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**TO:** Mayor and Council  
**FROM:** Kate Thunstrom, City Administrator  
**SUBJECT:** TIF – For Discussion Only  
**DATE:** February 19, 2025

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**OVERVIEW:**

As the North Shore multi-family project is moving forward and as discussed in past meetings, will be making a Tax Increment Financing (TIF) application. TIF is a complicated subsidy tool that was created in 1979 in Minnesota. Nationally, 49 of the 50 states utilize TIF programs.

An application for this type of funding requires the City utilize our financial advisors, Ehlers, for the process, underwriting and documentation of this process. The application costs cover the expenses of this process.

As this is not the full process or list of details, we are hopeful that it is beneficial when understanding the project request.

- TIF is a financing tool established to support local redevelopment, economic and housing development. As it suggests, TIF enables cities to finance development activities using an incremental portion of the taxes.
- TIF is not a tax reduction; taxes are paid on the full taxable value of the property. The original value continues to be part of the tax base that supports the tax levies of the city, county, school district and other taxing jurisdictions.
- The new, additional value from development activity is “captured” from the tax base which are used to finance qualifying costs that make the new development possible and subject to various restrictions.
- Statute defines the maximum duration for each type of TIF district, but often there are reasons that decertification prior to the maximum duration makes sense and is in the public interest. Many projects refinance prior to the full term.

- For a project to use TIF it must pass a “**But-For**” test. Meaning the development would not happen – but for – the use of TIF. That helps to ensure the use is not capturing tax base that would be available to support local needs without its use. Ehlers reviews all financial records to verify this.
- The city retains a fee to reimburse administrative costs, not to exceed 10%

#### Statewide Highlights:

- TIF is defined and regulated by the State of Minnesota
- In 2023, 377 cities submitted reports for 1,678 TIF districts.
- Cities are required to complete annual financial reports on TIF districts
- In 2023, 71 new districts were certified with the State. TIF is common.

#### For the City of St. Francis:

- We had one Housing TIF district that has refinanced and no longer using TIF
- There are no statutory limitations as to how many districts a city can have.
- A base amount will be determined and will remain with the city. The base amount is frozen and does not change.

#### Attachments:

- City of St. Francis Tax Increment Financing (TIF) Policy
- Ehlers Conference Slides