Tax Increment Financing (TIF) Update

HRA Board
September 2, 2026
(laid over from August 26, 2026)

Tax Increment Financing (TIF) Update

Introduction

- Decertification Refresher
- HRA TIF Districts and Debt Obligations
- HRA TIF Districts to Decertify
- Pooling for Affordable Housing
- Affordable Housing Financing Needs
- Future HRA Board Action Required

Decertification Refresher

When is Decertification Required?

- MN TIF Statutes limit total spending in a TIF district aka Five-Year Rule
- Five-Year Rule defines costs obligated after the first five years as being “out-district” even if they are within the TIF district boundary (excluding Housing TIF Districts)
- Additional obligations/expenditures after the Five-Year date are subject to Pooling limitations (25-35% for Redevelopment TIF Districts)
- This limitation restricts use of collected tax increments
- When a determination has been made that no additional spending is allowed, the TIF district would need to be decertified, and no future tax increment collections would be allowed

Decertification Refresher

Decertification Election

- If the TIF district has met its development outcomes and covered all obligations, it can be closed early, even if pooling opportunities exist (provided appropriate TIF Plan budget in place)
  - *In November 2024 Shepard Davern Rental Housing TIF District was amended to keep it open to generate source for affordable housing even though obligations fully repaid*
- HRA only keeps a district open to pool for affordable housing
  - Source would be lost if election made to close early, when not otherwise required
- Upon decertification, the tax capacity captured in the TIF district would become available for the taxing jurisdictions
- See graphic from OSA on following slide

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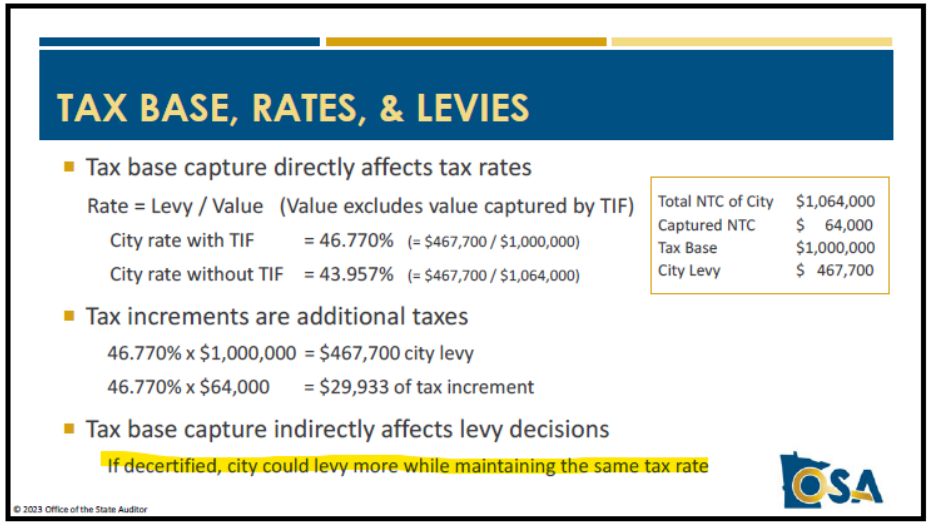
Decertification Refresher

What happens to the tax dollars?

- Since all properties pay their taxes even when they are located within a TIF district, the tax dollars, in full, will now be collected by the taxing jurisdictions.
- The graphic to the right is from the OSA to demonstrate the change to tax rates with and without TIF



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HRA TIF Districts and Debt Obligations

Of the HRA 47 TIF Districts to collect for Pay 2026

- **Six (6) have obligations paid off through 12/31/2025, or are subdistricts without obligations**, as follows:
  - #244 – Shepard Davern Rental Housing, a Housing TIF district
  - #262 – Drake Marble, a subdistrict of the Riverfront Renaissance Redevelopment TIF district
  - #263 – Riverfront Ren. Uncommitted, a subdistrict of the Riverfront Ren. Redevelop TIF district
  - #264 – Riverfront Ren. Llewellyn, a subdistrict of the Riverfront Ren. Redevelop TIF district
  - #267 – Emerald Park/808 Berry, a subdistrict of the Emerald Park Redevelop TIF district
  - #278 – Highland Pointe/River Pointe Lofts, a Housing TIF district
- **Four (4) are expected to pay their obligations in full in 2026**, as follows:
  - #228 – Emerald Gardens, a subdistrict of the Emerald Park Redevelopment TIF
  - #266 – Metro Lofts, a subdistrict of the Emerald Park Redevelopment TIF
  - #234 – Phalen Village Uncommitted, main subdistrict of the Phalen Village Redevelop. TIF district
  - #302 – Pioneer Endicott, a Redevelopment TIF district

HRA TIF Districts and Debt Obligations

- If a Housing TIF district has met its development outcomes and covered all obligations, the HRA may continue to collect and spend tax increments (within the adopted budget) provided the TIF parcels remain income restricted – **enabling the creation of new affordable housing units**
- Furthermore, the HRA may collect and spend tax increments from a Redevelopment TIF district if debt is retired, **to pool for affordable housing projects**
- For the four (4) districts collecting tax increments in Pay 2026 expected to pay off obligations this year, future HRA action will be needed to authorize early decertification, as follows:
  - Emerald Park (#228/#266/#267), decertify as of 12/31/2026 (two years early)
  - Phalen Village Uncommitted subdistrict (#234), decertify as of 12/31/2026 (two years early) –– *action will include amending the TIF Plan budget to move spending to Construction of Affordable Housing*
  - Pioneer Endicott (#302), decertify as of 12/31/2026 (14 years early)

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Additional Proposed HRA TIF Subdistricts to Decertify

- The following three (3) subdistricts of the Riverfront Renaissance Redevelopment TIF District do not include existing obligations (previously mentioned):
  - #262 – Riverfront Ren. Drake Marble
  - #263 – Riverfront Ren. Uncommitted
  - #264 – Riverfront Ren. Llewellyn
- Future HRA action will be needed to authorize the parcels in the above subdistricts to be removed from the Riverfront Renaissance Redevelopment TIF District

Note: The Riverfront Renaissance Redevelopment TIF District expires in 2028, and two (2) additional subdistricts have debt obligations that remain:

- *#225 – Riverfront Ren. Upper Landing*
- *#261 – Riverfront Ren. US Bank*

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HRA TIF Districts to be Decertified as of 12/31/2026 (Required and Proposed)

TIF #	TIF Name	Statutory Final Year	Projected Released Tax Capacity*
#212	MN Life/Block 4 Redevelopment TIF	2026	$979,618
#213	Block 39/Lawson Redevelopment TIF	2026	$1,220,709
#228/266-267	Emerald Park Redevel TIF (Emerald Gardens, 808 Berry, Metro Lofts)	2028	$1,162,902
#234	Phalen Village Uncomm Redevelopment TIF (subdistrict)	2028	$702,882
#262-264	Riverfront Ren Redevel Subdistricts: Drake Marble, Uncomm and Llewlyn	2028	$183,135
#302	Pioneer Endicott Redevelopment TIF	2040	$384,296
	TOTALS		**$4,633,542**

** Based on Pay 2026 Captured Tax Capacity for #212/#213; and preliminary Pay 2027 for all others*

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Tax Capacity Captured in TIF (With Previously Mentioned Decertifications)

The table below includes a five-year history with the anticipated captured tax capacity, upon early decertification. The County provided the total tax capacity and the proposed captured, which was then reduced by the early amounts listed on the prior slide ($2,433,215). **The estimated captured percent is 4.60%.**

Pay Year	Total Tax Capacity	*Total % Change*	TIF Tax Capacity	*TIF % Change*	% Captured
2023	396,939,488	*10.0%*	30,891,446	*6.0%*	7.78%
2024	419,169,637	*5.6%*	32,977,501	*6.8%*	7.87%
2025	409,203,993	*-2.4%*	28,684,884	*-13.0%*	7.01%
2026	410,606,688	*0.3%*	24,961,538	*-13.0%*	6.08%
Prel Pay 2027	**421,805,604**	***2.7%***	**19,422,800**	***-22.2%***	**4.60%**

Pooling for Affordable Housing

The HRA only keeps a district open (when legally permissible) to pool for affordable housing, and all existing balances are held to advance affordable housing within the City (even following decertification)*

- **Total available through 2025 is $14.047 million**, as shown below and tracked through PED's Resource Team:
  - Riverfront Renaissance (#225/261-264); $6,000,000
  - Emerald Gardens (#228/266/267): $1,179,000
  - Phalen Village (#234/269): $1,045,000
  - Koch/Mobil (#248): $700,000
  - Pioneer Endicott (#302): $811,000
  - Custom House (#317): $1,334,000
  - Shepard Davern Rental Housing TIF (#244): $1,828,000
  - Highland Pointe/Riverpointe Lofts Housing TIF (#278): $560,000
  - WSF Phase III Housing TIF (#340): $590,000

* The tax increments on hand and estimated through Pay 2026 **ARE NOT** "Excess TIF" as defined in statute **AND ARE NOT** required to be returned to the county for re-distribution

Pooling for Affordable Housing – Est 2026

Potential additional pooling for Affordable Housing

- We anticipate receiving additional dollars through Pay 2026, when assuming all tax payments are received without any offsets*, as follows:
  - Riverfront Renaissance (#225/261-264); $1,500,000
  - Emerald Gardens (#228/266/267): $2,100,000
  - Phalen Village (#234/269): $780,000
  - Pioneer Endicott (#302): $450,000
  - Custom House (#317): $630,000
  - Shepard Davern Rental (#244): $550,000
  - Highland Pointe/Riverpointe Lofts (#278): $190,000

Total anticipated is $6,200,000 with Pay 2026 collections

* The tax increments on hand and estimated through Pay 2026 **ARE NOT** “Excess TIF” as defined in statute **AND ARE NOT** required to be returned to the county for re-distribution

Tax Increment Financing (TIF) Update

Pooling for Affordable Housing – Outcomes

- HRA Board authorized **nearly $10 million in Pooled TIF** to be spent to advance affordable housing projects throughout the city
- **Nearly 700 housing units** were created over the last decade, across nearly all council wards

Project Name	# of units	Ward	Year Approved	Total Approved
Prior Crossing/Beacon Interfaith	44	4	2015	550,000.00
Model Cities BROWNStone Residential	35	1	2016	1,668,248.00
Dorothy Day Residence/Catholic Charities	177	2	2017	1,000,000.00
Legends at Berry Senior/Dominium	82	4	2018	600,000.00
520 Payne Ave Housing/JO Companies	62	7	2021	2,190,000.00
Twelve 22 University/JBVang	55	1	2022	748,983.00
Nellie Francis Court/PPL	75	3	2022	537,516.00
Emma Norton/Restoring Waters/PPL	60	3	2022	444,399.00
Mary Hall/Aeon	88	2	2024	2,159,382.00
				9,898,528.00

Pooling for Affordable Housing – Considerations

- **PED staff recommends continuing to pool for affordable housing in the two Housing TIF Districts listed without obligations:**
  - Shepard Davern Rental (#244) – final year is 2031
  - Highland Pointe/Riverpointe Lofts (#278) – final year is 2035
- As shown on the prior slide, combined these two TIF districts generate $1.5 million for affordable housing every two years. This ongoing revenue source would be lost if we elect to close these districts early
  - *Pooling from long-standing redevelopment TIF districts is anticipated to end by 2028*
- **The Housing team has identified twelve (12) projects seeking $20 million in funding for which they are earmarking Pooled TIF as a potential gap solution**
- **This revenue source would produce or preserve over 1,000 units of rental and ownership affordable housing throughout the city**

HRA Board Action – Tentative Schedule

- Following this meeting, staff will prepare materials to introduce the proposed elections for decertification as outlined here and other TIF Plan actions, tentatively as follows:
    - September 23, 2026 for introduction
    - October 7, 2026 for action
- **Timeline allows for additional review by HRA Board, if necessary**

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In Conclusion

- The HRA monitors TIF district obligations and collections and closes districts when required
- Available tax increments are held to finance construction of affordable housing, both rental and ownership
- Closing TIF districts early requires HRA Board action, which may include related actions
- Proposed introduction and action would be September/October

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