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CITY OF SAINT PAUL

TAX INCREMENT FINANCING UPDATE – JUNE 28, 2023



What is TIF: Tax Increment Financing?

- Financing tool authorized under State law
- Enables cities and redevelopment authorities to capture increased property taxes from development
- Properties in a TIF district pay property taxes like every other property
- Revenues generated from increased value in TIF district are captured by TIF Authority* (HRA or Port)
- Revenues are used to pay eligible costs associated with development, including administrative expenditures, in accordance with the adopted TIF Plan budget

** Tax increment provided to the TIF Authority is generated by the original tax rate or current tax rate, whichever is less*



How Does TIF Work?

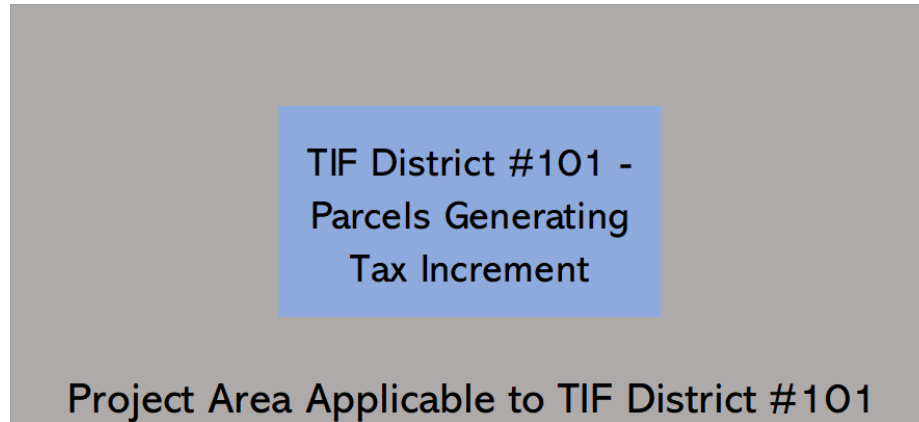
- TIF captures the difference between the current tax value of a site and the future, redeveloped value, and uses that INCREMENT to pay for some portion of the development
- Property owners within a TIF district still pay their full amount of property taxes due, but a portion of those tax payments are captured to fund the development
- Property taxes that otherwise would flow to the local taxing jurisdictions, including the City, County and School District go to fund the development
- TIF requires a “blight finding”*, usually a deteriorated structure, and a “but for” test: “but for this investment, this redevelopment would not occur”
- TIF is not an appropriate tool for projects that result in properties exempt from property taxes

** Does not apply to all TIF districts, i.e., Housing TIF districts do not require blight findings*



TIF District Geographies

- TIF Districts are the specific parcels within a Project Area from which tax increment will be generated and captured. The Project Area may be coterminous with the boundaries of the TIF District or larger. Below is an illustration of a Project Area larger than the boundaries of the TIF District. All types of TIF Districts limit the total expenditures outside the TIF District boundary.





How is a TIF District Established?

- Notification to the County Commissioner representing the area proposed to be included in the TIF District at least 30 days before published notice
- TIF Plan provided to County and School District at least 30 days before City Council public hearing
- City Council holds a public hearing and approves a resolution making certain findings, approving TIF District and TIF Plan (requiring published notice at least ten days but not more than 30 days before hearing)
- HRA Board approves establishment of TIF District and adoption of TIF Plan, and authorizes its' certification



What is in a TIF Plan?

- Boundaries of TIF District and Project Area, including a map
- Development expected to occur
- TIF Plan budget
- Estimated cost of project and total sources of revenue
- Estimated captured tax capacity
- Estimated total tax increment to be collected
- Type and duration of TIF district
- Impacts on net tax capacities of taxing jurisdictions
- Pooling limitations/Administrative expenses



TIF Review Process

- PED staff review all requests for TIF to make sure the “but-for” test can be met
 - review includes a complete underwriting and a review of all project costs and developer returns compared to the current market
- For new TIF districts, PED staff meets with the Ramsey County assessor’s office to determine the estimated value once the project is constructed
 - Ramsey County values used in TIF Plan
 - Current Tax rates
 - No inflation
- Projects must achieve City/HRA goals, including living wage jobs, elimination of blighting influences (including redevelopment of historic structures), housing of all types (including income restricted), etc.
- **A Development Agreement is approved by the HRA Board providing the form and maximum amount of tax increment for the proposed development and specific requirements therefore**



Redevelopment TIF Districts

- Duration – 25 years after first collection (26 total years);
- Qualified by the conditions within the district prior to redevelopment (blighted structures on improved land);
- Eligible expenditures include removal of the blighting influences, including acquisition, demolition/renovation, site improvements, and pollution remediation, as well as parking improvements (public or private) and public improvements; and associated admin expenditures;
- Tax increments may be pooled and spent outside the TIF district boundary but within the Project Area for TIF eligible expenditures, including affordable housing*

**Qualifying affordable rental housing projects can be located anywhere in the City and are not limited to the Project Area*



Housing TIF Districts

- Duration – 25 years after first collection (26 total years);
- Qualified by the conditions within the district after project completion (threshold percentage of housing units set aside for income qualified households – i.e., for rental housing: either a min. of 20% of units at 50% of AMI or a min. of 40% of units at 60% of AMI, or for ownership housing: 95% of the units need to be initially purchased by qualifying households, generally up to 115% of median income);
- Tax increments may be used for all the same expenditures as for a Redevelopment TIF district and also include the construction of the qualified housing project;
- Tax increments may be pooled and spent outside the TIF district boundary for qualifying affordable housing projects



TIF Limitations/Prohibited Uses

- State law prohibits tax increments to be spent as follows:
 - Construction and operation of buildings used primarily for government use;
 - For a commons area used as a public park or a facility used for social, recreational, or conference purposes (does not include a privately owned conference facility)
- Tax increments from a Redevelopment TIF district cannot be used to construct buildings, other than qualifying affordable housing buildings



HRA/City TIF Policies

- The City has an informal policy to capture no more than 10% of its tax capacity in TIF districts
 - This is tied to how bond rating agencies look at TIF commitments
- TIF-eligible expenses are generally financed on a Pay-As-You-Go basis
 - Developer pays for upfront TIF eligible expenditures and is reimbursed over time from tax increments, with interest
 - Developer bears all the risk that the property value and resulting tax increments will be sufficient to reimburse them for their upfront costs with interest



Temporary TIF Spending Authority*

- The HRA and City Council adopted TIF Spending Plan in June 2022
- Increments were transferred to TIF holding account by December 31, 2022
- Spending Plan was supplemented in February 2023
- **Total uncommitted spending authority is \$21,149,000**
 - Upcoming spending request includes the Little Africa Plaza development
- Requires all spending to be completed by December 31, 2025

** MN Statutes 469.176, Subd. 4n.*



Summary of TIF Districts

For Pay 2023, there are 44 HRA TIF Districts and 13 Port TIF Districts that will generate:

	No. of TIF Districts	Total Captured Tax Capacity	Percent of Total	Total Increment to TIF Authority	Percent of Total
HRA Districts	44	\$25,245,813	82%	\$31,377,498	81%
Port Districts	13	\$5,645,633	18%	\$7,300,357	19%
TOTALS	57	\$30,891,446		\$38,677,855	



Tax Capacity Captured in TIF

For Pay 2023, these 57 TIF Districts are capturing 7.78% of the City's total tax capacity. The table below includes a five-year history:

Pay Year	Total Tax Capacity	<i>Total % Change</i>	TIF Tax Capacity	<i>TIF % Change</i>	% Captured
2019	305,708,468	7.4%	26,379,672	7.9%	8.63%
2020	322,743,625	5.6%	26,923,820	2.1%	8.34%
2021	351,910,499	9.0%	29,833,031	10.8%	8.48%
2022	360,745,057	2.5%	29,131,930	-2.4%	8.08%
2023	396,939,488	10.0%	30,891,446	6.0%	7.78%



TIF Districts Recently Established

The HRA established the following TIF districts in 2021, which districts will begin collections in Pay 2024:

- Ford Site Housing TIF #1 (PPL) (#345) (Parcels removed from Ford Site #322)
 - TIF assistance provided to finance the construction of two **PPL** projects: Emma Norton-Restoring Waters (60-unit supportive rental housing affordable at or below 30% AMI) and Nellie Francis (75-unit rental housing affordable at or below 60% AMI)
- Ford Site Housing TIF #2 (CommonBond) (#346) (Parcels removed from Ford Site #322)
 - TIF assistance provided to finance the construction of **CommonBond's** The Lumin project (60-unit senior rental housing affordable at or below 30% AMI)
- 520 Payne Avenue (The Hollows) Housing TIF (#350)
 - TIF assistance provided to finance the construction of **JO Companies/Johnny Opara's** The Hollows project (62-unit rental housing, on land previously owned by the HRA, with 5 units at or below 30% AMI and the balance at or below 60% AMI)



TIF Districts Recently Established (Cont'd)

The HRA established the following TIF district in 2022, which district will begin collections in Pay 2025:

- Farwell Yards Redevelopment TIF (#352)
 - TIF assistance provided to finance the construction of a new public street (Bidwell Street)
 - TIF assistance provided to finance the construction of **Buhl Investors** Harbourline Apartments project located at 115 Plato Blvd (63-unit income-restricted rental housing with 7 units at or below 30% AMI and the balance at or below 50% AMI)
 - TIF District includes the adjacent mixed-use project also developed by Buhl Investors with 221 market rate rental housing units



TIF Districts Decertifying 2023-2028

The table below lists the TIF Districts that are decertifying in the period 2023-2026 (final year) for capture years 2024-2027:

TIF #	TIF Name	Final Year	Projected Released Tax Capacity*
#198	Williams Hill TIF District (Port)	2023**	\$1,460,131
#194	1919 University Redevelopment TIF District	2024	\$112,730
#248	Koch Mobil TIF (early decertification)	2024	\$1,723,197
#312	Southport (Gerdau) ED TIF (Port)	2025	\$4,862
#212	MN Life/Block 4 Redevelopment TIF	2026	\$1,275,566
#213	Block 39/Lawson Redevelopment TIF	2026	\$1,248,298

*** This district was decertified early by the Port, effective 7/31/2023*

** Based on Pay 2023 Captured Tax Capacity*



TIF Districts Decertifying 2023-2028 – Cont'd

The table below lists the TIF Districts that are decertifying in the period 2027-2028 (final year) for capture years 2028-2029:

TIF #	TIF Name	Final Year	Projected Released Tax Capacity*
#224/260	No. Quadrant Phase I TIF (Special Housing)	2027	\$269,293
#233/268	No. Quadrant Phase II TIF (Special Housing)	2027	\$279,577
#241	No. Quadrant Phase III TIF (Special Housing)	2027	\$189,389
#225/261-265	Riverfront Renaissance Redevelopment TIF	2028	\$3,472,931
#228/266/267	Emerald Park Redevelopment TIF	2028	\$1,309,488
#232	Straus Apartments Housing TIF	2028	\$63,175
#234/269	Phalen Village Redevelopment TIF	2028	\$801,603
#236	JJ Hill/Great Northern Redevelopment TIF	2028	\$317,465
#237	Osceola Park Apartments Housing TIF	2028	\$85,402

* Based on Pay 2023 Captured Tax Capacity



Captured Tax Capacity Projections

The table below identifies how the projected captured tax capacity may change with the recently established TIF districts offset by TIF districts expiring, both as listed on the previous slides; **assuming no changes to the City's overall tax base, other than activity within a TIF district**

Year	Added TIF Tax Cap	Total Tax Capacity	Decertified TIF Tax Cap	Total Captured TIF Tax Cap	% Captured TIF Tax Cap
Pay 2024	\$4,243,126	\$401,182,614	\$1,460,131	\$33,674,441	8.39%
Pay 2025	\$2,958,638	\$404,141,252	\$1,835,927	\$34,797,152	8.61%
Pay 2027*	\$4,573,183	\$408,714,435	\$2,528,726	\$36,841,609	9.01%
Pay 2028	\$1,607,442	\$410,321,877	\$738,259	\$37,710,792	9.19%
Pay 2029	\$1,455,412	\$411,777,289	\$6,050,064	\$33,116,140	8.04%

* Includes added TIF or decertified TIF in Pay 2026

The above amounts assume the MN Events TIF district is extended another 10 years, until 2033; and include the captured tax capacity for the Snelling Midway Renewal and Renovation TIF District #344 (which TIF hasn't commenced or been obligated)



Proposed New Tax Increment Financing Districts

The HRA has received applications or interest for the following additional TIF districts:

- A redevelopment TIF district to finance the conversion of the largely vacant Landmark Towers commercial and office space into 187 rental housing units, historic renovation, beginning in Pay 2026 with expected captured tax capacity of \$602,814 (Ward 2)
- Multiple Housing TIF districts to assist in the financing of affordable housing projects at The Heights (Hillcrest) (Ward 6)
- The prior slide shows 9.19% of captured tax capacity in TIF for Pay 2028, falling to 8.04% in Pay 2029; for construction by end of 2026 and 2027.
- This would leave capacity (to stay below 10%) of around \$3 million captured tax capacity (after Landmark Towers) for Pay 2028, increasing to \$8.2 million captured for Pay 2029. This level of captured tax capacity would equate to captured market value of \$180 million for commercial, or \$288 million of rental housing increasing to \$410 million for commercial, or \$650 million of rental housing



Questions?

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