

City of Ramsey
Agenda
Housing and Redevelopment Authority (HRA)
Special Session
Tuesday September 17, 2013
7:00 pm
Council Chambers, 7550 Sunwood Drive NW

1. **Call to Order**
2. **Citizen Input**
3. **Approve Agenda**
4. **Approve Minutes**
5. **HRA Business**
 1. Receive Presentation from Ehlers and Associates re TIF Study
6. **Executive Director's Report**
7. **Commissioner Input**
8. **Adjournment**

HRA Special Session

5. 1.

Meeting Date: 09/17/2013

Submitted For: Kurt Ulrich

By: Jo Thieling, Administrative Services

Information

Title:

Receive Presentation from Ehlers and Associates re TIF Study

Background:

The Cor Tax Increment Financing (TIF) District was created by the City in November 2011. It is important that City's do a periodic review of their TIF districts as projects mature and property values change throughout the district. This is the first comprehensive review of TIF District 14 (the COR TIF district). A representative of the firm of Ehlers and Associates will be on hand to present the TIF study.

Notification:

Observations/Alternatives:

Observations and alternatives are part of the TIF district review by the consultant.

Recommendation:

No action required. Discuss recommendations of consultant and provide staff direction.

Funding Source:

Not applicable.

Action:

No action required. Discuss recommendations of consultant and provide staff direction.

Attachments


COR TIF PP


TIF 14 Table

Form Review

Inbox	Reviewed By	Date
Kurt Ulrich	Kurt Ulrich	09/12/2013 02:23 PM
Diana Lund	Kathy Schmitz	09/12/2013 02:59 PM
Kurt Ulrich	Kurt Ulrich	09/12/2013 03:22 PM
Form Started By: Jo Thieling		Started On: 09/10/2013 11:54 AM

Final Approval Date: 09/12/2013

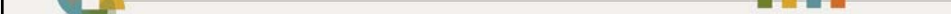




 **EHLERS**
LEADERS IN PUBLIC FINANCE

COR TIF Analysis




City of Ramsey

September 17, 2013



Agenda

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

 **EHLERS**
LEADERS IN PUBLIC FINANCE

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 2nd 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**
 - 1st \$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**

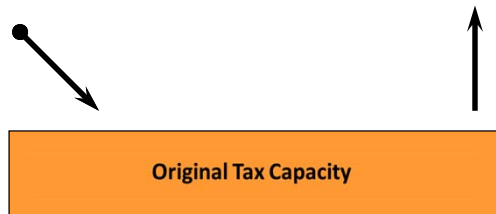
- ✓ School operating referendums
- ✓ Based upon market value of property rather than tax capacity of property
- ✓ Not included in local tax capacity rate, therefore it is not applied to captured value for TIF districts or abatement



Building Blocks of TIF

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

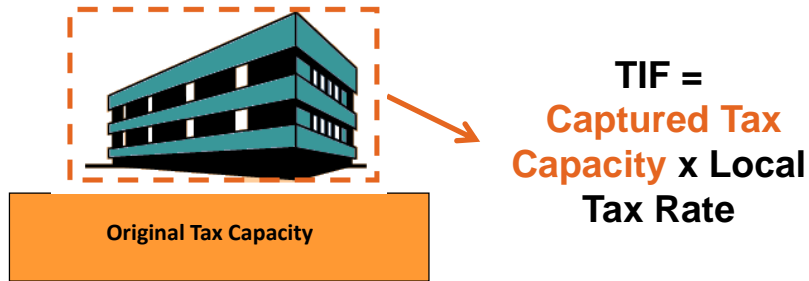
Tax revenues continue to go to all local governments



Building Blocks of TIF

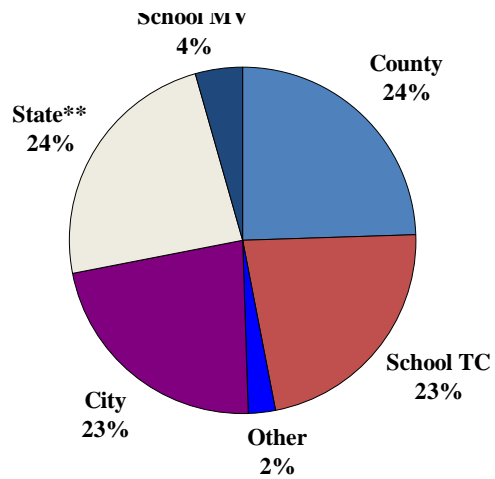
TIF District “captures” increased value from new development

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	
TOTAL					3,000,000		59,250	

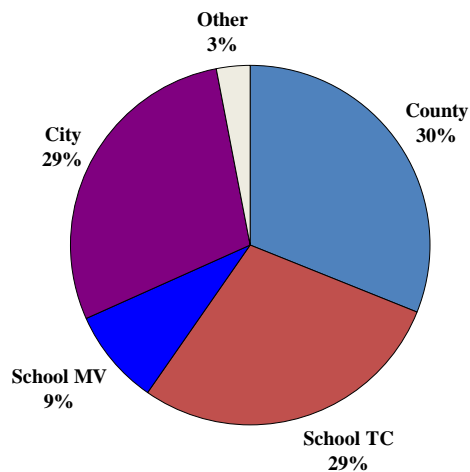
TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Manufacturing	59,250	0	59,250	94,868	0	31,120	5,694	131,682	2.19
TOTAL	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)
Annual Gross TIF	86,862

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	Property Tax Class	Project Tax Capacity
		Market Value Per Sq. Ft./Unit	Market Value Per Sq. Ft./Unit	Market Value	Sq. Ft./Units	Market Value		
	Apt	95,000	95,000		100	9,500,000	Rental	118,750
TOTAL						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
TOTAL	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)
Annual Gross TIF	180,129

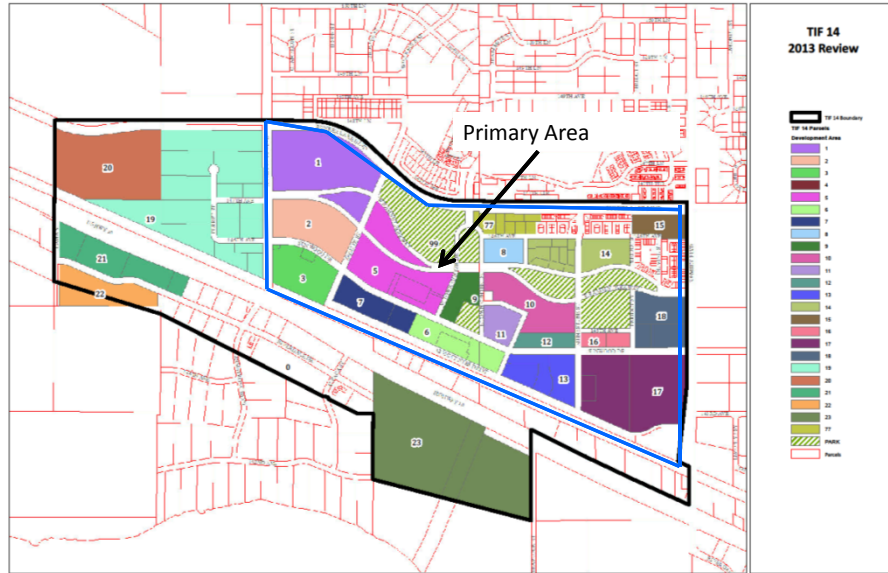
Developer receives \$.77 on the dollar after deducting 10% admin and OSA Fee

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.

15



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	
TOTAL	N/A	N/A	N/A	\$ 33,872,780	\$ 33,872,780



16



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
TOTAL	\$ 36,716,712

- ### 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)

19



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

20



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



Certified 11-28-11 so qualifying activity must happen by 11-28-15

Area	Use	Units or Sq/Ft	Average	Development Valuation	AUAR Areas	Start of Construction	Meets 4 Year Rule/Knockdown	Can be reinstated When Development Commences	# of Years of TIF	PV of TIF	FV of TIF
1	Big Box	136,000	19.43	\$ 20,825,000	15 and 16	4 years	Yes	N/A	22	\$ 5,054,784	\$ 8,278,700
	Retail	95,000				4 years	Yes	N/A			
2	Retail	19,200	12.13	\$ 7,429,148	13 and 14	5 Years	Yes	N/A	26	\$ 841,574	\$ 1,618,993
	Retail	16,664				5 Years	Yes	N/A			
	McDonalds	5,000				2 Years	Yes	N/A			
	Retail	10,628				5 Years	Yes	N/A			
	SA	4,800				1 Year	Yes	N/A			
3	Coborns	n/a	8.92	\$ 9,322,100	1	Complete	Yes	N/A	23	\$ 201,306	\$ 328,743
	Retail	7,300	0.46			3 Years	Yes	N/A			
	ROW	n/a	0.11			Complete	Yes	N/A			
4	Restaurant	5,000	12.86	\$ 975,000	17 b,c,d	8 Years	No	Yes	18	\$ 114,843	\$ 172,130
	Park	n/a				Complete	Yes	N/A - Exempt			
5	Storm Pond	n/a	76 units/acre	14,499,000	17 a, 12, 11b,c	Complete	Yes	N/A - Exempt	19	\$ 1,882,723	\$ 2,871,432
	Office	31,700				No	Yes				
	Apartments	76				No	Yes				
	Retail	17,000				No	Yes				
	Restaurant	12,000				8 Years	No	Yes			
	Community Center	160,000				10 Years	No	Yes			
6	City Hall	n/a	0.93	\$ 22,080,000	3	Complete	Yes	N/A - Exempt	25	\$ 2,873,557	\$ 6,270,293
	Parking Ramp	n/a	1.8			Complete	Yes	N/A - Exempt			
	COR Apt	230	3.02			Complete	Yes	N/A			
	City Hall	n/a	1.87			Complete	Yes	N/A - Exempt			
7	Retail	5,248	44 units/acre	\$ 14,893,592	2	5 Years	No	Yes	21	\$ 2,858,028	\$ 4,554,935
	Retail	39,000				5 Years	No	Yes			
	Daycare	10,320				5 Years	No	Yes			
	Sr. Apts	84				5 Years	No	Yes			
7A	Town Homes	48	3.38	\$ 10,100,800	18 c, d	5 Years	No	Yes	21	\$ 1,182,446	\$ 1,897,668
	Town Homes	32				6 Years	No	Yes			
8	Apt	80	3.38	\$ 14,900,000	18 a, b	4 years	No	Yes	22	\$ 2,306,406	\$ 3,784,190
	Apt	69				5 years	No	Yes			
9	Apt	118	4.05	\$ 29,855,400	11 a,b,e,f	5 years	No	Yes	21	\$ 4,673,068	\$ 7,658,573
	Retail	17,000				5 years	No	Yes			
	Apt	26				7 Years	No	Yes			
	Office	11,000				7 Years	No	Yes			
	Office	5,900				10 Years	No	Yes			
	Retail	11,800				10 Years	No	Yes			
	Apt	44				10 Years	No	Yes			
	Retail	11,800				10 Years	No	Yes			
	Office	5,900				10 Years	No	Yes			
	Apt	44				10 Years	No	Yes			
10	Park Shelter	n/a	n/a	\$ 54,343,800	9 - a, c, b and 10 - a, b, c	Complete	No	N/A - Exempt	19	\$ 7,284,989	\$ 11,470,148
	Future Road	n/a	n/a			7 Years	No	Yes			
	apt	95	8 Years			No	Yes				
	apt	200	7 Years			No	Yes				
	Office	8,400	7 Years			No	Yes				
	apt	20	7 Years			No	Yes				
	Office	8,400	7 Years			No	Yes				
	Retail	4,200	7 Years			No	Yes				
	apt	30	7 Years			No	Yes				
	apt	90	7 Years			No	Yes				
11	Office	11,500	4.03	\$ 16,513,750	10 - d,e,f,g,h,i	10 Years	No	Yes	16	\$ 2,183,342	\$ 3,331,382
	Retail	11,500				10 Years	No	Yes			
	Office	8,500				10 Years	No	Yes			
	Retail	4,250				10 Years	No	Yes			
	Office	11,900				10 Years	No	Yes			
	retail	8,500				10 Years	No	Yes			
	Apts	14				10 Years	No	Yes			
	Retail	7,600				10 Years	No	Yes			
	Office	7,600				10 Years	No	Yes			
	Apts	36				10 Years	No	Yes			
	Retail	6,300				10 Years	No	Yes			
	Retail	6,100				10 Years	No	Yes			
	Office	6,100				10 Years	No	Yes			
Apts	26	10 Years	No	Yes							
12	Office/ Falls Rest	50,000	3.15	\$ 4,000,000	9 d,e,f	Complete	No	No	26	\$ 137,094	\$ 235,348
13	VA Clinic	50,092	4.30	\$ 18,169,575	4a-d	Complete	TBD		18	\$ 1,442,235	\$ 2,219,681
	Restaurant	9,037				8 Years	No	Yes			
	Hotel	60				10 Years	No	Yes			
	Office	110,000				10 Years	No	Yes			
14	Town Homes	28	4.30	\$ 6,065,920	20b, c	10 Years	No	Yes	21	\$ 524,133	\$ 873,766
	Single- Family	14				5 Years	No	Yes			
15	Town Homes	77	4.30	\$ 9,722,020	21a	10 Years	No	Yes	16	\$ 922,648	\$ 1,363,189
16	Office	40,000		\$ 3,200,000	8 b, c	Complete	No	No	26	\$ (227,881)	\$ (391,200)
17	Mortuary	17,598	18 units/acre	\$ 18,638,790	5a, b and 6 a, b, c, d	Complete	No	N/A - Exempt	24	\$ 1,834,279	\$ 3,389,511
	Office	93,871				8 Years	No	Yes			
	Office	44,827				10 Years	No	Yes			
	retail	13,070				2 Years	Yes	N/A			
	Office	17,987				3 Years	No	Yes			
	Office	17,987				3 Years	No	Yes			
18	Charter School		N/A	\$ 3,149,600	7	Complete	No	N/A - Exempt	26	\$ 627,137	\$ 1,076,599
	Allina					Complete	No	N/A - Exempt			
	COR ROW/Signage?	N/A				Complete	No	N/A - Exempt			
	Northgate Church					Complete	Yes	N/A - Exempt			
TOTAL				\$ 275,533,895	N/A	N/A	N/A	N/A	\$ 36,716,712	\$ 61,004,079	