

Why use TIF #14 as a funding source?

- 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 PSD LLC project, it is estimated \$500,000 could be paid back within four years in present value terms (4.0% discount rate); or about three and a half years in future value terms *with* tax increment financing (TIF). It is estimated, the proposed project would generate about \$224,000 in total property taxes annually; and about \$156,000 in NET TIF annually. The proposed project would result in about \$3.5M in NET TIF over the course of TIF District #14.
- When TIF District #14 was originally created, project assistance was identified as an eligible use.

Why don't we use a different existing funding source?

- 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, removing blighted properties, other project assistance requests, Shovel Ready certifications, etc.). Relatively unencumbered funding sources are a rare commodity for Cities. This is an opportunity to maximize/ capitalize on a powerful economic development tool (TIF).
- 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.