

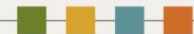


EHLERS
LEADERS IN PUBLIC FINANCE

Training Camp: TIF 101 & Tax Abatement

Rebecca Kurtz – Ehlers
Mary Ippel -- Briggs

February 1, 2018



Session Outline

- Basics of Tax Increment
 - Framework of a District
 - Types of Districts
 - Uses of TIF
- Basics of Tax Abatement



Basics of Tax Increment

Minnesota Statutes 469.174 – 469.1794



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.



Why use TIF?

- Encourage certain types of development or redevelopment that would not normally occur without assistance (“but for” test)
 - Create or retain jobs
 - Redevelop blighted areas
 - Remediate polluted sites
 - Construct affordable housing



Building Blocks of TIF

**There is a starting property value in the TIF District
when it is created (also called “base value”)**

Original Tax Capacity



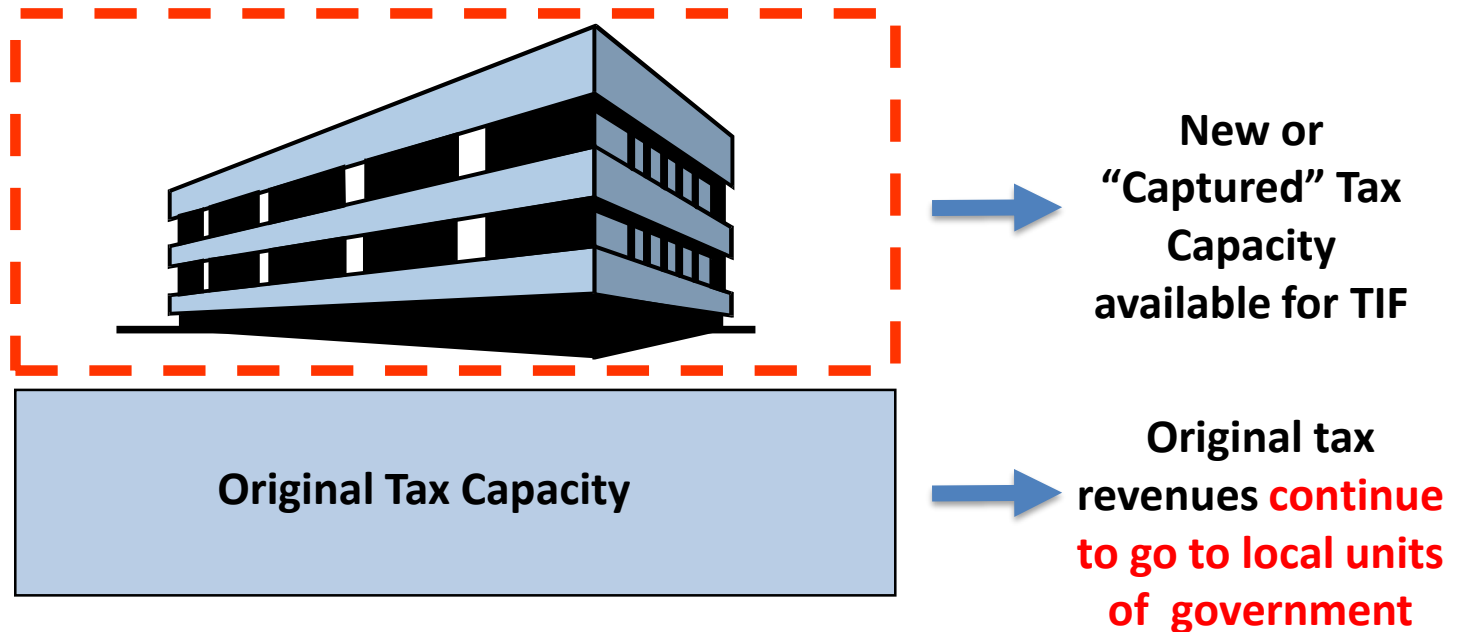
**Tax revenues go
to all local units of
government**



Building Blocks of TIF

Development Occurs = New Tax Capacity

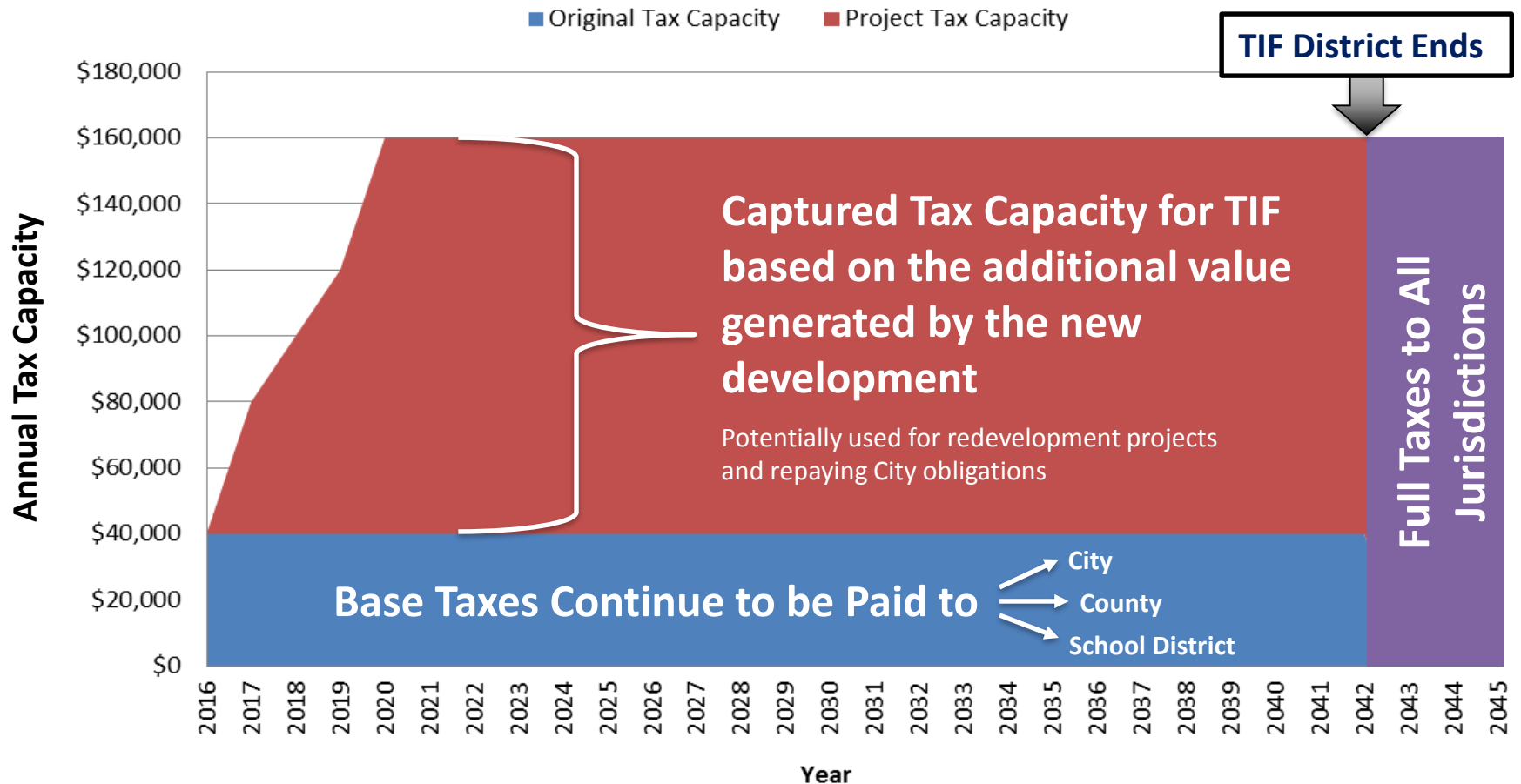
TIF District can “capture” the increased value from the new development



$$\text{TIF} = \text{Captured Tax Capacity} \times \text{Tax Rate}$$

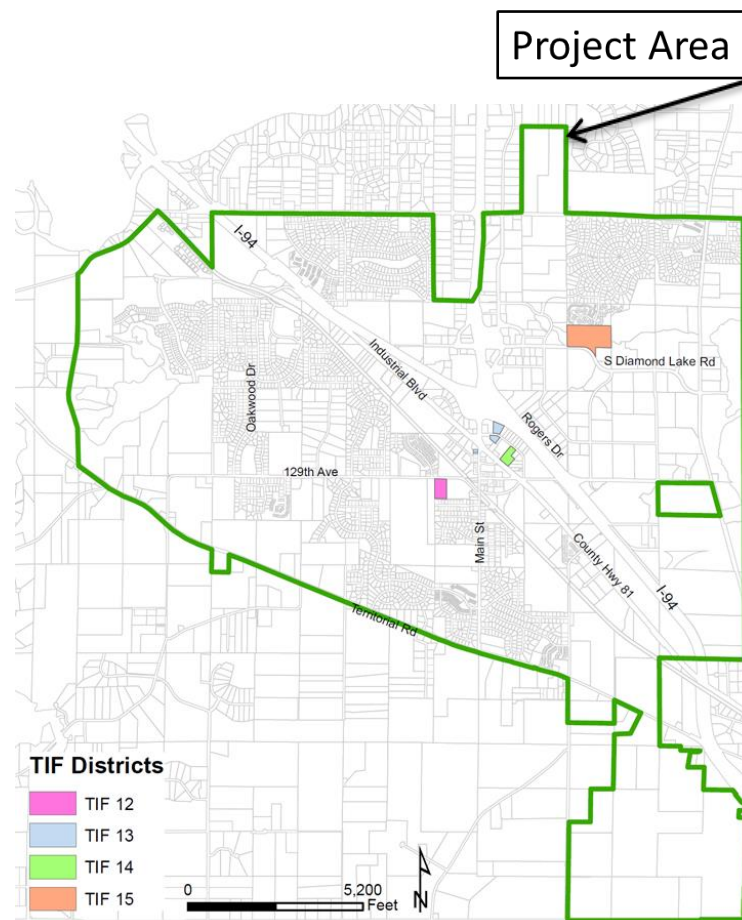


TIF Example (26 year district)



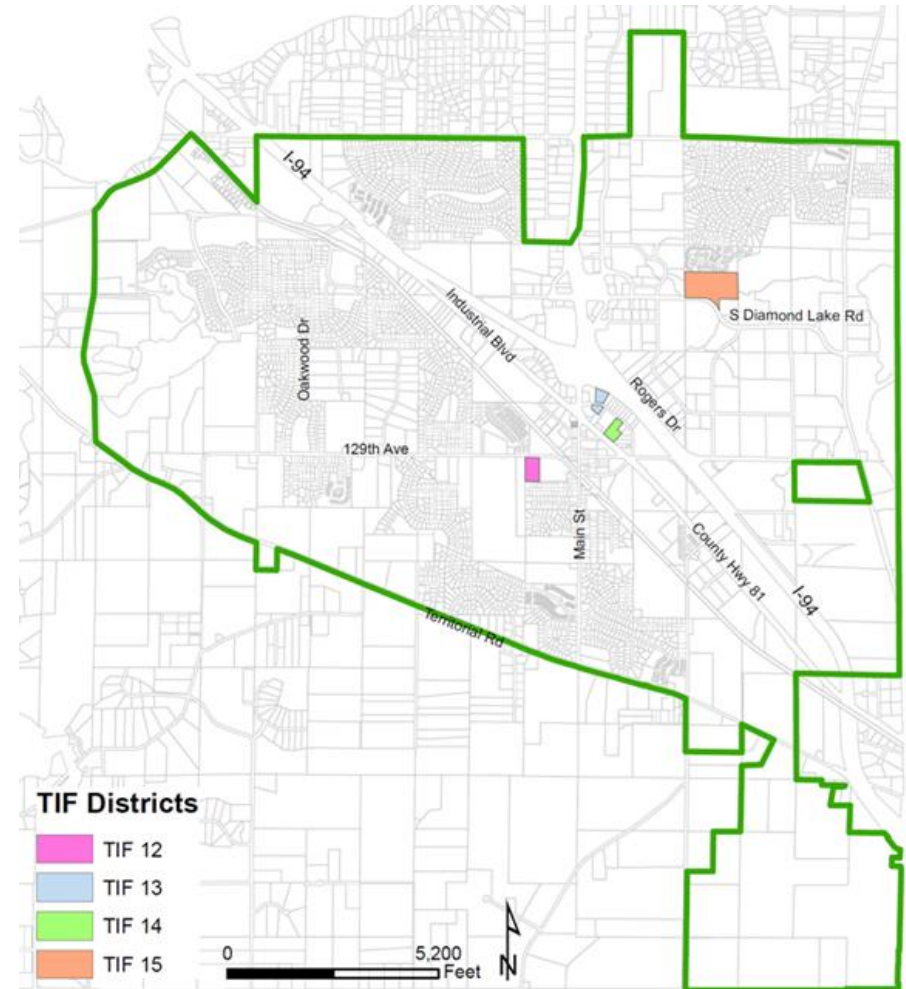
Project Area: Where increment may be spent

- TIF Districts must be located in a Project Area or Development District
- Multiple TIF Districts can be in a Project Area
- Increment can be spent outside a TIF District in Project Area (aka “pooling”)



TIF District: Where increment is collected

- Defines parcels whose increased value will be captured
- Parcels do not have to be contiguous, but usually are
- Must meet criteria in State law for type of District being established



TIF District Approval

- Can be established by City, EDA, HRA or County
- TIF Plan and Project Area Plan
 - Set forth policy objectives
 - Provide maximum budget authority for TIF revenues and expenditures
- Must have approval of elected officials following public hearing



Types of Districts

Purpose	Type of District	Max. Term
Redo substandard / obsolete buildings	Redevelopment	26
	Renovation & Renewal	16
Affordable housing	Housing	26
	Economic Development - Workforce Housing	9
Job & tax base creation	Economic Development	9



Economic Development

- At least 85% of new building space must be:
 - Manufacturing
 - Warehousing, storage, distribution
 - Research and development
 - Telemarketing
 - Space necessary and related to the above



How can increment be spent?

- Must meet policy objectives in TIF Plan
- Must be in TIF Plan Budget



How can increment be spent?

- Must be costs associated with new development:
 - Land Acquisition
 - Demolition and Relocation
 - Site improvements
 - Utilities, Streets, Sidewalks
 - Environmental Clean-up
 - Parking
 - Buildings
 - Administration



“But For” Test

- The development is only possible *but for* the use of tax increment
- Elected body has to make this finding



Common Financing Options

- Pay-as-you-go Note
 - Developer funds eligible expenses
 - Authority repays developer with interest over time from available TIF / abatement
 - Minimal risk to authority
- General Obligation Bonds
 - Authority issues bonds to fund eligible expenses
 - Debt service paid with TIF / abatement
 - IF TIF / abatement < debt service, authority is required to cover the gap





EHLERS

LEADERS IN PUBLIC FINANCE

**Rebecca Kurtz
Ehlers**

(651) 697-8516
rkurtz@ehlers-inc.com

**Mary Ippel
Briggs & Morgan**

(612) 977-8122
mippel@briggs.com

