

City Council Work Session

Tax Increment Financing Districts

October 3, 2017



Tax Increment Financing (TIF)

- Designed to help projects make up a shortfall in a project that:
 - Creates jobs
 - Creates new investment in specific areas of the city
 - Used for improvements that would otherwise be paid for through bonding or use of general fund dollars
 - Creates affordable housing



A quick example of how TIF has worked in Shakopee





Site 1998

Total taxes \$24,067

Shakopee
Minnesota

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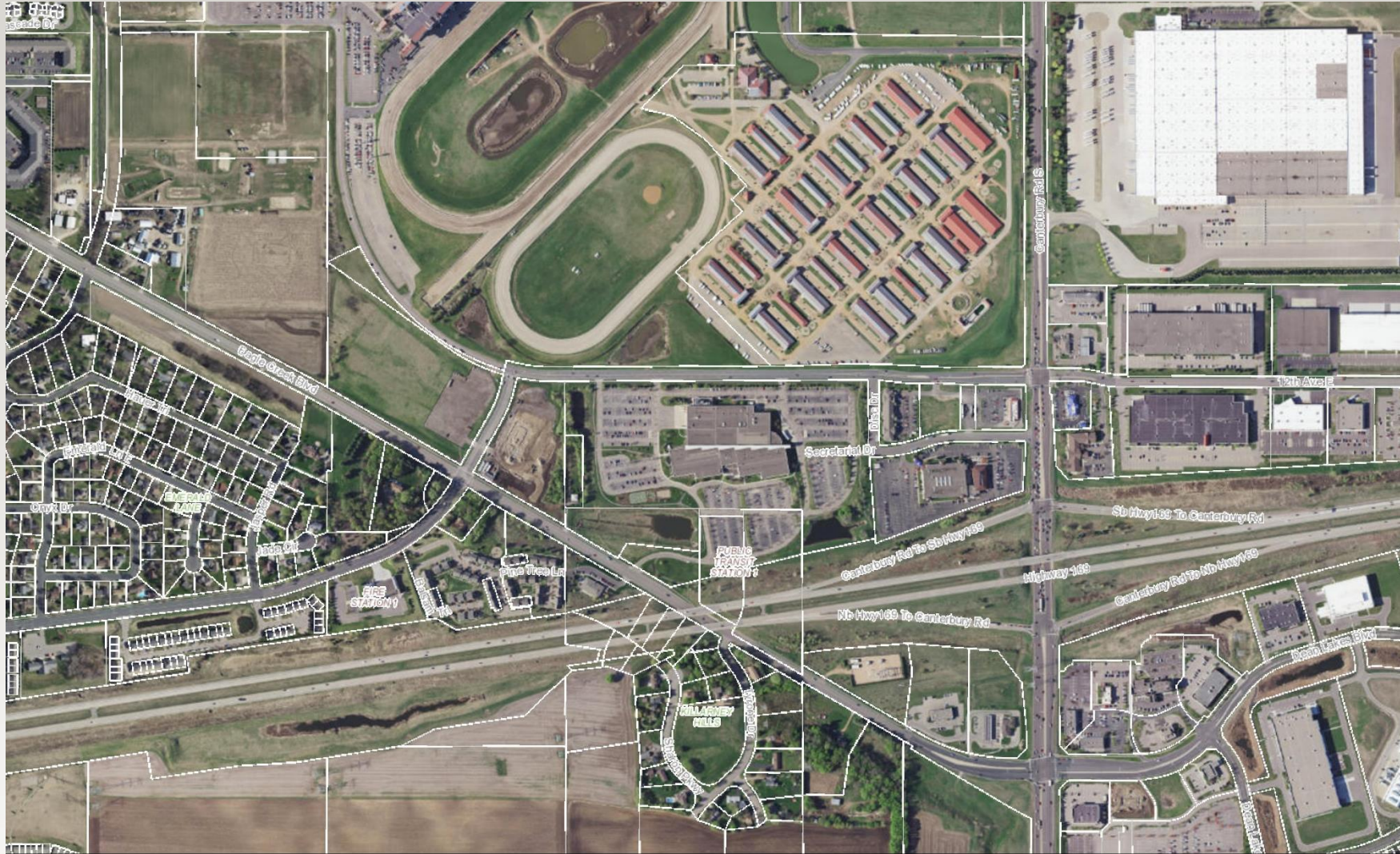


Seagate commits in 1999

- Invested \$29.6 million in manufacturing facility
- \$4.6 million Economic Development TIF
 - Land purchase
 - Soil improvements
 - Road improvements
- City collected \$34,041 in city taxes during the TIF
- Seagate collected approximately \$5,000.000 in TIF



Seagate 2017



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Seagate 2017

- 800 high paying high tech jobs
- Research & Development hub
- \$114,000 in city taxes
- \$821,784 in total taxes
- \$22 million market value





No Seagate

Total taxes \$24,067

City share \$6,000

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What are the TIF basics

- Self financing – recipient pays their full taxes that are used to support the specific activity
- Pay as you go program so no risk to city
- Fixed term for capture, then new development added to tax base



Where does TIF come from?

- Recipient pays the full property tax to the County
- County cuts a check to the City
- City pays a negotiated percentage to the Recipient
 - Typically happens twice per year
 - If no payment is made to the County, no payment is made to the Recipient and typically they are now in default of the TIF Agreement



Types of TIF Districts

Types of Districts	Criteria	Term
Redevelopment	Heavy blight and concentrated development—70%	25 years
Renewal and renovation	Lighter blight and concentration	15 years
Housing	Low and moderate income housing	25 years
Soils condition	Contaminated soils	20 years
Economic development	Manufacturing	8 years



TIF in Shakopee

- First TIF District was created pre-1979 for Kmart
- There have been 16 other Districts created since including:
 - Senior high-rise (Redevelopment - decertified in 1994)
 - Motel (Redevelopment – decertified in 1997)
 - MEBCO (Economic – decertified in 1998)
 - FMG (Imagine Print Solutions) (Economic – decertified in 1999)
 - Seagate (Economic – decertified in 2007)



What can the funds be used for?

- Public Improvements
- Land Acquisition
- Soil Correction
- Site Preparation/Demolition
- Relocation
- Financing Fees/Capitalized Interest
- Administrative Costs (10%)



Public Improvement Costs Allowed

- Streets and Roads
- Utilities
- Bridges and Interchanges
- Parking
- Sidewalks and walkways
- Soft costs related to any of the above



Public Improvement Costs Not Allowed

- Public buildings such as a City Hall, Public Safety, Public Works buildings
- Culture and Recreation such as parks, community centers, golf courses, etc.
- Administration beyond 10% of TIF collections



Active TIF in Shakopee



River City Center

- 25 Year Redevelopment TIF of \$2,186,205
- Comes due in 2024
- Created 52 units of CDA-owned senior housing
- Commercial/retail at street level
- Payment is about \$70.000 per year
- City still controls the land



Active TIF in Shakopee

The logo for SANMAR, featuring the word "SANMAR" in a blue, serif, all-caps font.

- 8 Year Economic Development TIF of \$2,000,000 at 5% interest
- Comes due in 2022
- Attracted company here and added 150 FTE jobs, with 117 jobs at wages no less than \$12.00 per hour, and 33 jobs at wages no less than \$16.60 hour.
- Investment in new taxable market value of \$25.6M
- Annual payment is \$284,385 based on 90% of increment



Active TIF in Shakopee



- 25 Year Affordable Housing TIF of \$1,000,000
- Comes due in 2039 but will likely be paid off in 2026
- Created Senior Housing Community with 17 units subsidized and investment of approx. \$12,208,000
- Annual payment is approx. \$138,910 based on 90% of generated TIF revenue



Active TIF in Shakopee



- 8 Year Economic Development TIF of \$1,883,086 with no interest.
- Comes due in 2025
- Retained company here and generate 28 new full-time jobs with average wage of no less than \$14.50 per hour
- Investment in new taxable market value of approx. \$14.325M
- Estimated 2018 annual payment is \$209,770 based on 97% of generated TIF revenue.





Active TIF in Shakopee

- 8 Year Economic Development TIF of \$5,745,654
- Investment in new taxable market value of approximately \$55.0M
- Created 2,000 new jobs
- Comes due in 2025
- Paying for road improvements in the area of \$2,319,076 and planned County Highway 83 improvements of \$3,379,250
- 10% of new market growth from project was placed on tax rolls and not captured as TIF. Immediate growth in tax base of \$5.5M.

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Public Infrastructure through TIF

Canterbury

- Would build a \$6,000,000 road that is shown in the Comprehensive Plan connecting the community
- Would contribute the City's portion of the County's improvements to Highway 83 in 2020.
- Without TIF, 20 year bonding of these requirements would add approximately \$44 to single family home taxes and increase tax rate from 37.455 to 39.402%



Questions & Comments

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