

# Shakopee TIF Districts

City Council Work Session

June 6, 2023



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City of Shakopee | 485 Gorman St., Shakopee MN 55379 | 952-233-9300 | [www.ShakopeeMN.gov](http://www.ShakopeeMN.gov)

# Tax Increment Financing?

- -Sets aside a portion of future taxes
  - Increase in taxes generated by new development
- Dedicates those funds to pay costs related to development
  - Infrastructure costs in Shakopee
- Taxes still paid – not an abatement



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# Tax Increment Financing?

- Have been around since 1960s
- Minnesota's first occurred in 1969
- Our first (TIF #1) was the KMART Distribution Center pre-1977
- Have used for economic development, redevelopment, senior affordable housing and infrastructure costs

# What did TIF #1 help fund?

- Water Tower, well and water main
- Upgrade to CR 83 (twice)
- Upgrade to HWY 101 Intersections
- Upgrade to RR Xings
- Downtown Streetscape
- Upper Valley Drainageway
- South Bypass
- Mini Bypass
- Chaska Sewer Interceptor
- Community Center
- Block 3 & 4 Acquisition
- Downtown Alley Improvements
- Upper Valley/Rahr Sewer
- Schleper Stadium



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# Not all TIFs Created Equal

- Creature of each individual state
  - Some use liberally other constrict their use
- MN TIFs have two basic purposes
  - Move development forward that otherwise would not occur
  - Finance public infrastructure related to development
- Shakopee policy more restrictive than State

# Tool for Redevelopment

- Redevelopment has more costs associated with it than development on clean and unbuilt parcels
  - Assembling parcels
  - Environmental cleanup costs
  - Demolition expenses
  - Site prep work
- Public/Private partnership in which developers invest in real estate while city assists with clean-up and infrastructure
- Adds value with increases in employment, greater amenities and more recreation, dining and shopping



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# Canterbury Site

- One of the largest underutilized sites in the city
- Lack of development
- Major barrier to access as public roads end into the property
- Seagate (TIF #11) site clearing/prep and streets
  - +800 jobs
  - New building
  - Currently pays more than \$950,000 in taxes



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# Current Canterbury TIF #18

- Up to \$40 million for Public Infrastructure
  - Roads to connect community
  - Utilities
  - Storm Drainage
- +\$400 million total private investment – which currently does not exist...



# Rahr Expansion TIF #16

- Kept one of our most important industries
- Expanded employment
- Transformed our West End of Town
- If Rahr relocated or reduced operations:
  - Significant tax impacts increasing tax burden on all residents



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# Bottom Line

- W/o TIF all city residents would have to pay for infrastructure improvements – or not have them
- TIF puts costs on developer who is reimbursed for expenses only if successful economic growth
- Reimbursed up to the max amount of TIF

# Impact of TIF on Taxes?

- NO direct impact to individual taxpayer
  - Uses the “new” tax which would not exist w/o the development
- Taxes do not go up due to a TIF

# TIF Impact to School District

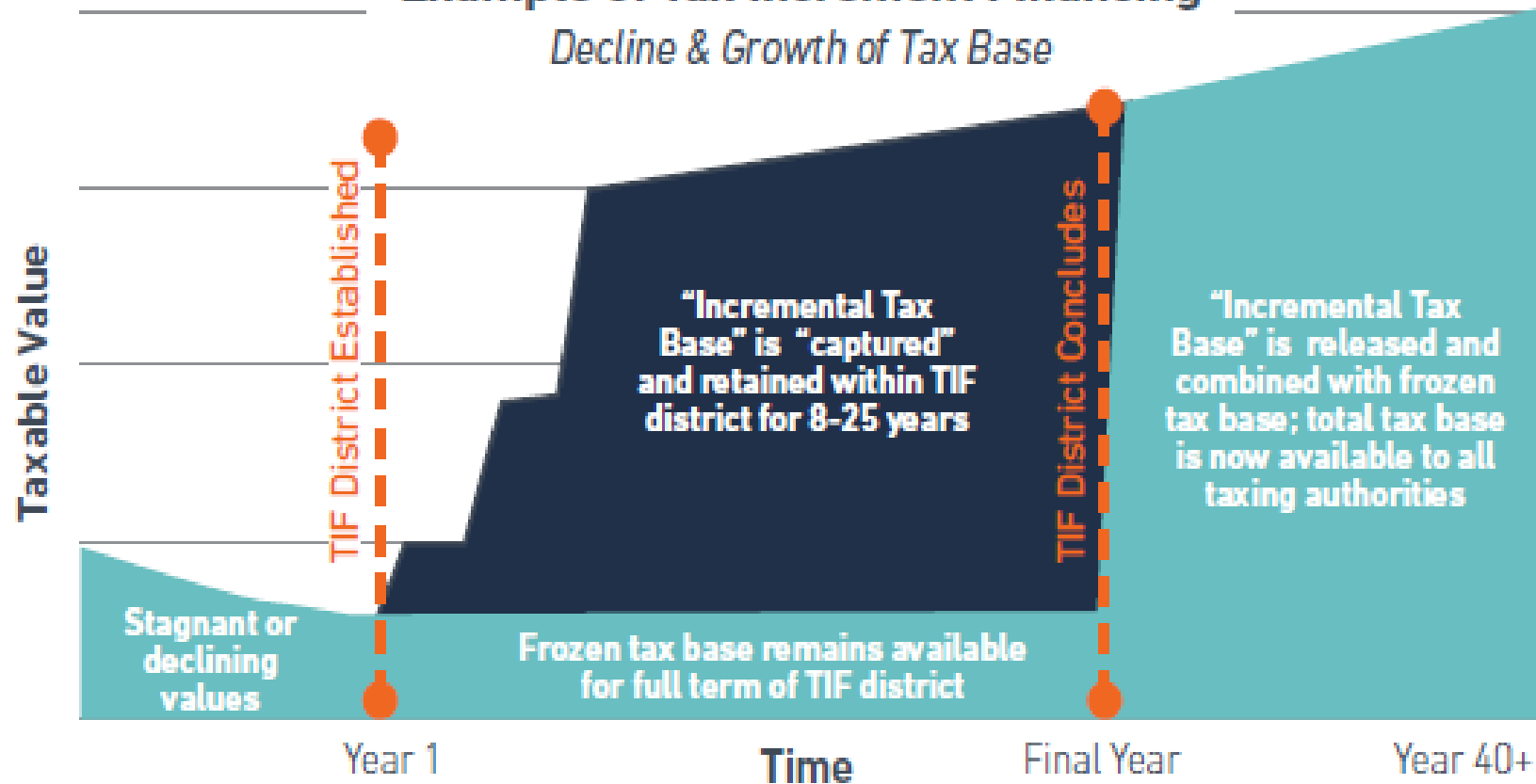
- Large fixed costs and primarily funded through state funding formula based upon # of pupils
- Increased school population?
  - Not with these projects
    - Targeting young professionals and active older adults

# Not all projects should use TIF

- New development on clean undeveloped land not eligible (Residential Housing in West End)
- Carefully weigh TIF or any other incentive development tool
- Very small part of city growth attached to TIF

## Example of Tax Increment Financing

### *Decline & Growth of Tax Base*



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# When has TIF been used in Shakopee?

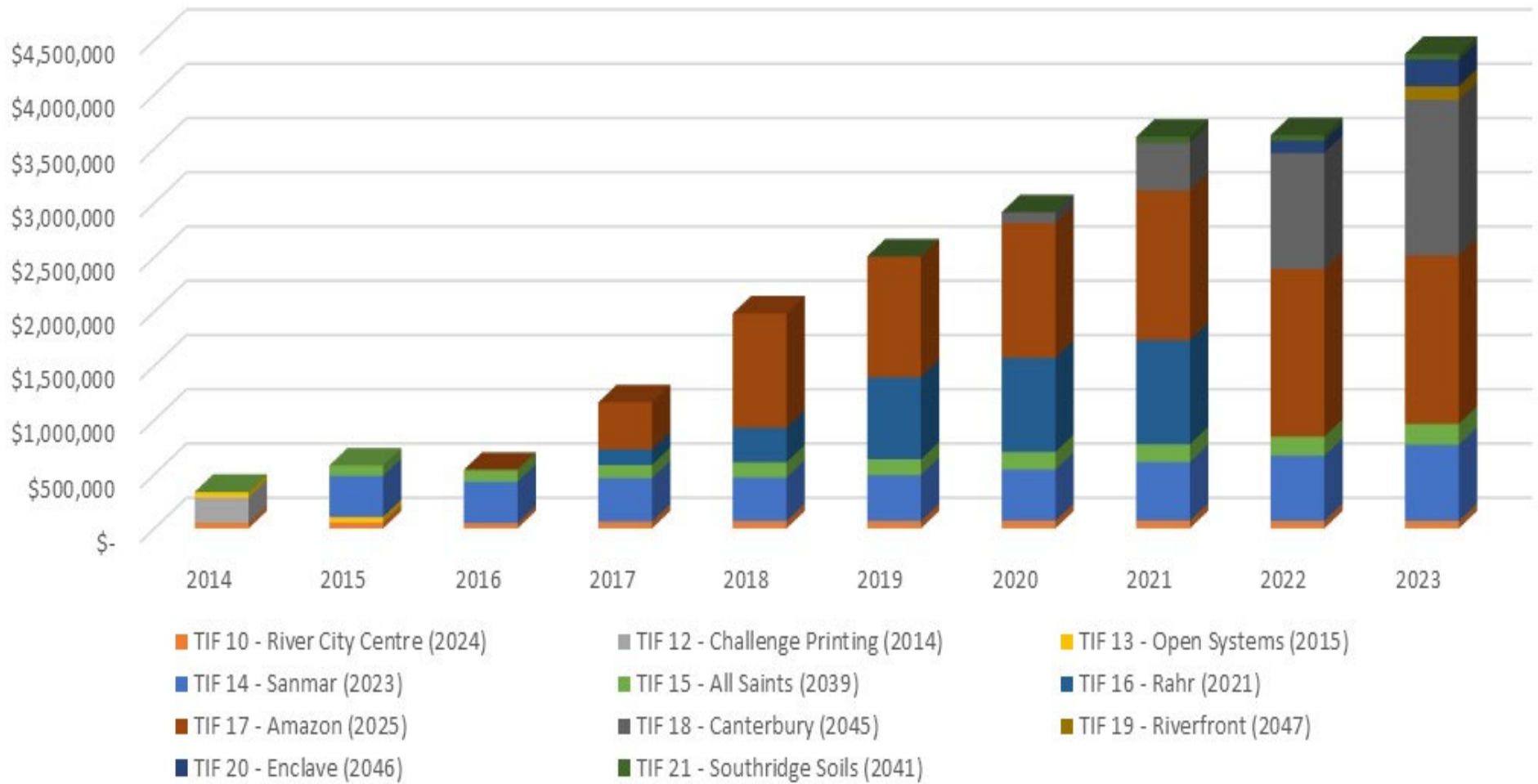
- Provide funding for public improvements without increasing the tax levy
- Deliver housing options not provided by the market
- Removal of hazardous substances, pollution, or contaminants
- Redevelop sites in a way that increases the tax base and delivers public improvements and benefits that would not otherwise be provided by the private market
- Attract investment that grows the local economy and enhances the community

# Current TIF Districts

District	Description	Type	Max term
TIF #10	River City Centre	Redevelopment	26 years
TIF #14	SanMar	Economic Development	9 years
TIF #15	All Saints	Housing	26 years
TIF #17	Amazon	Economic Development	9 years
TIF #18	Canterbury	Redevelopment	26 years
TIF #19	Riverfront	Redevelopment	26 years
TIF #20	Enclave	Redevelopment	26 years
TIF #21	Southbridge	Soils	21 years
Fund 4087	Pooled TIF Fund	Spending Plan	12/31/2025



## TIF Districts Captured Net Tax Capacity



# TIF #10 River City Centre

- Project was completed in conjunction with the Scott County CDA and included 52-units of senior rental housing (top floor), 25,000 square foot retail (bottom floor), public plaza and parking facility.



District Type	Redvelopment
Maximum Duration	26 years
Approved	11/8/1995
Certified	5/7/1996
Legal max term	12/31/2024
First Increment	1999
Anticipated term	12/31/2023
Admin	10%
12/31/2022 Cash Balance	\$0
Current Obligation(s)	\$1,220,000 GO Refunding Bonds Series 2013E
Outstanding Balance on Obligation(s)	0 (fully paid off 2/1/2023)
2022 TIF Revenue	\$43,579
2023 TIF Revenue Est.	\$38,612

Category	#14 SanMar
District Type	Economic Development
Maximum Duration	9 years
Approved	4/24/2012
Certified	7/30/2014
Legal max term	12/31/2023
First Increment	2015
Anticipated term	12/31/2023
Admin	10%
12/31/2022 Cash Balance	<b>\$0</b>
Current Obligation(s)	<b>\$2,000,000</b> PAYGO Note
Outstanding Balance on Obligation(s)	\$199,621
2022 TIF Revenue	\$382,432
2023 TIF Revenue Est.	\$394,728

## TIF #14 SanMar

Construction of 580,000 square foot warehouse and distribution facility. Required the creation of a minimum of 150 full-time jobs.



Category	#15 All Saints
District Type	Housing
Maximum Duration	26 years
Approved	6/5/2012
Certified	3/1/2013
Legal max term	12/31/2039
First Increment	2014
Anticipated term	12/31/2023
Admin	10%
12/31/2022 Cash Balance	<b>\$79,605</b>
Current Obligation(s)	<b>\$1,000,000</b> PAYGO Note
Outstanding Balance on Obligation(s)	\$214,916 (included \$79,605 held pending outcome of tax petition)
2022 TIF Revenue	\$176,898
2023 TIF Revenue Est.	\$174,239

## TIF #15 All Saints

Contract for private development for senior housing project. Constructed 80 units of independent, assisted, memory care and senior rental housing facility. At least 20 percent (16) of the 80 units must be available to individuals with incomes at or below 50 percent of the median income in Scott County.



# TIF #17 Amazon

- Financed the upgrade of roads surrounding the expansion of Amazon.com (county/city share). Project consisted of 820,000 square feet of warehouse and office space.



Category	#17 Amazon
District Type	Economic Development
Maximum Duration	9 years
Approved	5/19/2015
Certified	5/3/2016
Legal max term	12/31/2025
First Increment	2017
Anticipated term	12/31/2024
Admin	10%
12/31/2022 Cash Balance	\$0
Current Obligation(s)	\$2,319,076 IFL (Capital Improvement Fund) and \$3,379,250 PAYGO Note (Scott County)
Outstanding Balance on Obligation(s)	\$449,441 IFL and \$398,843 PAYGO Note
2022 TIF Revenue	\$982,022
2023 TIF Revenue Est.	\$873,766



# TIF #18 Canterbury

- Multi-phased redevelopment of 400 acres of underused space. Mix of housing, entertainment and retail. TIF used for funding of public infrastructure including CH 83, 12<sup>th</sup> Avenue, Shenandoah Drive, Unbridled Avenue, Vierling Drive and internal roads.



Category	#18 Canterbury
District Type	Redvelopment
Maximum Duration	26 years
Approved	6/3/2018
Certified	6/26/2019
Legal max term	12/31/2046
First Increment	2020
Anticipated term	12/31/2046
Admin	10%
12/31/2022 Cash Balance	<b>\$3,065,449 (unspent bond proceeds), \$3,160,464 of land held for resale (former workforce center)</b>
Current Obligation(s)	<b>\$4,220,000</b> GO TIF Bonds 2019A <b>\$8,165,000</b> GO TIF Bonds 2020A <b>\$5,910,000</b> GO TIF Bonds 2022A <b>\$6,300,000</b> IFL from EDA/Capital Improvement Fund (\$4.08 max budget remaining) <b>\$17,592,881</b> PAYGO Note to Canterbury Development LLC
Outstanding Balance on Obligation(s)	<b>\$4,010,000</b> GO TIF Bonds 2019A <b>\$8,165,000</b> GO TIF Bonds 2020A <b>\$5,910,000</b> GO TIF Bonds 2022A <b>\$289,459</b> IFL from Capital Improvement Fund (admin costs) <b>\$3,104,836</b> IFL from CIF (land purchase for resale) <b>\$11,170,761</b> PAYGO Note to Canterbury Development LLC
2022 TIF Revenue	\$1,036,386
2023 TIF Revenue Est.	\$1,199,179

**EXHIBIT C - AMENDMENTS TO EXHIBIT C OF THE ORIGINAL AGREEMENT**  
**EXHIBIT C- PUBLIC IMPROVEMENTS**

Location of Improvement	Original Costs	Revised Costs	TIF Costs	Timeline	Canterbury TIF Note	City -- TIF	Other Funding*
CH 83 Improvements	\$8,860,000	\$15,931,750	\$4,514,450	2021-2023		\$4,514,450	\$11,417,300
Changes to County Road 83	\$900,000			2022			
Eagle Creek Blvd/Vierling Roundabout	\$1,400,000	\$1,700,000	\$1,700,000	2023		\$1,700,000	
CR 83/US 169 North Ramp Turn Lane	\$230,000			2022			
Shenandoah Drive Construct	\$8,400,000	\$9,128,174	\$9,128,174	2019	\$9,128,174		
Hauer Trail		\$359,725	\$359,725	2019	\$359,725		
Schenian Street		\$461,499	\$461,499	2019	\$461,499		
12 <sup>th</sup> Avenue Reconstruction including east side	\$6,850,000	\$4,853,000	\$4,853,000	2019-2023		\$4,853,000	
Barenscheer Blvd Construct (now known as Unbridled Av)	\$7,200,000	\$7,900,000	\$7,900,000	2020-2021		\$7,900,000	
Internal Roads/Utilities	\$7,000,000	\$6,500,000	\$6,500,000	2023-2024	\$6,500,000		
Shenandoah/Vierling/12 <sup>th</sup> Roundabout	\$350,000			2019			
General Wayfinding	\$100,000	\$60,000	\$60,000	2021		\$60,000	
Property Acquisition:							
ROW Acquisition – JJ Mpls	\$636,500	\$650,000	\$650,000	2020		\$650,000	
ROW Acquisition – TCOutboard		\$1,030,856	\$1,030,856	2019	\$1,030,856		
Workforce Center		\$3,100,000	\$1,100,000	2021		\$1,100,000	\$2,000,000
Scott County Land		\$900,000		2021			\$900,000
Demolition:							
TC Outboard		\$112,627	\$112,627	2019	\$112,627		
Workforce Center		\$350,000	\$350,000	2021		\$350,000	
Other TIF Eligible Costs		\$1,250,000	\$1,250,000			\$1,250,000	
<b>Total</b>	<b>\$41,926,500</b>	<b>\$54,287,631</b>	<b>\$39,970,331</b>		<b>\$17,592,881</b>	<b>\$22,377,450</b>	<b>\$14,317,300</b>
<b>Total TIF</b>					<b>\$17,592,881</b>	<b>\$22,377,450</b>	

*\*\$11,417,300 from Scott County for Road Improvements; \$2,900,000 payment from Developer for land acquisition*

Category	#19 Riverfront
District Type	Redvelopment
Maximum Duration	26 years
Approved	7/3/2018
Certified	7/18/2019
Legal max term	12/31/2047
First Increment	2022
Anticipated term	12/31/2047
Admin	10%
12/31/2022 Cash Balance	<b>\$2,977</b>
Use of Cash Balance	Admin Costs up to 10% of TIF received or Redevelopment
Current Obligation(s)	<b>\$1,228,600</b> IFL with General Fund <b>\$1,400,000</b> IFL with General Fund <b>\$3,750,700</b> PAYGO Note (costs were certified May 1, 2023)
Outstanding Balance on Obligation(s)	<b>\$1,228,600</b> IFL with General Fund <b>\$238,267</b> IFL with General Fund (admin costs) <b>\$0*</b> PAYGO Note (costs were certified May 1, 2023)
2022 TIF Revenue	\$4,160
2023 TIF Revenue Est.	\$105,698

## TIF #19 Riverfront Bluff

Construction of 125 market-rate apartments and a restaurant. TIF was used towards soil remediation, utility relocations, parking and street reconstruction.





Category	#20 Enclave
District Type	Redvelopment
Maximum Duration	26 years
Approved	8/21/2018
Certified	7/18/2019
Legal max term	12/31/2048
First Increment	2021
Anticipated term	12/31/2048
Admin	10%
12/31/2022 Cash Balance	<b>\$0</b>
Current Obligation(s)	<b>\$300,000</b> IFL from Storm Drainage <b>\$2,132,400</b> IFL from Storm Drainage Fund
Outstanding Balance on Obligation(s)	<b>\$300,000</b> IFL from Storm Drainage (admin costs) <b>\$2,132,400</b> IFL from Storm Drainage Fund
2022 TIF Revenue	\$109,883
2023 TIF Revenue Est.	\$212,327

## TIF #20 Enclave

Construction of 80 market-rate apartments and a restaurant, including two levels of parking. TIF was used towards excavation and removal of the old city hall, utility relocation, alleys and sidewalk infrastructure.



Category	#21 Southbridge Soils
District Type	Soils
Maximum Duration	21 years
Approved	8/21/2018
Certified	7/18/2019
Legal max term	12/31/2041
First Increment	2021
Anticipated term	12/31/2041
Admin	10%
12/31/2022 Cash Balance	<b>\$0</b>
Current Obligation(s)	<b>\$1,387,388</b> PAYGO Note
Outstanding Balance on Obligation(s)	<b>\$1,387,388</b> PAYGO Note
2022 TIF Revenue	\$32,913
2023 TIF Revenue Est.	\$29,812

## TIF #21 Southbridge Soils

Reimbursement of material clean-up and soil remediation for the Shakopee Crossings development.



# Pooled TIF Fund

- City Council authorized funds to be spent on River City Centre improvements (April 4, 2023).

District	Amount
TIF District #10 (River City Center)	\$1,357
TIF District #14 (SanMar)	248,938
TIF District #15 (All Saints)	116,523
TIF District #16 (RAHR)	54,330
TIF District #17 (Amazon)	210,220
TIF District #18 (Canterbury)	-
TIF District #19 (Riverfront)	-
TIF District #20 (Enclave)	-
TIF District #21 (Southbridge Soils)	<u>2,752</u>
Total	\$634,120*



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