

# Land Value Tax Districts bill (HF 105/SF 424)

Enables a demonstrated, revenue-neutral way for cities to:

- Redevelop and infill corridors/neighborhoods impacted by disasters, blight and disinvestment
- Increase businesses, jobs and building investment in a community
- Provide a majority of residents with tax reductions, if used city-wide
- Reduce real estate speculation and vacant lots/buildings
- Capture community-created value, i.e. land value is generated by a community's increased population/wealth and by public investments in infrastructure, schools, fire/public safety services, etc.

## How it works

Land value portions of properties are taxed at a higher rate than the building portion, resulting in:

- Development pressure being put on vacant/underutilized parcels by up-taxing them
- Reduced costs for constructing/improving properties by un-taxing building value

The example below shows the effects on two properties if the NE Quadrant of downtown St. Paul was placed in such a district. The parking lot's taxes almost triple, which creates development pressure to put it to better use, and the Park Square Court Building's taxes decrease by 24%, rewarding a land use that contributes to its surroundings.

Parking Lot 141 9 <sup>th</sup> Street E	Park Square Court Building 400 Sibley Street
	
Taxable value: \$225,000 Building value: 0%	Taxable value: \$6,094,700 Building value: 74%
Current taxes: \$10,806 LVT only: \$28,058	Current taxes: \$257,988 LVT only: \$196,402

## Bill Provisions

HF 105/SF 424 allows cities to pass an ordinance that:

- Identifies the specific geographic area or parcels to be in the district, calculates how much revenue would be collected in the district under conventional property tax system and then sets out how that same amount of revenue will be raised using higher rates on land values
- 10 days before the ordinance hearing, each district parcel owner must receive a hearing notice
- Revised property tax statements for district parcels will be issued by April 30 each year
- After 15 years the city must evaluate the district's impact on redevelopment and investment

Related MN studies: [Financing transportation with land value taxes: Effects on development intensity | Journal of Transport and Land Use \(jtl.u.org\)](#); <https://www.eqb.state.mn.us/smart-signals-property-tax-reform-smart-growth>

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