

TIF Overview

What is TIF?

- TIF is a method of financing public and qualifying improvements from the increased property taxes generated from new development that would not occur “*but for*” the assistance provided.
- The *difference* between the existing property taxes on a parcel of land which are divided among the county, city, and school district and the increased property taxes generated from the new development, which is used exclusively by the authority (City) for a term of years to finance public or qualifying improvements is known as the *tax increment*.

How is TIF revenue derived?



Taxes “Captured”
during term of the TIF
district

Base Value—value
before development or
redevelopment

Continues to pay
local taxes (city,
county, school, etc)

TIF Overview

For What Purposes can TIF revenues be used?

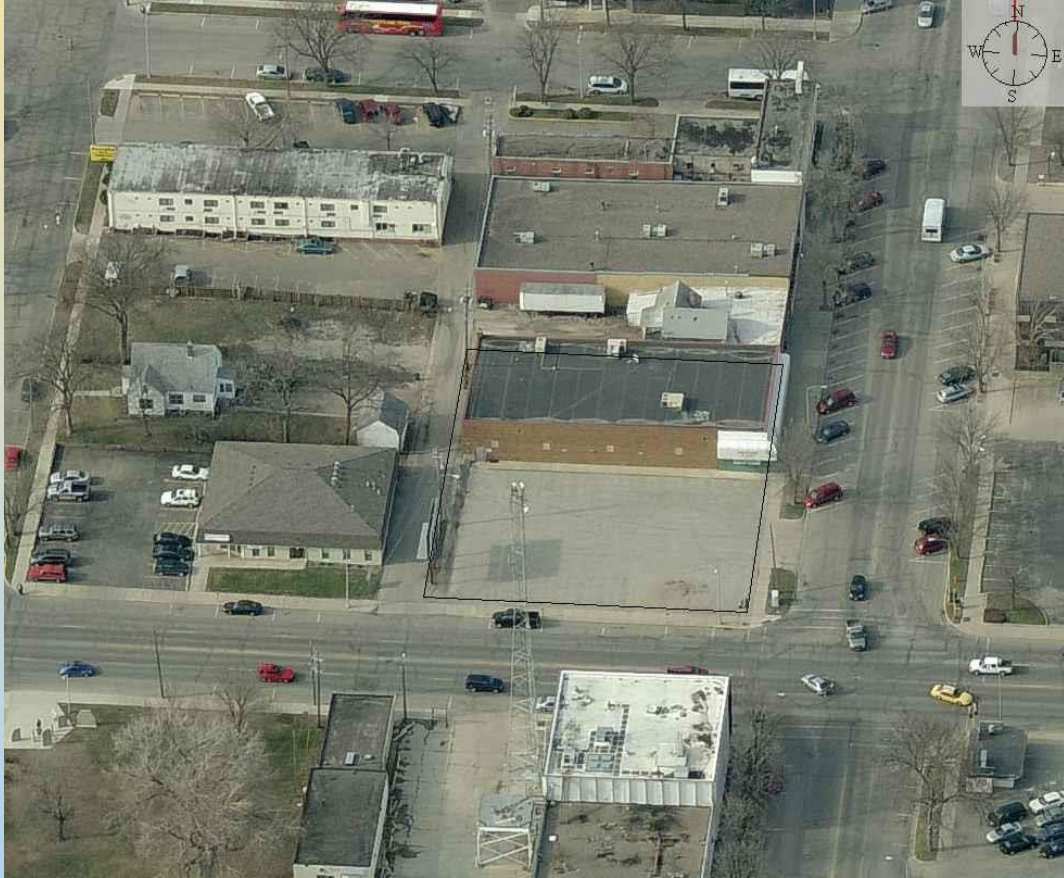
There are limitations on their use by the Statutes governing TIF. Revenues can generally be used for the following :

1. Acquisition of land and buildings.
2. Site improvements or preparation costs such as demolition and abatement.
3. Installation of public utilities or other improvements, such as parking, streets and sidewalks, storm sewers, skyways.
4. Interest on TIF Notes / Bonds
5. Administrative costs
6. Outstanding principal amount of bonds issued to finance the project costs.

Why Use TIF?

- Stimulates development and may be used to encourage development types (i.e. affordable housing, redevelopment, economic development).
- Facilitates infrastructure improvements.
- Enhance the City tax base.
- The projects create many short-term construction jobs and long-term jobs.
- Coordinate new development with existing plans

TIF Project Example



Before



After

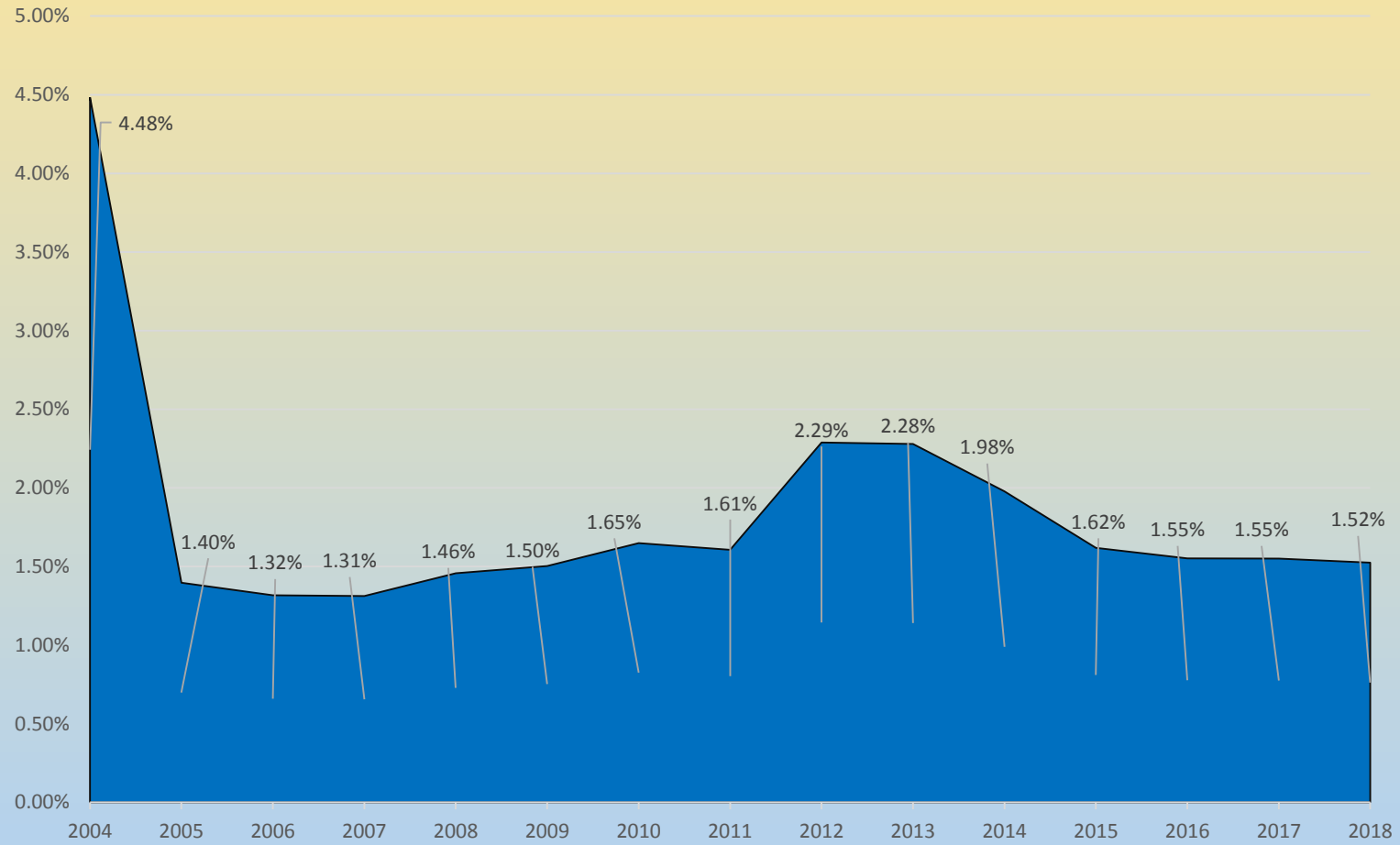
ROCHESTER % ANNUAL CAPTURED TIF TAX CAPACITY

YEAR	CITY TAX CAPACITY	CAPTURED TAX INCREMENT	% OF CAPTURED TIF TAX CAPACITY
2004	\$ 69,990,826	\$ 3,138,517	4.48%
2005	\$ 79,210,426	\$ 1,106,216	1.40%
2006	\$ 86,117,454	\$ 1,134,097	1.32%
2007	\$ 91,771,403	\$ 1,204,141	1.31%
2008	\$ 96,482,698	\$ 1,405,611	1.46%
2009	\$ 103,866,962	\$ 1,561,049	1.50%
2010	\$ 106,415,330	\$ 1,754,288	1.65%
2011	\$ 106,709,654	\$ 1,713,705	1.61%
2012	\$ 100,470,797	\$ 2,299,148	2.29%
2013	\$ 100,881,956	\$ 2,299,148	2.28%
2014	\$ 103,677,566	\$ 2,050,400	1.98%
2015	\$ 108,477,905	\$ 1,755,583	1.62%
2016	\$ 113,735,871	\$ 1,764,449	1.55%
2017	\$ 124,901,503	\$ 1,936,107	1.55%
2018	\$ 133,995,166	\$ 2,042,663	1.52%

NOTE: 2004 WAS LAST YEAR OF DOWNTOWN TIF DISTRICT COLLECTIONS

SOURCE: ANNUAL CITY COMPREHENSIVE ANNUAL FINANCIAL REPORT

% OF CAPTURED TIF TAX CAPACITY



Comparison of Other Minnesota Cities % of Captured TIF Tax Capacity

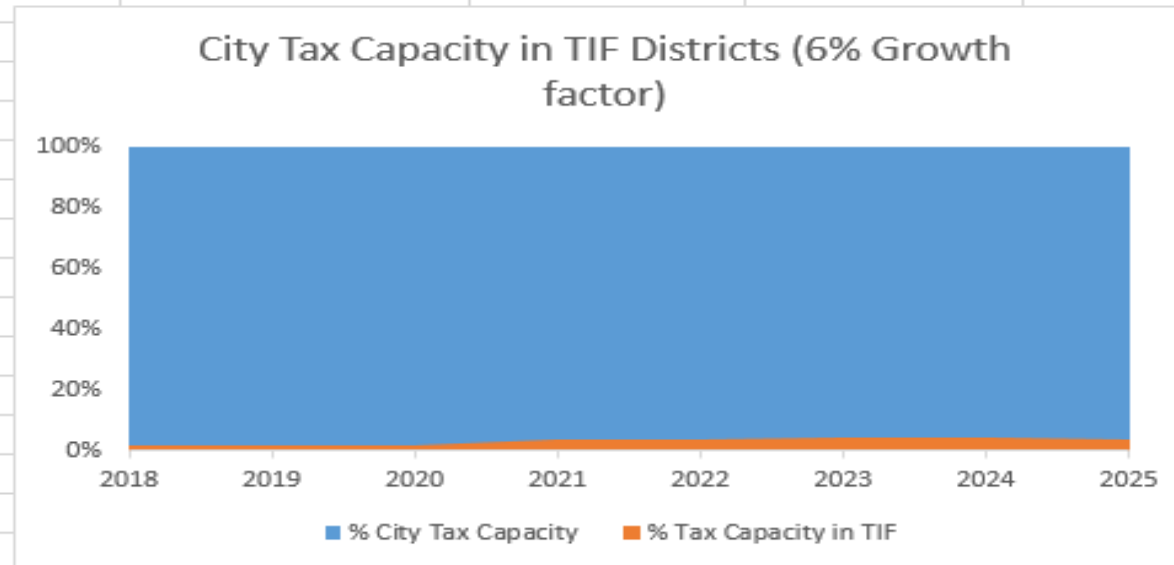
CITY	2015 % CAPTURED TIF TAX CAPACITY	2016 % CAPTURED TIF TAX CAPACITY
Minneapolis	7.79%	8.12%
St. Paul	9.07%	9.24%
Duluth	3.11%	2.27%
St. Cloud	1.32%	1.32%
Bloomington	12.37%	14.52%
Rochester	1.61%	1.55%

Source: League of Minnesota Cities 2016 Property Tax Data Report

Future Estimates of City's Tax Capacity in TIF Districts

Estimate of City Tax Capacity in TIF Districts

Year	City Tax Capacity(6% Growth factor)	% City Tax Capacity	TIF Tax Capacity	% Tax Capacity in TIF	
2018	\$ 133,995,166	100%	\$ 2,042,663	1.52%	Actual
2019	\$ 142,034,876	100%	\$ 2,290,844	1.61%	Est.
2020	\$ 150,556,969	100%	\$ 2,664,180	1.77%	Est.
2021	\$ 159,590,387	100%	\$ 5,902,876	3.70%	Est.
2022	\$ 169,165,810	100%	\$ 5,902,876	3.49%	Est.
2023	\$ 179,315,758	100%	\$ 7,846,406	4.38%	Est.
2024	\$ 190,074,704	100%	\$ 7,846,406	4.13%	Est.
2025	\$ 201,479,186	100%	\$ 7,846,406	3.89%	Est.



Future Years Estimate of TIF Tax Capacity Increase

	2019	Est. TIF Tax Capacity
1st Avenue Flats	\$	22,069
Flats on 4th	\$	144,814
Lofts @ Mayo Park	\$	45,498
Valleyhigh Flats	\$	35,400
	\$	247,781
	2020	Est. TIF Tax Capacity
River Glen Apts.	\$	155,762
Miracle Market	\$	217,974
	\$	373,736
	2021	Est. TIF Tax Capacity
Eastgate Apts.	\$	53,244
Alatus (Berkman Apts.)	\$	962,250
Urban on 1st	\$	369,750
Riverwalk Apts.	\$	239,700
Residences @ Discovery Square	\$	281,866
Mortenson Discovery Square Project	\$	340,100
Armory project	\$	29,000
Harvestview Apts.	\$	42,916
Hyatt House (Legion property)	\$	495,250
Hotel Indigo	\$	257,354
Wells Fargo Renovation	\$	167,266
	\$	3,238,696
	2023	Est. TIF Tax Capacity
Bloom Riverfront Project	\$	1,943,530
Total Estimated TIF Tax Capacity	\$	5,803,743

TIF Policies

- **Prior to 1990**, the City's TIF Policies related only to downtown development. In 1990, the TIF Policies were amended to include non-downtown development. Those policies included a private to public investment ratio guideline of 4-8:1. The policies were more focused on economic development projects with job creation and also contained payback provisions related to the job creation.
- **In 1999**, the TIF Policies were amended to further expand the housing related goals of the City. The policies also emphasized the "PAYGO" financing vs. "up front" assistance to projects.
- **In 2007**, the Policies were updated to include language related to the use of tax abatements and emphasized an 8:1 private to public investment ratio.
- **In 2017**, the TIF Policies were amended to more specifically prioritize the use of TIF, better define goals for the level of assistance for Housing TIF Districts and Redevelopment private to public investment ratio (10:1 guideline). The 2017 amendments also includes language on inclusion of affordable units in mixed use Redevelopment projects or a set aside of 5% of the increments for affordable housing purposes. Also includes requirements related to relocation assistance.

LOOKING AHEAD

- TIF Use & Prioritization
 - Are current TIF priorities still valid?
 - Further refinement for targeting specific types of uses, i.e Bioscience?
- Other Potential TIF Policy Changes
 - Sustainability Requirements consistent with DMC on a Citywide basis?
 - Based upon certain level of assistance?
 - Others?