

Why Create TIF #15?

- TIF districts are a very common, and very powerful, economic development tool. TIF districts allow City's not only to capture their tax increment created in a project, TIF districts also allow Cities to capture County and School District tax increment as well. In summary, it's about 3x more powerful than only capturing the City's portion of local property taxes.
- TIF districts do not disrupt the current (or "base") property taxes. In other words, the taxes currently being received (before the proposed improvements) will remain for all effected jurisdictions.
- Tax increment, as proposed in this particular case, will not negatively affect the City's fiscal disparities calculation/ payment required form all other C./I. taxed properties in Ramsey... as fascial disparities will be paid for in this proposed project. In other words, this TIF district will not negatively affect fiscal disparities.
- In the case of the proposed Life Fitness project, a "renovation and renewal" TIF district is allowed by State Statue. This certification is not always an easy accomplishment. This district has a 16 year life (15 years of full increment). The proposed TIF award on this project is \$224K PV terms, and 352K FV terms. If the anticipated "Phase 2" expansion on this project is completed, the TIF district would likely be eligible to be decertified several years early (as the amount of increment received will far exceed the proposed award).
- The underlying purpose of a "renovation and renewal" TIF district is to remove/ clean up blighted property. Because this proposed project removes the blighted Health Quest building, it fits nicely with a "renovation and renewal" TIF district.

Why not use leftover dollars from TIF Account #1 as a funding source?

- The City has a balance of about \$1M in TIF account #1. If the EDA or Council would prefer to utilize this funding source for the Life Fitness project (and forgo a new TIF District), that is an option. However, it should be noted, it has been informally anticipated TIF account #1 would be utilized for other public improvements projects (i.e. Bunker Lake Boulevard, COR Improvements, Future Business Park, Highway 10 improvements, Major Development Project Assistance etc.). In other words, there is likely more proposed uses for these funds than funds available.

Why don't we use a different existing funding source for the Life Fitness Project?

- The City could use a handful of other, relatively unencumbered, funding sources for this project (i.e. EDA fund, EDA RLF, TIF #1, Anoka County HRA).
- Based on staff and consultant review, it is recommended the City keep the City's relatively unencumbered dollars for future development projects (i.e. Bunker Lake Boulevard, COR Improvements, Future Business Park, Highway 10 improvements, Major Development Project Assistance, etc.). Relatively unencumbered funding sources are a rare commodity for Cities. It is not common for project to qualify for renovation and renewal TIF districts. This is a unique opportunity to maximize/ capitalize on a powerful economic development tool. Additionally, because a second expansion is proposed for this project, it is likely this district can be decertified early. Lastly, Life Fitness is paying for the creation of this district via a \$7,500 fee charged upfront (and they are paying for the admin of the TIF district via annual TIF payments).
- Staff would like to note, a TIF district is not the only/ or required funding source in this case. The Council does have the ability deviate from this strategy. However, considering the timing of this project/process, and the significant work completed/ dollars expended to date (for the creation of a TIF district), the benefit of switching now is diminishing.