

In order for a proposed tax increment financing district to qualify as a redevelopment district under Minnesota Statutes, Section 469.174, Subd. 10(a)(1), it must meet two threshold criteria:



- (1) "Parcels consisting of 70% of the area of the district must be occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance."**

The statute requires a parcel by parcel analysis that is ultimately concerned with the percentage of the *total area* that improved parcels occupy rather than the percentage of the *number* of parcels that contain improvements.

For a single parcel to be considered improved, 15% of its area must contain improvements. The presence of any of the following *may* constitute improvements for the purposes of this test (specific examples should be discussed with an attorney):

- 9 buildings
- 9 utility lines
- 9 drainage ditches
- 9 sidewalks
- 9 parking lots
- 9 storage facilities

- (2) More than 50% of the buildings must be "structurally substandard."**

Determining whether a building is structurally substandard requires a two part analysis:

First, a building must meet the statute's definition of "structurally substandard." According to M.S. Section 469.174, Subd. 10(b), structurally substandard means "containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance."

Second, the repairs, which the first part of the test determines are needed, must meet a cost requirement. According to the statute a building is not structurally substandard if it could be brought up to the building codes applicable to *new* buildings at a cost of less 15% of the cost of constructing a new building of the same square footage and type on the site. In other words, if a 20 year old building contains structural defects or deficiencies sufficient to require substantial renovation and the cost of replacing that building is \$100,000, the building can be considered "structurally substandard" for the purposes of a redevelopment TIF district if the cost of bringing it up to code (making it handicapped accessible for example) is greater than \$15,000. However, the failure of a building to be disqualified under this test is a necessary, but not a sufficient, condition to determine the building is substandard.

If there are 3 buildings in the district, 2 of them must meet this test. If there are 10 buildings in the district 6 of them must meet this test.

An interior inspection is required unless the city has been unable to obtain permission to enter a building despite its best efforts. We recommend having a building inspector or other qualified person perform an onsite inspection of all buildings in the district and render a written opinion as to each buildings status with respect to this test. Ultimately, the governing body of a municipality must make the determination that the buildings are substandard.

In addition to the above "blight" finding, a district may qualify as a redevelopment district under Minnesota Statutes, Section 469.174, Subd. 10(a)(2), (3), and (4) and if any of the following conditions are present:

- 9 The property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad rights-of-way;
- 9 Tank facilities, or property whose immediately previous use was for tank facilities, as defined in M.S. Section 115c.02, Subd. 15, if the tank facilities:
 - have or had a capacity of more than 1,000,000 gallons;
 - are located adjacent to rail facilities; and
 - have been removed or are unused, underused, inappropriately used, or infrequently used; or
- 9 A qualifying disaster area, as defined in Subd. 10b.