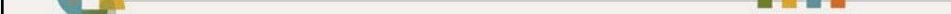
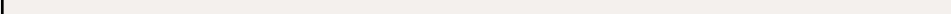


 **EHLERS**  
LEADERS IN PUBLIC FINANCE

**COR TIF Analysis**





City of Ramsey


September 17, 2013



**Agenda**

- **Property Tax Overview**
- **TIF Basics**
- **Introduction to Abatement**



 **EHLERS**  
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## What is TIF?

### Tax Increment Financing (TIF):

The ability to capture and use most of the increased local property tax revenues from **new development** within a **defined geographic area** for a defined period of time without approval of the other taxing jurisdictions.





## Property Tax Basic Terms

- **Market Value**
  - ✓ Assessor assigns value on January 2<sup>nd</sup> of any given year, used for the following year's taxes
- **Tax Capacity**
  - ✓ Based upon class rates or "capacity to pay"
  - ✓ **Commercial/Industrial**
    - Anything over \$150,000 at 2%
  - ✓ **Owner Occupied Housing**
    - 1<sup>st</sup> \$500,000 at 1%
    - Anything over \$500,000 at 1.25%
  - ✓ **Rental Housing (more than 1 unit)**
    - 1.25%
    - .75% for affordable housing



## Taxes Not Captured

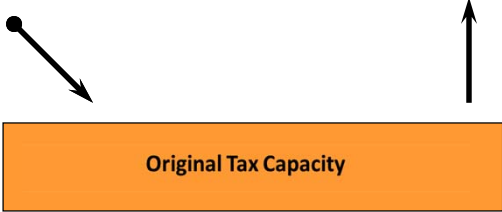
- **State Property Taxes**
  - ✓ Tax paid by commercial users (cabin owners pay as well)
  - ✓ Not included in local tax capacity rate, therefore it is not applied to captured value for TIF districts or abatement
- **Market Value Taxes**
  - ✓ School operating referendums
  - ✓ Based upon market value of property rather than tax capacity of property
  - ✓ Not included in local tax capacity rate, therefore it is not applied to captured value for TIF districts or abatement






## Building Blocks of TIF

The original ('base") market value established when District created

Tax revenues continue to go to all local governments

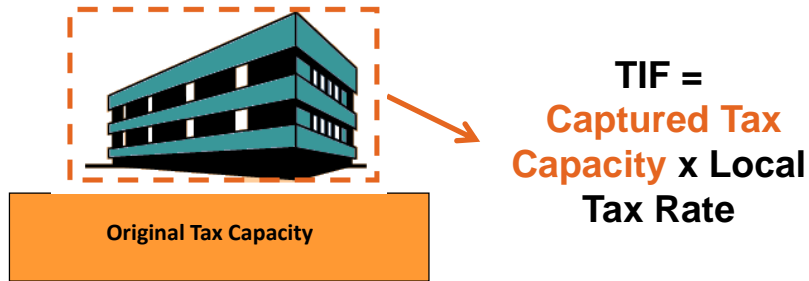


## Building Blocks of TIF

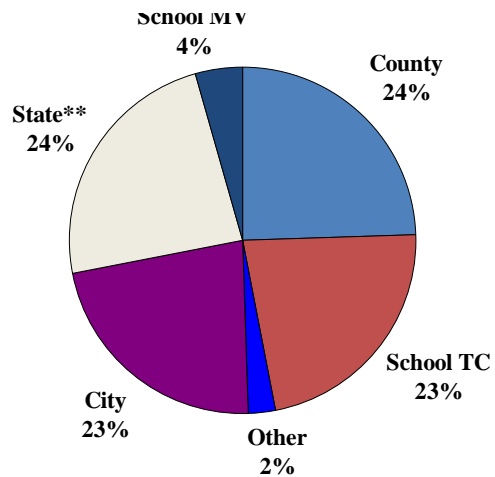
TIF District “captures” increased value from new development

Development occurs = New Tax Capacity



## Property Taxes Distribution

Where Commercial Tax Dollars Go:



# Commercial TIF

Insert Rows		PROJECT INFORMATION (Project Tax Capacity)						
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	
	Manufacturing	50	50	60,000	3,000,000	C/I Pref	59,250	
<b>TOTAL</b>					3,000,000		59,250	

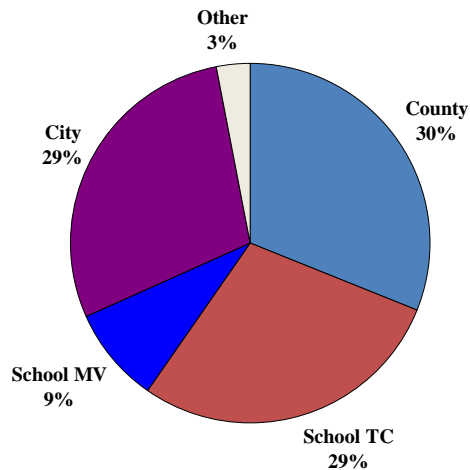
TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Manufacturing	59,250	0	59,250	94,868	0	31,120	5,694	131,682	2.19
<b>TOTAL</b>	59,250	0	59,250	94,868	0	31,120	5,694	131,682	

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	131,682
less State-wide Taxes	(31,120)
less Fiscal Disp. Adj.	0
less Market Value Taxes	(5,694)
less Base Value Taxes	(8,006)
<b>Annual Gross TIF</b>	<b>86,862</b>

Developer receives  
\$.59 on the dollar

# Property Taxes Distribution

Where Residential Tax Dollars Go



# Housing TIF

Insert Rows		PROJECT INFORMATION (Project Tax Capacity)							
Area/Phase	New Use	Estimated		Taxable		Total	Total Taxable	Property	Project
		Market Value	Per Sq. Ft./Unit	Market Value	Per Sq. Ft./Unit				
	Apt	95,000		95,000		100	9,500,000	Rental	118,750
<b>TOTAL</b>							9,500,000		118,750

TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Apt	118,750	0	118,750	190,137	0	0	18,032	208,169	2,081.69
<b>TOTAL</b>	118,750	0	118,750	190,137	0	0	18,032	208,169	

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	208,169
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(18,032)
less Base Value Taxes	(10,007)
<b>Annual Gross TIF</b>	<b>180,129</b>

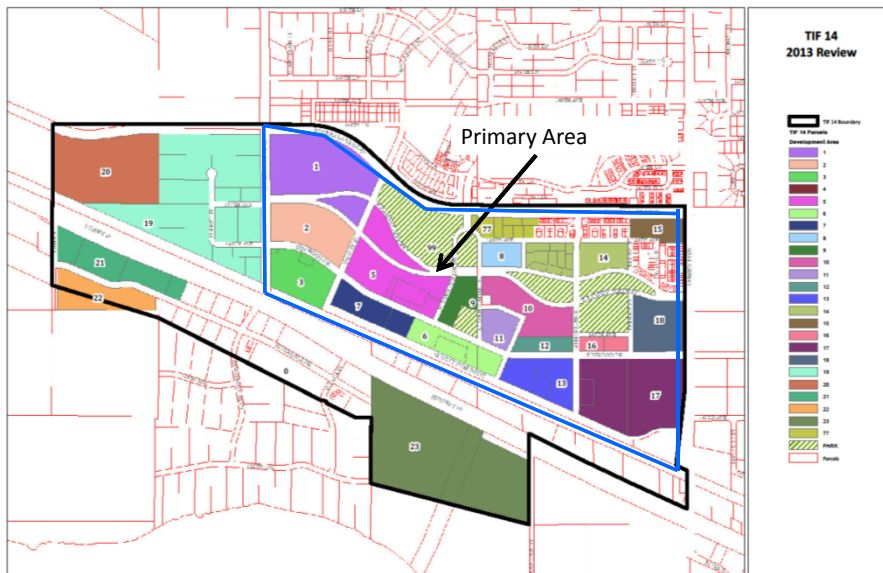
Developer receives \$.77 on the dollar after deducting 10% admin and OSA Fee

## How TIF is Calculated

- Calculated as a **whole** for a district, **NOT** parcel by parcel
- If current value is less than base value, then **NO** TIF is generated
- If current value is more than base value, then TIF **IS** generated
  - ✓ But only if there is enough overall positive value increase in the district as a whole



### COR TIF District 1-14



### End Uses – Primary Area

Use	Unit or Sq/Ft
Big Box	136,000
Restaurant	26,037
Fast Food	5,000
Retail	288,280
Office	441,572
Medical	67,690
Apartments	1,372
Town Homes	185
Single Family	14
Hotel	60



## COR TIF District 1-14

- Redevelopment District under special legislation
  - Certified on November 28, 2011
  - 26 years of TIF
  
- TIF can be used for:
  - Reimbursement to HRA for land acquisition and public improvements prior to creation of the district
  - Future land acquisition and public improvements
  - Construction of Northstar transit station & related infrastructure
    - Structured parking, pedestrian overpass and roadway improvements
  - Other future public improvements, exclusive of parks or City facilities
    - Roadway improvements
    - Interchange
    - Etc.

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## Potential Land Revenue – Primary Area



Use	Unit or Sq/Ft	Per unit	Per Sq/Ft	TOTAL	TOTAL By USE
Big Box	136,000	N/A	\$ 20	\$ 2,720,000	\$ 17,937,780
Restaurant	26,037	N/A	\$ 20	\$ 520,740	
Fast Food	5,000	N/A	\$ 20	\$ 100,000	
Retail	288,280	N/A	\$ 20	\$ 5,765,600	
Office	441,572	N/A	\$ 20	\$ 8,831,440	\$ 15,935,000
Apartments	1,142	\$ 10,000	N/A	\$ 11,420,000	
Town Homes	185	\$ 15,000	N/A	\$ 2,775,000	
Single Family	14	\$ 60,000	N/A	\$ 840,000	
Hotel	60	\$ 15,000	N/A	\$ 900,000	
<b>TOTAL</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>\$ 33,872,780</b>	<b>\$ 33,872,780</b>



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### Potential TIF – Primary Area

Area	Present Value TIF
1	\$ 5,054,784
2	\$ 841,574
3	\$ 201,306
4	\$ 114,843
5	\$ 1,882,723
6	\$ 2,873,557
7	\$ 2,858,028
77	\$ 1,182,446
8	\$ 2,306,406
9	\$ 4,673,068
10	\$ 7,284,989
11	\$ 2,183,342
12	\$ 137,094
13	\$ 1,442,235
14	\$ 524,133
15	\$ 922,648
16	\$ (227,881)
17	\$ 1,834,279
18	\$ 627,137
<b>TOTAL</b>	<b>\$ 36,716,712</b>

- ### COR TIF District 1-14
- “Clock” for any TIF district does not start until the City receives the first TIF distribution from the County
  - To date no TIF received
    - Only 2 parcels that have increased value
      - VA Clinic
      - Allina Clinic
    - All other parcels, current value is less than base value
      - By approximately 15%
  - Would need approximately \$23M in new development value to get to positive TIF for district as a whole
    - This would allow The Residence at the COR Apartments to capture their TIF
- 


## Issues

- **The Residence at the COR Apartments**
  - If bonds can be paid off in June 2015, then HRA to provide F & C a PAYGO TIF note
    - 85% of TIF generated, not to exceed \$3M
  - If current values for all other properties do not increase to at least the base value, there will be no TIF for the F & C PAYGO TIF note
    - This could affect them obtaining financing to pay off the TIF bonds
- **4 Year Rule**
  - If no qualifying activity in 4 years on a parcel, it is “knocked out” of the TIF district
    - Bring it back in when a qualifying activity happens
      - Construction
  - Allina, Falls Café & Office Building and existing town homes will never be included in the TIF district since there would be no qualifying activity (already constructed)

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## Options/Solutions

- **Amend Special Legislation**
  - Exempt district from 4 year rule
  - Set base values at pay 2014 or pay 2015 values
  - Keep base value of Allina, VA and COR apartments at the pay 2011 certified value
- **Obtain special legislation to create the Residence at the COR Apartments as stand alone TIF district**
  - Decertify these parcels out of TIF 1-14

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## Future Review

- Select parcel decertification
  - Possibly existing town homes
  
- Fiscal disparities election
  - Currently paid outside the district
    - Creates more TIF for City to repay itself
    - Tax impact to other tax payers
  
  - Can opt to have it paid inside the district
    - Creates less TIF for City to repay itself
      - Approximately \$6.5 million less in TIF (12%)
    - No tax impact to other tax payers

