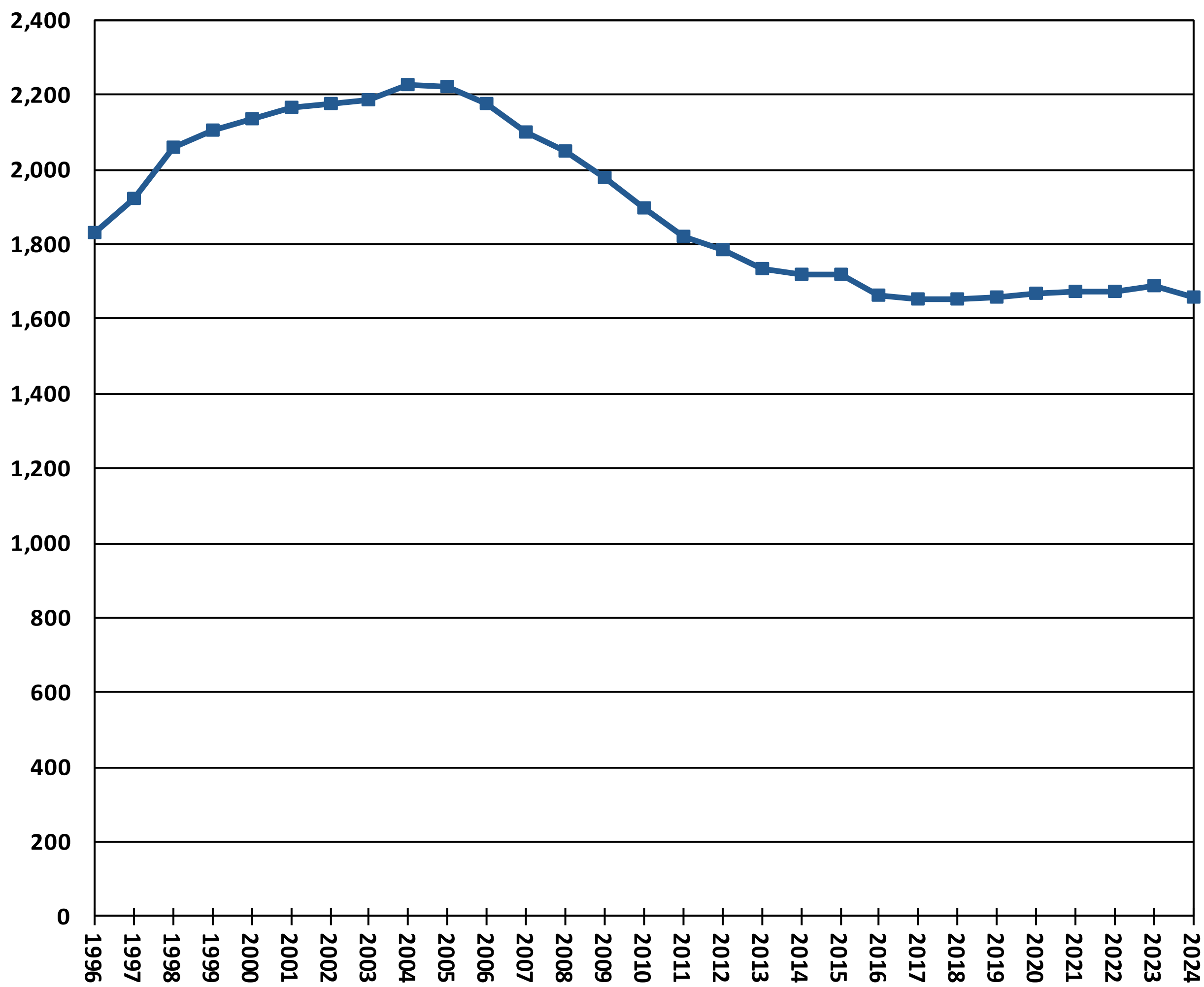
Figure 4. TIF Districts by Type in Greater Minnesota, 2024



While housing districts as a share of all districts varied moderately between the Metro Area and Greater Minnesota (at 34 percent versus 38 percent, respectively), redevelopment districts are clearly more pervasive in the Metro Area as a share of all districts (52 percent versus 39 percent), and economic development districts are far more pervasive in Greater Minnesota, both in count (225 to 58) and in share (22 percent versus nine percent).

Figure 5 shows the total number of districts reporting to the OSA for each year since 1996, which is when the OSA began oversight of TIF. Between 1996 and 2004, the number of TIF districts increased each year, growing from 1,830 to 2,226 districts over that period. From 2004 to 2016, the total number had declined each year, (except for a very slight increase of two districts in 2015), dropping to 1,665 districts. This decline reflected, among other things, large numbers of older districts created prior to moderating reforms in 1990 reaching their statutory duration limits. With the majority of pre-1990 districts having decertified, the number of districts since 2016 has largely remained steady at between 1,653 and 1,689 districts. The slight dip to 1,657 districts reporting for 2024 was the first decline since 2018.

Figure 5. Historical Trend: Number of TIF Districts, 1996-2024



New Districts Certified

In 2024, 70 new TIF districts were certified, three fewer than the 73 new districts certified in 2023, which is a decline of four percent and the lowest number of certifications over the past five years. (See Figure 6.)

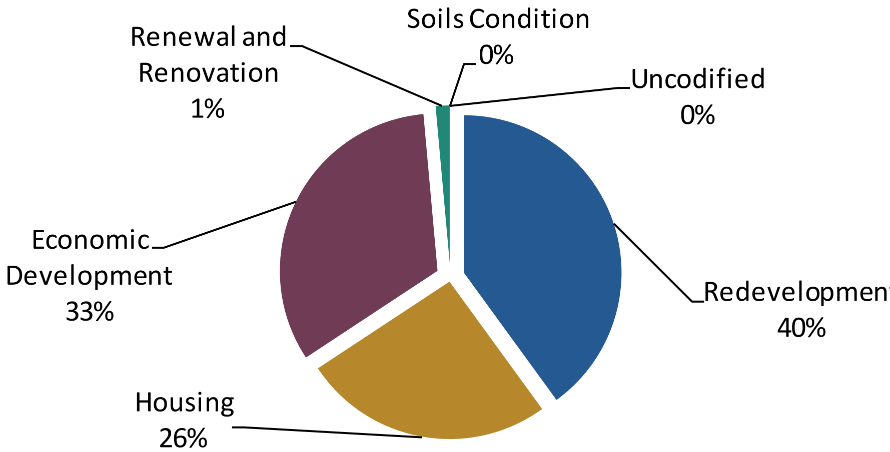
Figure 6. Number of TIF Districts Certified by Type, 2020-2024

	2020	2021	2022	2023	2024
Redevelopment	24	40	21	22	28
Housing	34	40	36	27	18
Economic Development	19	23	23	23	23
Renewal and Renovation	0	2	1	1	1
Soils Condition	2	0	1	0	0
Uncodified	0	0	0	0	0
Total	**79**	**105**	**82**	**73**	**70**

Certifications of housing districts dropped significantly in each of the last two years (by a quarter in 2023 and by a third in 2024), going from the largest number of new certifications to the smallest among the three major types. Redevelopment district certifications increased in 2024 while economic development districts have been steady for four years.

Redevelopment districts accounted for 40 percent of certifications in 2024, followed by economic development districts at 33 percent, and housing districts at 26 percent. (See Figure 7.)

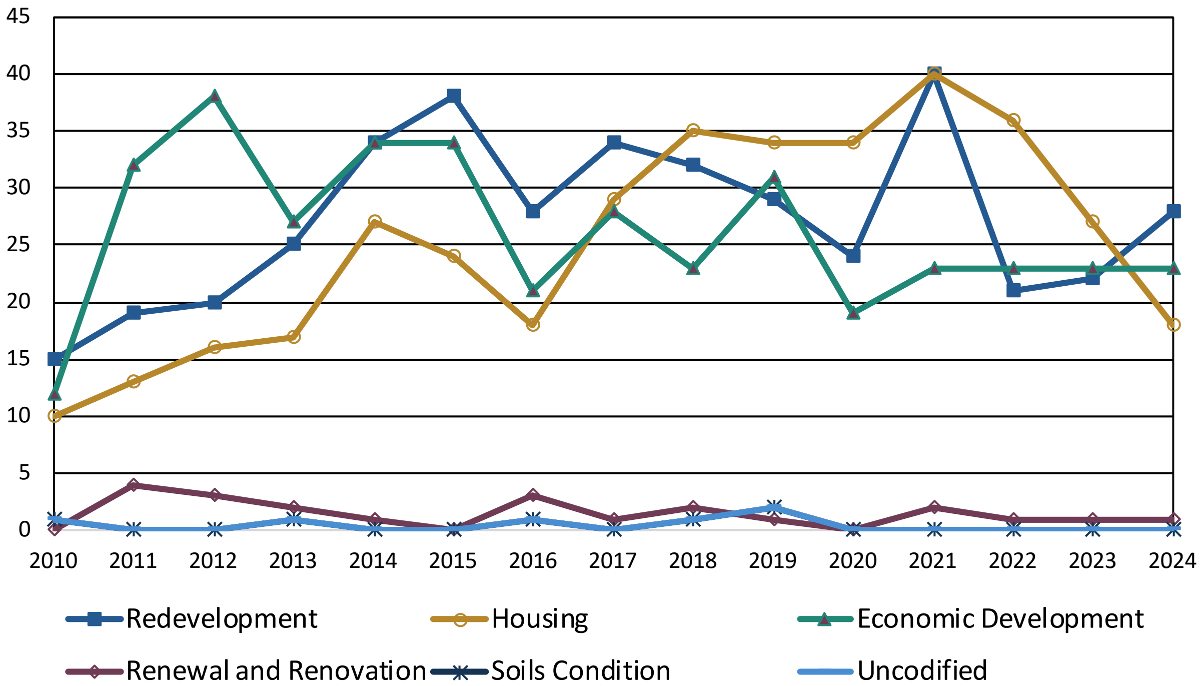
Figure 7. TIF Districts Certified by Type, 2024



The five-year high mark in 2021 might have reflected some activity delayed by the uncertainty of the pandemic in 2020. The drop over the last three years might be indicative of high interest rates and inflation impacting development costs, combined with a weakening of the commercial real estate market since the pandemic. Regardless of the reasons, the number of new certifications is notably low relative to prior periods.

Figure 8 shows the 15-year trend for certifications by district type. Housing districts had trailed redevelopment and economic development districts through 2016 but surged to the top district type from 2018 to 2023, before sharply tailing off these last two years.

Figure 8. TIF Districts Certified by Type 15-Year Trend 2010-2024



Districts Decertified

While new district certifications involve full discretion on the part of authorities, decertifications are more often driven by the satisfaction of in-district obligations (where decertification may be required by the Six-Year Rule), or as a result of reaching duration limits.[35]

Figure 9 displays decertifications by type of district for the last five years. In 2024, 94 districts were decertified, ten fewer than in 2023. Decertifications of housing districts have generally been fewer and a bit more variable than decertifications of redevelopment and economic development districts.

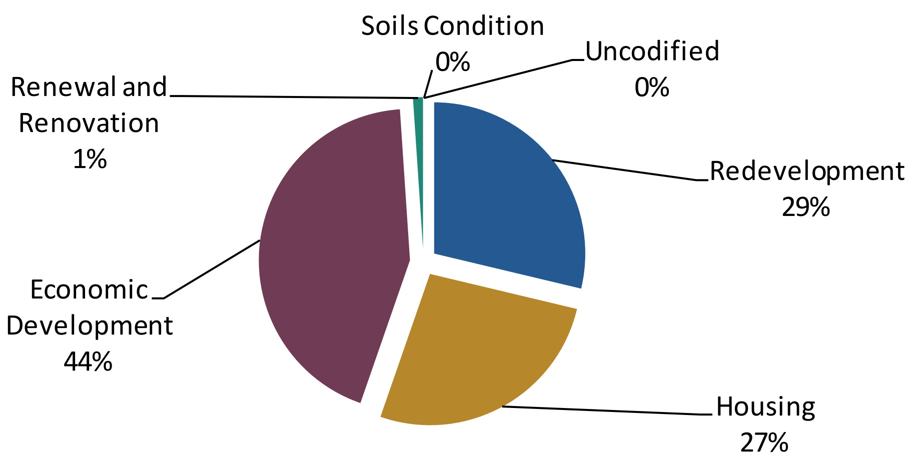
[35] The Five-Year Rule (Minn. Stat. § 469.1763, subd. 3) generally identifies "in-district" obligations as those established in the first five years. The Six-Year Rule (Minn. Stat. § 469.1763, subd. 4) generally requires that beginning in the sixth year, an authority must decertify when an amount sufficient to pay in-district obligations has been collected and/or the end of the term of the last outstanding pay-as-you-go note is reached.

Figure 9. Number of TIF Districts Decertified by Type, 2020-2024

	2020	2021	2022	2023	2024
Redevelopment	36	34	31	33	27
Housing	26	14	29	34	25
Economic Development	35	32	37	35	41
Renewal and Renovation	2	1	3	2	1
Soils Condition	0	1	0	0	0
Uncodified	0	1	1	0	0
Total	99	83	101	104	94

In 2024, 44 percent of decertified districts were economic development districts, 29 percent were redevelopment districts, and 27 percent were housing districts. (See Figure 10.)

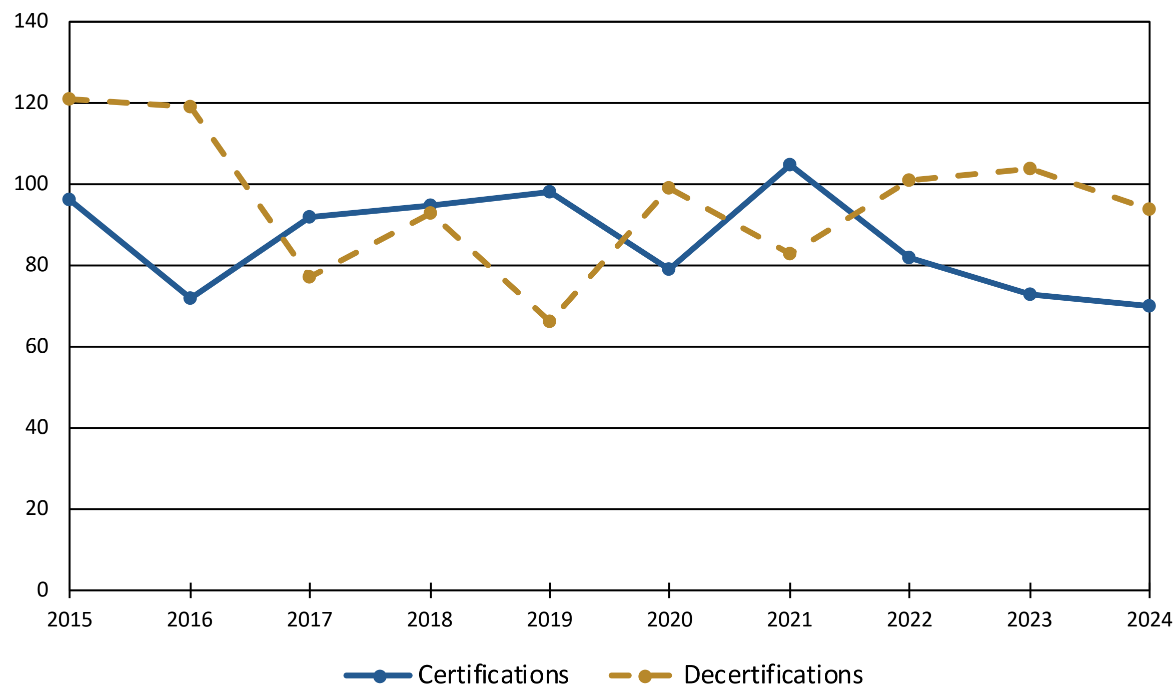
Figure 10. TIF Districts Decertified by Type, 2024



(Due to rounding, the sum of the percentages does not equal 100 percent.)

Figure 11 shows ten-year trends for both new certifications and decertifications. Each has shown some volatility over the full decade, with decertifications outpacing certifications in six of the ten years, including the last three.

Figure 11. Certifications vs. Decertifications, 2015-2024



The prevalence of early decertification is seen in Figure 12, which compares, for districts that decertified from 2020 through 2024, the number of districts that decertified early versus those that ran for their full duration.

Figure 12. Decertifications 2020-2024: Full Duration vs. Early Decertification

District Type / (Max Duration)	Decertified Districts	Lasted Full Duration	Decertified Early Percent	Decertified Early Avg Yrs
Redevelopment (26 years)	161	27%	73%	10
Housing (26 years)	128	28%	72%	10
Economic Development (9 years)	180	64%	36%	3
Renewal and Renovation (16 years)	9	44%	56%	0
Soils Condition (21 years)	1	100%	0%	0

(Durations are measured by comparing "year of actual decertification" to "year of required decertification" reported by the authority and based on the maximum duration limit or an earlier final year identified in the TIF plan. Early decertifications may be voluntary or may be required by the Six-Year Rule.)

From 2020 to 2024, 73 percent of redevelopment and 72 percent of housing districts decertified early, while 36 percent of economic development districts decertified early. The lower rate for economic development districts is to be expected given their shorter statutory duration limit.

The history of these early decertification rates can be seen in Figure 13, which identifies the published five-year rates since this chart was first included in the 2014 TIF Legislative Report.

Figure 13. Published Five-Year Early Decertification Rates

District Type	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Redevelopment	54%	48%	51%	54%	60%	63%	70%	78%	79%	76%	73%
Housing	76%	79%	81%	81%	81%	79%	78%	78%	77%	75%	72%
Economic Development	22%	23%	23%	25%	23%	30%	37%	38%	39%	40%	36%
Renewal and Renovation	43%	47%	46%	40%	33%	20%	0%	0%	25%	38%	56%
Soils Condition	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

(Years identified are the report year and fifth year of each five-year period.)

The early decertification rate for redevelopment districts decreased for the second time in eight years after having risen from 48 percent for the five-year period ending in 2015 to 79 percent for the five-year period ending in 2023. The early decertification rate for housing districts has generally been the highest and been more consistent over time but has dropped over the last three periods to slightly trail the rate for redevelopment districts. The early decertification rate for economic development districts increased to a peak of 40 percent in 2023 but also declined for 2024.

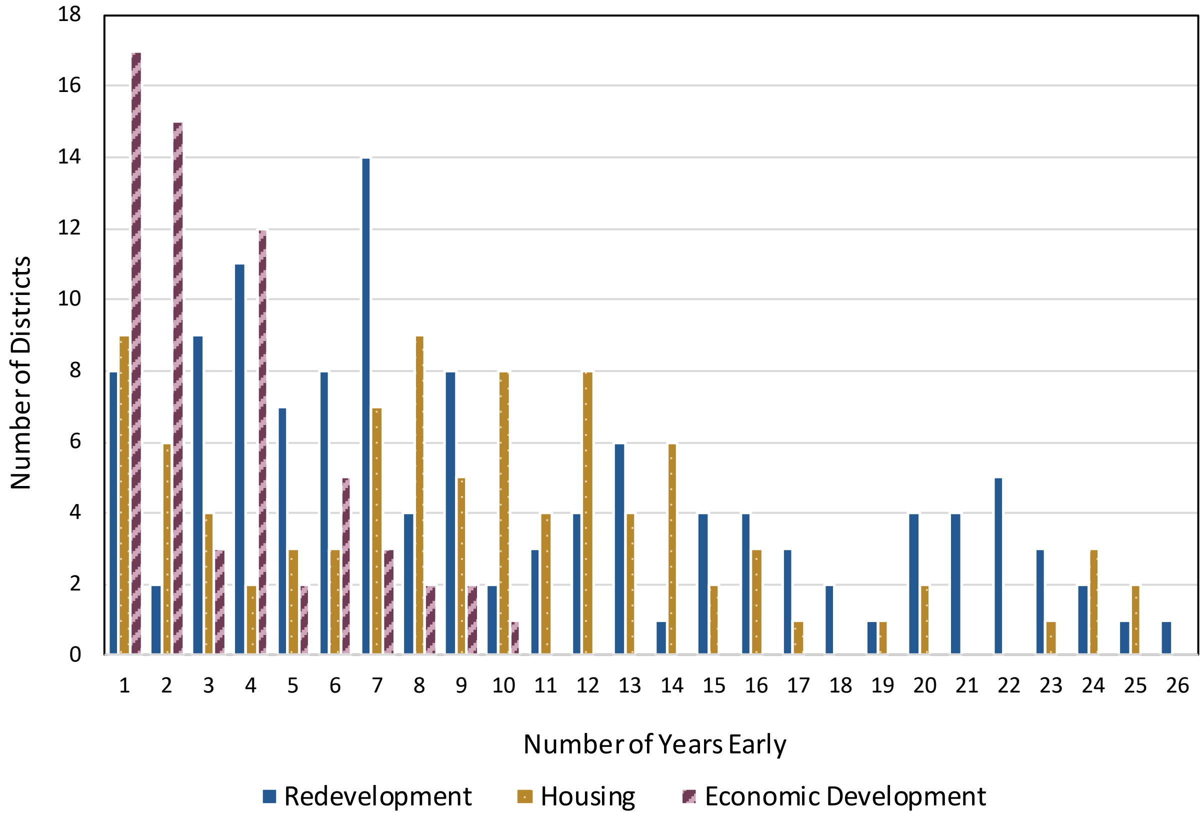
Figure 12 also displayed the average number of years prior to the statutory maximum duration that the early decertifications occurred for each type. Redevelopment and housing districts, on average, decertified ten years earlier than their duration limits, while economic development districts decertified three years early on average. Early decertification, therefore, amounts to more than decertifying a year or two early, and suggests districts are often reduced by a third or more of their allowable duration.

Figure 14 identifies more detail for redevelopment, housing, and economic development districts to examine how early such decertifications have been occurring, allowing assessment of the extent to which districts either fail to get off the ground and decertify very early or nearly go their full term and decertify just a year or two early.

Early decertifications for each type are noticeable throughout their maximum allowable durations. Most early decertifications of redevelopment districts occur one to nine years early, but there is early decertification activity at every possible point. Housing districts are less commonly decertifying in their first ten years but often decertifying seven to 14 years early. Economic development districts are limited to nine years, and early decertification is more common in the last four years, but are also seen at each possible point.

Overall, whether authorities have embraced early decertification to benefit from the new tax base as soon as possible, or whether the Six-Year Rule is driving this phenomenon, it is evident that maximum durations are no longer the norm and early decertification occurs throughout the span of a maximum term.

Figure 14. 2020-2024 Early Decertifications by Number of Years Early for Major District Types



(The one economic development district identified as decertifying a seemingly impossible ten years early, was due to decertification occurring before first receipt of increment and a maximum duration based on an estimated first receipt date.)

Tax Increment Revenue

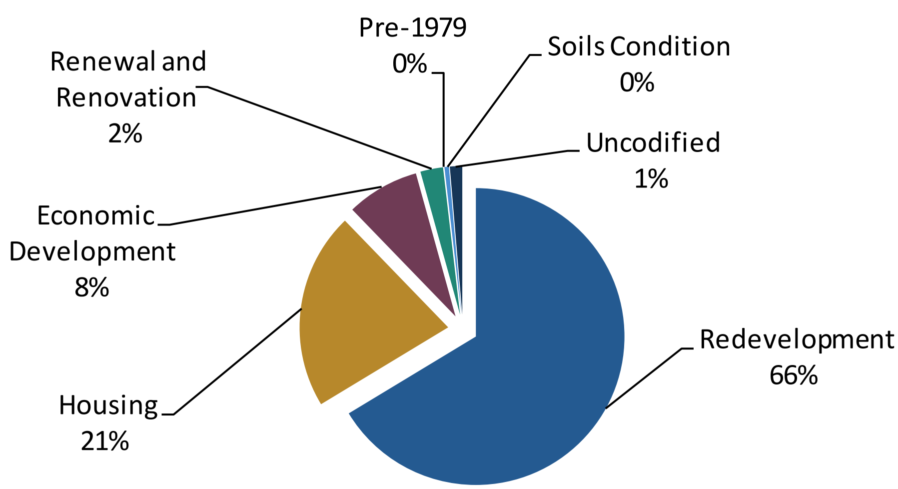
In 2024, $261 million of tax increment revenue was generated statewide, an almost 10 percent increase over the $238 million generated in 2023. While most districts are located in Greater Minnesota, most tax increment revenue is generated in the Metro Area. Approximately $206 million of tax increment, or 79 percent, was generated in the Metro Area in 2024. (See Figure 15.)

Figure 15. Revenue Generated by Type: Statewide, Greater MN, & Metro Area; 2024

Type of District	Statewide	Greater MN	Metro Area
Redevelopment	$ 173,506,680	$ 25,117,593	$ 148,389,087
Housing	$ 56,065,356	$ 18,390,095	$ 37,675,261
Economic Development	$ 20,727,557	$ 11,142,794	$ 9,584,763
Renewal and Renovation	$ 6,463,743	$ 484,631	$ 5,979,112
Pre-1979	$ -	$ -	$ -
Soils Condition	$ 1,279,330	$ 292,336	$ 986,994
Uncodified	$ 3,511,493	$ -	$ 3,511,493
Total	**$ 261,554,159**	**$ 55,427,449**	**$ 206,126,710**

Figures 16, 17, and 18 illustrate the mixes of tax increment revenue generated in 2024 by type of district for the whole state, the Metro Area, and Greater Minnesota, respectively.

Figure 16. Tax Increment Revenue Generated Statewide, 2024



Total Revenue $261,554,159

(Due to rounding, the sum of the percentages does not equal 100 percent.)

Statewide, while redevelopment districts made up 44 percent of the TIF districts, they generated 66 percent of total tax increment revenue. This is driven by districts in the Metro Area, where redevelopment districts generated 72 percent of the tax increment revenue despite representing only 52 percent of the districts. In Greater Minnesota, the share of increment from redevelopment districts also outsizes their share of the number of districts, but to a much smaller degree (45 percent of revenue versus 39 percent of districts).

Figure 17. Tax Increment Revenue Generated in Metro Area, 2024

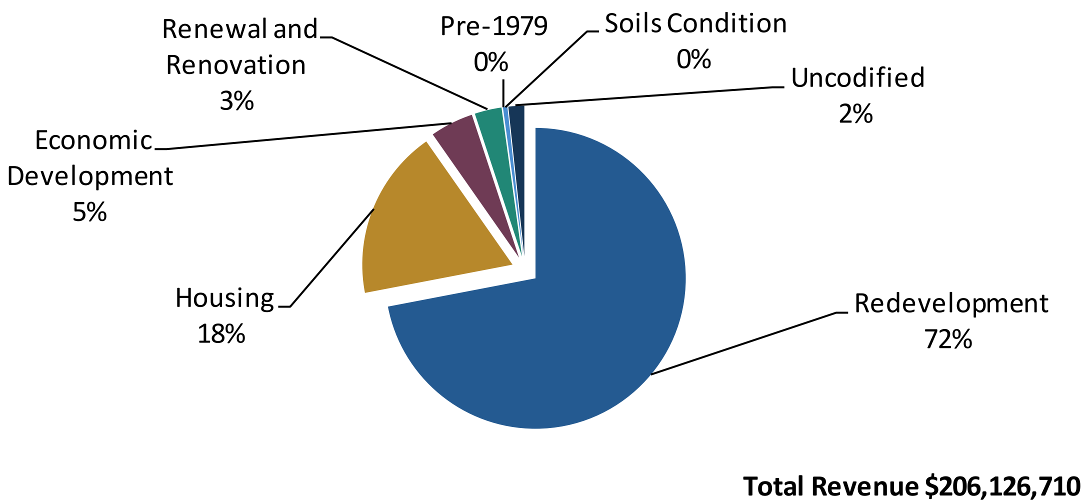


Figure 18. Tax Increment Revenue Generated in Greater MN, 2024

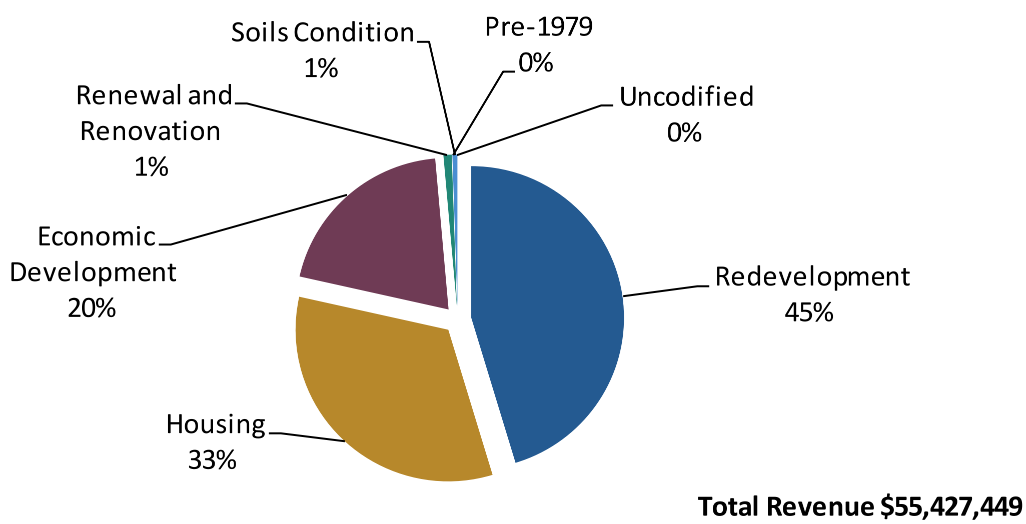


Figure 19 shows the total tax increment revenue over the last ten years. The 2024 total edged the 2020 total as the largest amount generated over the last ten years.

Figure 19. Total Tax Increment Generated, 2015-2024

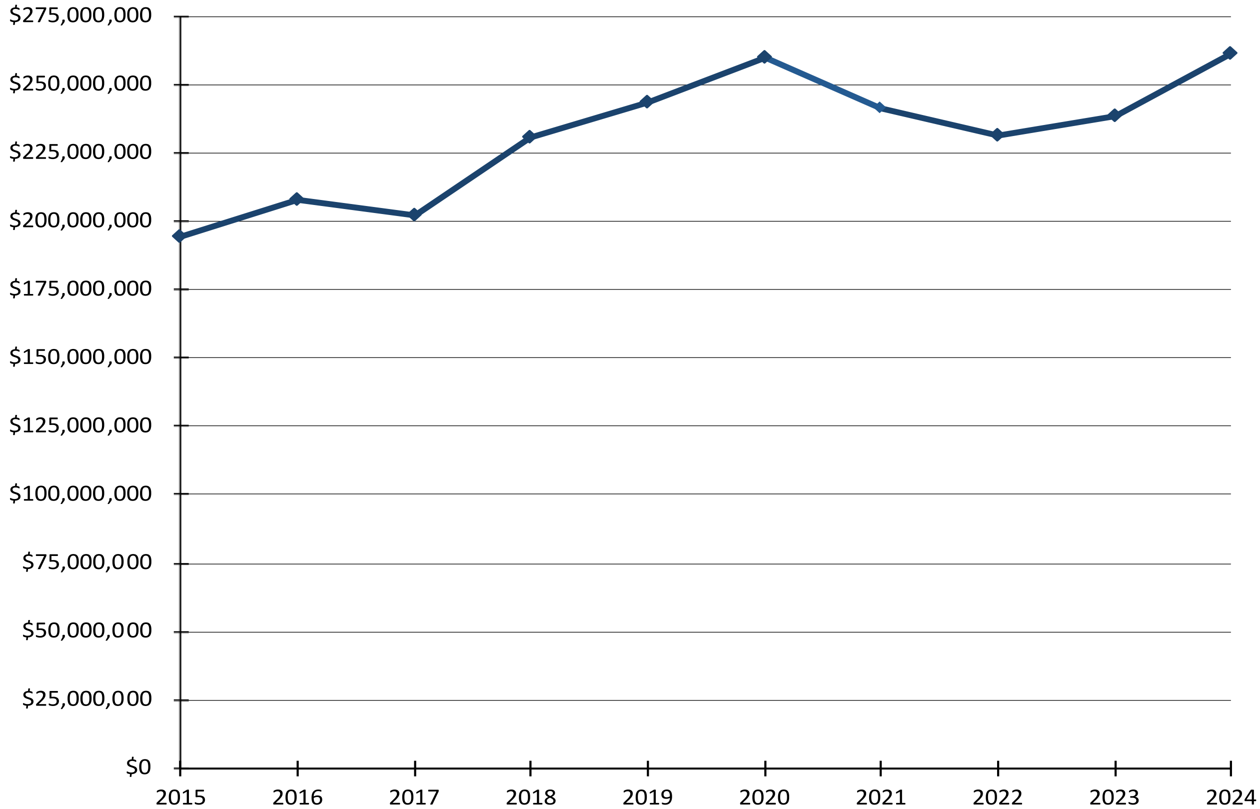
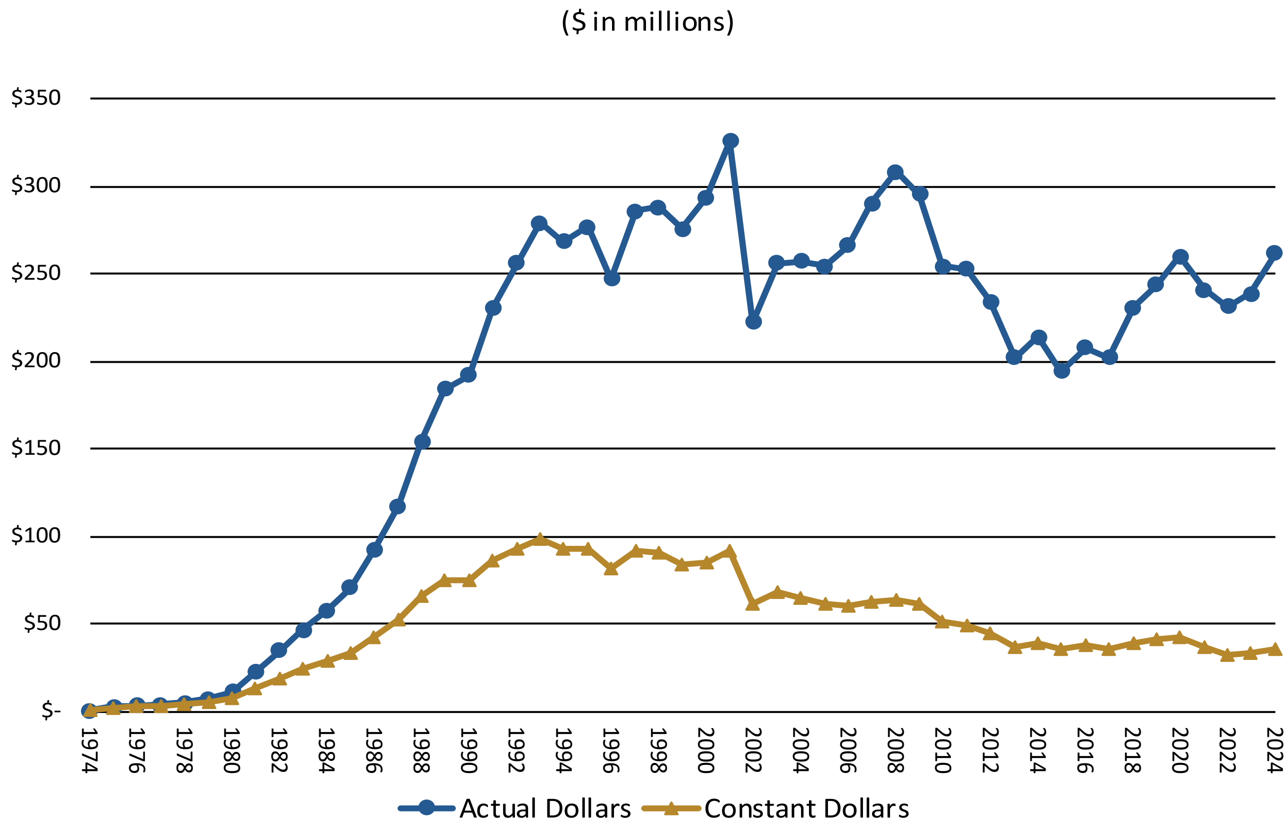


Figure 20 provides a longer view of tax increment revenue, illustrating the fully-recorded span of TIF usage in Minnesota, both in actual dollars and inflation-adjusted, or constant, dollars.[36] The substantial decline in revenue in 2002 reflects the impact of class rate reductions from the 2001 property tax reforms. Aside from that dramatic decline, actual tax increment revenues were generally rising until they reached a peak in 2008, just a few years after the number of districts peaked in 2004. In inflation-adjusted constant dollars, the past decade of revenues has been less than totals in the previous two decades and is more on par with totals from the mid-1980s.

Figure 20. Tax Increment Revenues in Minnesota, 1974-2024



Sources: Minnesota Department of Revenue, Property Taxes Levied in Minnesota; 2003 Assessments, Taxes Payable 2004; Property Tax Bulletin No. 33; Table 22 (for 1995 and prior year actual dollars); and TIF annual reporting by development authorities to the OSA (for 1996-2024 actual dollars).[37] Constant dollars have been calculated by the OSA.

[36] "Inflation-adjusted" and "constant dollars" refer to data adjusted for inflation using the Implicit Price Deflator for State and Local Governments setting 1974 as the base year (N.I.P.A. Table 1.1.9, September 2025).

[37] The actual dollars for 1995 and prior are the reported tax increment taxes payable for each year, as compiled by the Department of Revenue from county reporting. This differs slightly from 1996 and later data, which reflects the tax increment revenues received by development authorities, as reported to the OSA. The drop in 1996 may reflect some of this discrepancy in the data, but the data is otherwise similar enough to illustrate the overall trends.

Returned Tax Increment

In 2024, development authorities returned $16,840,737 of tax increment revenue to county auditors for redistribution as property taxes to the cities, counties, and school districts. Tax increment revenue must be returned when a district receives excess tax increment revenue (increment exceeding the amount authorized in the TIF plan for expenditures) or when tax increment revenue is improperly received (such as increment received after the district should have been decertified) or improperly spent (such as for purposes not permitted by law). Authorities also return unneeded increment that is not formally identified as excess tax increment.

Reported Debt

Tax increment is used primarily to pay for the up-front qualifying costs (such as land acquisition, site improvements, and public utility costs) that make new development a reality. Tax increment revenue, however, is not generally realized until after the new development is completed, assessed, and property taxes are paid. Therefore, up-front qualifying costs are paid with debt obligations or bonds. The types of bonds used, and the associated risk of tax increment revenues potentially being insufficient to pay the bonds, are important topics in tax increment financing.

The TIF Act defines bonds broadly to include: [38]

- General Obligation (GO) Bonds;
- Revenue Bonds;
- Interfund Loans;
- Pay-As-You-Go (PAYG) Obligations; and
- Other Bonds.

General Obligation Bonds – A GO bond pledges the full faith and credit of the municipality as security for the bond. If tax increment is not sufficient to make the required debt service payments, the municipality must use other available funds or levy a property tax to generate the funds to pay the required debt service payments.

Revenue Bonds – A revenue bond generally includes a pledge of only the tax increment revenue generated from the TIF district (and possibly other revenues like special assessments) for the required debt service payments and does not pledge the full faith and credit of the municipality as security for the bond.

Interfund Loans – An interfund loan is created when an authority or municipality loans or advances money from its General Fund or from any other fund for which it has legal authority. The loan or advance must be authorized by resolution of the governing body not later than 60 days after money is transferred, advanced, or spent. The terms and conditions for repayment of the loan must be in writing and include, at a minimum, the principal amount, the interest rate, and maximum term.[39] The authority or municipality bears the risks if the tax increment generated is not sufficient to repay the interfund loan.

[38] *See* Minn. Stat. § 469.174, subd. 3.
[39] Minn. Stat. § 469.178, subd. 7. Terms may be modified or amended.

Pay-As-You-Go Obligations – With a PAYG obligation, development costs are initially paid by the developer pursuant to the terms of a (re)development agreement. After the qualifying costs are substantiated, the developer is reimbursed from tax increments pursuant to the terms of the PAYG note. Generally, in PAYG financing, the developer or note holder accepts the risks, and will not be reimbursed in full if sufficient tax increments are not generated as anticipated.

Other Bonds – Other bonds include various loans and other miscellaneous reported debts.

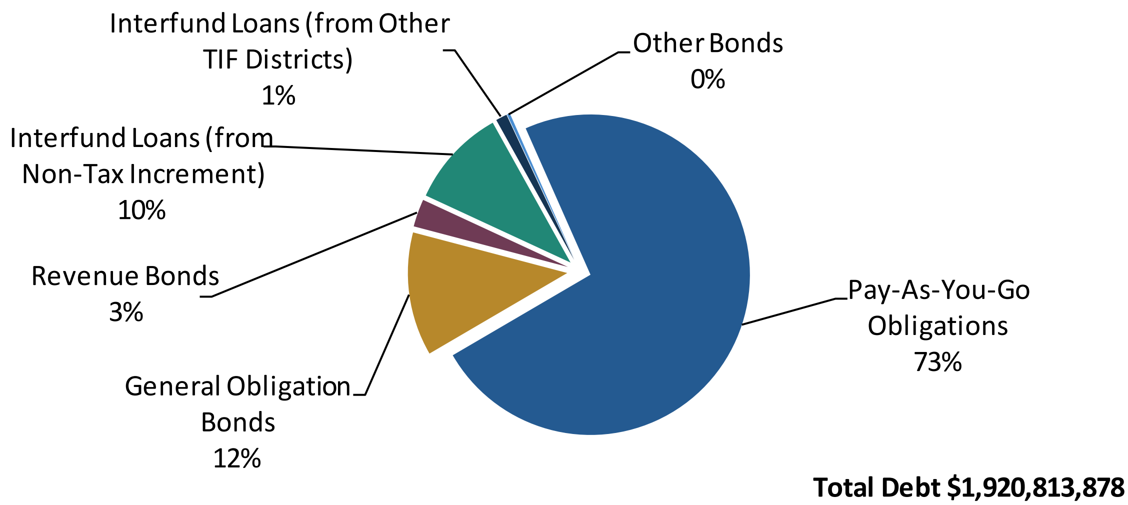
Figures 21 and 22 identify and illustrate the amount of debt by type of obligation for 2024. In 2024, there was over $1.9 billion of outstanding debt associated with TIF districts, an increase of three percent from 2023.

Figure 21. Reported Amount of Debt by Type, 2024

Type of Debt	Amount Outstanding
Pay-As-You-Go Obligations	$1,407,593,394
General Obligation Bonds	$239,435,422
Revenue Bonds	$53,640,763
Interfund Loans (from Non-Tax Increment)	$192,332,298
Interfund Loans (from Other TIF Districts)	$21,975,036
Other Bonds	$5,836,965
Total	**$1,920,813,878**

PAYG obligations were the predominant type of debt, making up 73 percent of the debt reported (up from 71 percent in 2023). GO bonds comprised about 12 percent of the total debt. Interfund loans (mostly from non-tax increment accounts) made up 11 percent of total debt. Revenue bonds made up three percent of total debt, and other bonds made up the rest.

Figure 22. Reported Debt by Type, 2024

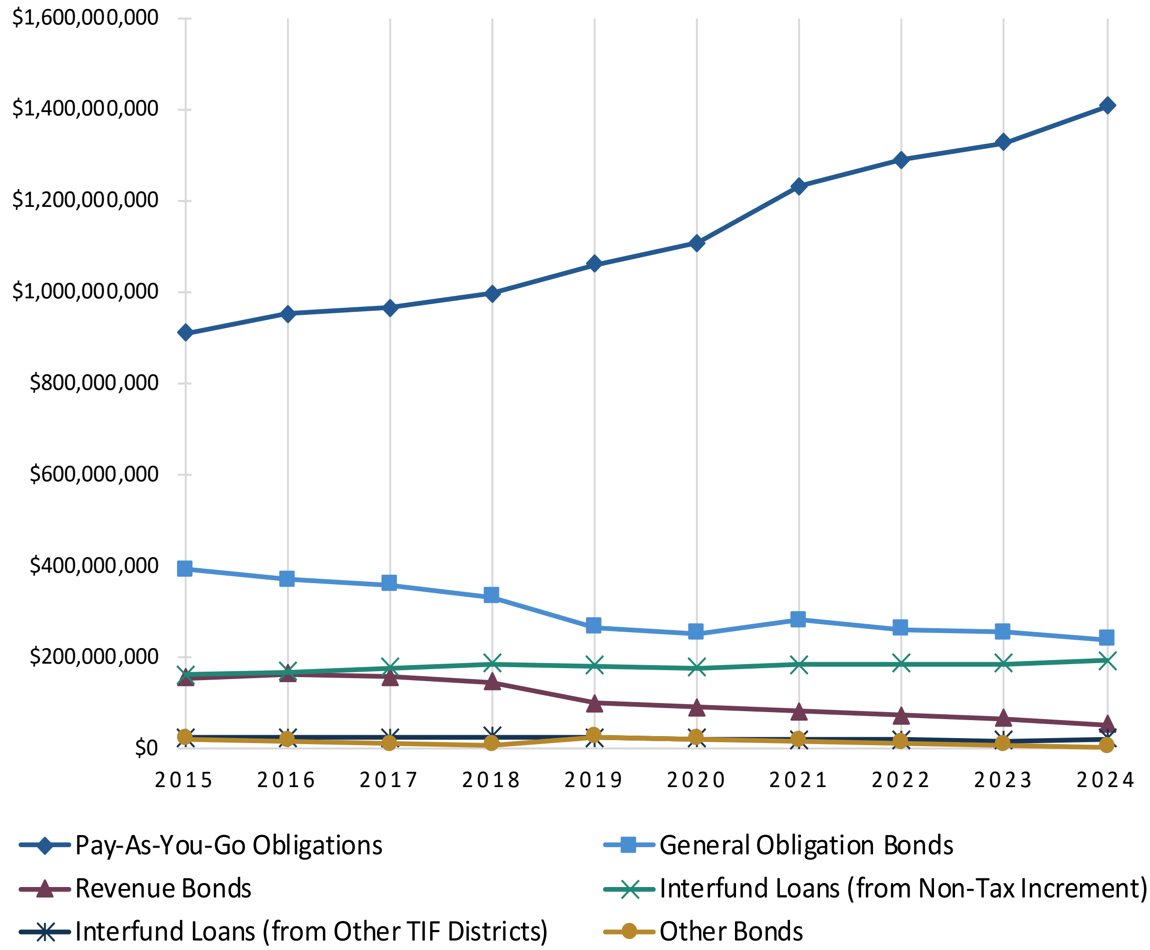


(Due to rounding, the sum of the percentages does not equal 100 percent.)

Debt by Type

Figure 23 shows the trends of each type of debt over the past ten years. Pay-as-you-go obligations have steadily made up an increasing share of TIF debt, while reliance on general obligation bonds has declined. This likely reflects a desire by TIF authorities to mitigate risks for taxpayers should projects not yield projected tax increment revenues. Revenue bonds have also been on a declining trajectory, whereas usage of interfund loans has risen slightly.

Figure 23. Debt by Type 2015-2024



Findings and Responses

The OSA oversees TIF and conducts reviews on the use of TIF by development authorities. Communication between the OSA and the development authorities often resolves issues identified in these reviews. Proactive steps by an authority to remedy potential problems often eliminate the need for the OSA to make formal findings and pursue compliance remedies. However, if the OSA finds that an authority is not in legal compliance with the TIF Act, the OSA generally sends an initial notice of noncompliance (Initial Notice) to the governing body of the municipality that approved the TIF district in which the violation arose.[40] The Initial Notice provides the findings and their bases and describes the possible consequences of the noncompliance.

The municipality is required by law to respond in writing within 60 days after receiving the Initial Notice.[41] In its response (Response), the municipality must state whether it accepts the findings, in whole or in part, and must indicate the basis for any disagreement with the findings.[42] After consideration of the Response, the OSA sends its final notice of noncompliance (Final Notice) to the municipality indicating whether issues are considered resolved. The OSA forwards information regarding unresolved findings of noncompliance to the appropriate county attorney who may bring an action to enforce the TIF Act.[43] If the county attorney does not commence an action against the authority or otherwise resolve the finding(s) within one year after receiving a referral of a Final Notice, the OSA notifies the Attorney General and provides materials supporting the violation determinations.[44]

Summary of Findings and Responses

State law requires the OSA to provide a summary of the responses to notices of noncompliance it received from the municipalities and copies of the responses themselves to the chairs of the legislative committees with jurisdiction over tax increment financing.[45] The OSA did not have to issue any Final Notices of noncompliance in 2025.

[40] Minn. Stat. § 469.1771, subd. 1(c).
[41] Id.
[42] Id.
[43] Minn. Stat. § 469.1771, subd. 1(b).
[44] Minn. Stat. § 469.1771, subd. 1(d).
[45] Minn. Stat. § 469.1771, subd. 1(c).