

October 2023

TIF DISTRICT MANAGEMENT REVIEW &  
ANALYSIS – EXECUTIVE SUMMARY:

# City of St. Louis Park, MN



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**BUILDING COMMUNITIES. IT'S WHAT WE DO.**

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# OVERVIEW

Tax increment is a financing tool authorized by state law, that allows an authority 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. In general, tax increment revenues are used to pay for eligible project costs which encourage creation or retention of jobs, redevelop blighted areas or polluted sites and construction of affordable housing. Revenue from tax increment financing (TIF) districts is a financial asset of the City. This revenue tool allows the City to address blight, contamination, housing or redevelopment needs for the parcels in the TIF district for a specified period of time. The revenue generated is first used to pay debt service on outstanding bonds, interfund loans and developer pay-as-you-go notes (PAYGO). A portion, but not all, of the remaining revenues can be used to participate in other eligible development projects and City initiatives. Over the years, the City utilized unobligated revenues from older TIF districts to complete the following projects:

- Park Commons property assembly and public improvements
- Excelsior Boulevard streetscape improvements
- Excelsior Boulevard bridge improvements
- Reilly tar clean-up activities
- Highway 7 and Louisiana Avenue storm water intersection improvements
- Louisiana Court Rehabilitation
- Erv's Garage redevelopment
- Bikemasters (Construction Assistance Program)
- Hardcoat (Construction Assistance Program)
- Home Hardware Store (Construction Assistance Program)
- Projects related to Southwest Light Rail Transit (SWLRT)
- Fiber optic infrastructure
- The Quentin multifamily housing development
- Beltline Station (2021 Spending Plan)

The City has proactively utilized TIF to spur significant redevelopment within the City and to create options for life-cycle housing, different tenure of housing and affordable housing. In addition, redevelopment was undertaken to increase commerce options and opportunities and to create jobs in the City in the form of new office, retail and industrial developments. In 1993 the City began investing in public/private partnerships for

redevelopment, with the first district being a Hazardous Substance Tax Increment (HSTI) district for Park Nicollet to complete extensive environmental remediation so they could construct approximately 486,500 sq/ft of new medical office space. In 1997, the City/EDA began investing in redevelopment projects that included housing, hotels, industrial and commercial in mixed-use buildings. Since that time, the City/EDA has invested \$105 million. Below is a chart showing total residential/hotel units and/or commercial uses that are currently constructed or under construction:

Use	Total Units or Sq. Ft.	Market Rate	Affordable	% Affordable	TIF Investment
Residential	5,230	4,448	782	15%	\$ 105,630,622
Commercial	566,654	N/A	N/A	N/A	
Office	914,500				
Industrial	201,100				
Hotel	488				

In 2015, the City adopted an inclusionary housing policy requiring any new housing developments receiving public financial assistance (i.e., TIF), seeking a PUD, or comprehensive plan amendment include affordable units. The policy was subsequently amended in 2017 and 2019.

Overall, the City’s TIF districts have met their intended purpose, performed well, and furthered other City projects as noted above. In summary:

1. **Number of Districts.** The City has created thirty-one (31) TIF Districts since 1972. Seven of the districts are decertified (Oak Park Village, Excelsior Blvd, Trunk Hwy 7, Park Nicollet HSTI, Victoria Ponds, Hardcoat and Edgewood) and there are currently twenty-four (24) remaining districts as noted in the chart below (18 districts generating TIF). Four of these districts (The Shoreham, Ellipse, Eliot Park and Park Center) will decertify at the end of 2023. Six of the districts haven’t received their first increment since they were established in 2021 and 2022 (Beltline Residences, Rise on 7, 9920 Wayzata Boulevard, Wooddale Avenue Apartments, Beltline Station 1 and Beltline Station II). The following chart summarizes the active TIF districts by type:

Active Districts	Number
Housing	7
Redevelopment	15
Renovation and Renewal	2
<b>TOTAL</b>	<b>24</b>

2. **Increase in Market Value.** The overall market value of the City's eighteen (18) TIF districts where development is complete (or nearly completed) and generating tax increment has increased approximately 1,192 percent since their establishment (see chart on page 13).
3. **Tax Dollars Available Due to TIF District Termination/Decertification.** Due to four (4) TIF districts decertifying (Eliot Park, Ellipse, Park Center and The Shoreham) at the end of 2023, in 2024 the City will have an additional \$757,000 available for General Fund purposes and this amount has been included in the 2024 preliminary budget. The additional tax capacity freed up by decertifying districts allows the city to set the levy to cover operational and debt needs without directly increasing the property tax impact on taxpayers.
4. **Tax Capacity Captured in TIF.** In 2023, the City has approximately 11.8% of its tax capacity captured in TIF districts. Over the last 5 years the City has averaged 11.6% and over the last 10 years it has averaged 10.7%. It is anticipated that this will fluctuate between 11.9% and 7.8% over the next five years as districts both come online and are decertified (see chart on page 15).
5. **Average Number of Years of TIF Assistance.** The average number of years of TIF assistance for projects in the last ten (10) years is approximately thirteen (13) years and within the last five (5) years is seventeen (17) years (see chart in Appendix A).
6. **Redevelopment TIF Districts and Affordable Housing.** To date, the City has elected to retain an additional 10% of the TIF in six (6) of its redevelopment districts (Wolfe Lake, Ellipse, Eliot Park, The Shoreham, Mill City and Zarthan) for affordable housing. This allows the City to retain 35% of the TIF for this purpose and is providing a crucial funding source to assist the City in meeting its affordable housing goals. Eliot Park, The Shoreham and Ellipse are decertifying at the end of 2023. A portion of the remaining balance may be retained for affordable housing and a portion will be returned to the county.
7. **TIF For Affordable Housing.** In 2021 the City received special legislation which allowed it to transfer any unused balances in its housing TIF districts and the 35% from redevelopment districts to its Affordable Housing Trust Fund. To date, the City has transferred approximately \$3.342 million and is expected to transfer up to \$1.954 million in 2023, for a total of approximately \$5.26 million. Of the \$1.954 million to be transferred in 2023, approximately \$775,000 is the City's portion of taxes. The City has the authority to transfer funds until December 31, 2026, and if the City keeps the various districts open until that time, in total it could have approximately \$12.2 million available for affordable housing. There is no timeframe in which the EDA/City need to expend the funds in the AHTF by (see chart on page 19).

8. **2021 Spending Plan Authority.** In 2021 the legislature approved general legislation that allowed cities to transfer any legally retained TIF into a special account for use to stimulate private construction of buildings (no restrictions on use). The City approved a Spending Plan on December 5, 2022, under this authority and transferred the dollars to a separate account. The chart that follows shows the amounts transferred by December 31, 2022. The dollars must be expended by December 31, 2025 (unspent dollars go back to the “giving” districts, with some being transferred to the City’s AHTF). To date, these dollars have not been expended but have been committed to Beltline Station Redevelopment and are anticipated to be expended by December 31, 2025.

District	Spending Plan Dollars
West End	\$ 146,200
* Victoria Ponds	\$ 133,179
* Zarthan	\$ 249,120
* Wolfe Lake	\$ 119,287
* Mill City	\$ 149,686
Park Commons	\$ 450,000
* Aquila	\$ 170,523
4900 Excelsior	\$ 136,658
<b>TOTAL</b>	<b>\$ 1,554,653</b>

*\* If not used under Spending Plan transfer to AHTF*

9. **Returned Increment.** The City is required to return tax increment balances that exceed the statutory limit they are allowed to retain. By December 31, 2023, the City will be returning approximately \$1.2 million from three (3) districts since the City has collected the maximum amount allowed for affordable housing and all obligations are paid in full. The County will redistribute the dollars back to the various taxing jurisdictions and the City’s proportionate share of these dollars is approximately \$476,000. These are unrestricted dollars and the City will utilize them for General government purposes.

District	Amount Returned	City Portion
Ellipse	\$ 361,981	\$ 143,725
Eliot Park	\$ 387,897	\$ 154,015
Shoreham	\$ 449,972	\$ 178,661
<b>TOTAL</b>	<b>\$ 1,199,850</b>	<b>\$ 476,400</b>

10. **Financial Health of TIF Districts**. The City's TIF districts are self-supporting, and most districts are anticipated to fully pay off their obligations to developers ahead of their term. No general fund dollars have been used to supplement TIF obligations to date, nor are they expected to.
11. **City Bond Rating**. Projects assisted with TIF are making a substantive contribution to the City's economy, taxable market value, affordable housing goals and its AAA bond rating.

Management of the City's TIF districts are regularly monitored by Ehlers and City staff and annual reports on the financial condition of each TIF district are filed with the State Auditor's Office. While the EDA's use of TIF is positively contributing to the City's economic vitality, it will need to continue monitoring the desire to keep districts open to fund affordable housing goals versus utilizing those captured dollars to reduce the financial impacts to taxpayers.

## TIF DISTRICT SUMMARY

Currently the City has twenty-four (24) active TIF districts, and one HSTI District (Hwy 7 Corporate Center). These districts are outlined in the charts that follow on the next four (4) pages.

District	Park Center	Zarthan/ 16th Avenue	Mill City	Park Commons	Wolfe Lake	Aquila Commons
<b>District Type</b>	Housing	Redevelopment	Redevelopment	Redevelopment	Redevelopment	Housing
<b>Project</b>	91 units of senior assisted living	Two hotels developed by CSM and 86 townhome units built by Rottlund	200 rental housing units developed by MSP Real Estatic	Excelsior and Grand retail, office and rental housing and condos developed by TOLD	Two office/commercial buildings consisting of 65,000 s.f. developed by Beltline Industrial Park, Inc.	122 senior cooperative developed by Stonebridge
<b>Certified</b>	5/19/1997	5/9/2000	6/19/2000	6/7/2001	4/26/2004	4/4/2005
<b>Keep Open for Pooling for Aff. Hsg.</b>	Yes	Yes	Yes	TBD	Yes	Yes
<b>Anticipated Term</b>	<b>12/31/2023</b>	<b>12/31/2026</b>	<b>12/31/2026</b>	<b>12/31/2027</b>	<b>12/31/2026</b>	<b>12/31/2032</b>
<b>Current Obligations</b>	<b>Obligation Paid in Full - 100% TIF for affordable housing</b>	<b>\$1,101,362</b> PAYGO Note 1 <b>\$1,448,088</b> PAYGO Note 2 and <b>\$1,395,547</b> PAYGO Note 3	<b>\$3,531,853</b> PAYGO Note	<b>\$3,145,046</b> interfund loan <b>\$3,500,000</b> Phase I PAYGO Note, <b>\$3,300,715</b> Phase E PAYGO Note, <b>\$4,668,633</b> Phase NE PAYGO Note, <b>\$4,079,105</b> Phase NW PAYGO Note	<b>Obligation Paid in Full - 35% TIF for affordable housing</b>	<b>Obligation Paid in Full - 100% TIF for affordable housing</b>
<b>2023 TIF Revenue</b>	\$204,489	\$516,937	\$642,849	\$3,072,429	\$204,075	\$216,629



District	Elmwood Village	Highway 7 Corporate Center & HSTI	West End	Ellipse on Excelsior (Bader)	Eliot Park (Dan Hunt)	The Shoreham (Bader)
<b>District Type</b>	Renewal and Renovation	Redevelopment and HSTI	Redevelopment	Redevelopment	Redevelopment	Redevelopment
<b>Project</b>	<b>Rottlund</b> - 224 townhomes and condos. <b>Hoigaards</b> - 74 apts over 25,000 sq/ft of retail, 220 non age restricted apartments, 100 sr. apartment and 22 town homes. <b>Grecco</b> - 115 senior rental units over 10,000 sq/ft of retail	78,000 s.f. multi tenant office/warehouse building	Major mixed use redevelopment (office, retail, hotel, entertainment, housing, hotel) developed by Duke Realty.	<b>Ellipse I</b> - 132 Market Rate Apartments and 16,000 s.f. commercial and <b>Ellipse II</b> - 58 Units of MarketRate Apartments	Redevelopment of the Eliot School site into 138 market rate apartments and 2 single-family homes	Redevelopment of 5 parcels into 148 apartments with 20% of the units affordable at 50% of the AMI and 20,000 sq/ft of retail/office space
<b>Certified</b>	5/31/2005	7/17/2006	7/9/2008	7/9/2009	7/16/2013	4/18/2016
<b>Keep Open for Pooling for Aff. Hsg.</b>	TBD	TBD	TBD	Yes	Yes	Yes
<b>Anticipated Term</b>	12/31/2029	<b>12/31/2027</b>	12/31/2036	<b>12/31/2023</b>	<b>12/31/2023</b>	<b>12/31/2023</b>
<b>Current Obligations</b>	<b>Hoigaards - 2010A TIF Revenue Bonds - \$3,495,000 and IFL - \$3,298,200</b>	PAYGO Notes - Note A <b>\$2,100,000</b> Note B <b>\$360,000</b> Note C <b>\$72,000</b> and Note D <b>\$23,000</b>	<b>\$21,100,000</b> - PAYGO and <b>2008B GO Tax Increment Bonds</b>	35% TIF for affordable housing	35% TIF for affordable housing	<b>35% TIF for affordable housing</b>
<b>2023 TIF Revenue</b>	\$2,356,489	\$162,614	\$3,667,127	\$749,688	\$ 512,331	\$ 552,296

District	4900 Excelsior (Weidner)	Elmwood Apts	Wooddale Station (PLACE)	Bridgewater Bank	Parkway Residences	Texa Tonka (Pastor Properties)
<b>District Type</b>	Redevelopment	Redevelopment	Redevelopment	Redevelopment	Redevelopment	Housing
<b>Project</b>	Redevelopment of the former Bally's site into 164 apartments with 10% of the units affordable at 60% of AMI and a 28,000 sq/ft grocery store	Redevelopment of 1 parcel into 70 age restricted apartment units with 20% of units reserved for 60% of AME and 4,400 sq/ft of retail	Redevelopment of 2 parcels into 217 unit mixed income apartment building, 2,500 square feet of commercial space, e-generation building and structural parking	Redevelopment of 3 parcels into the Headquarters for Bridgewater Bank (38,967 sq/ft), Bank Facility (7,152 sq/ft ), 19,775 sq/ft of office and 7,530 sq/ft of retail	Redevelopment of 6 parcels into a 95-unit market rate apartment	Redevelopment of 9 parcels into 101 apartments and 11 retail town homes
<b>Certified</b>	7/1/2016	6/30/2017	6/30/2017	5/11/2019	7/17/2020	5/10/2021
<b>Keep Open for Pooling for Aff. Hsg.</b>	TBD	TBD	TBD	TBD	TBD	Yes
<b>Anticipated Term</b>	<b>12/31/2025</b>	<b>12/31/2026</b>	12/31/2037	12/31/2029	12/31/2047	12/31/2048
<b>Current Obligations</b>	<b>\$2.6 Million</b> PAYGO Note	<b>\$950,000</b> PAYGO Note	<b>\$3,377,236</b> PAYGO Note (Note not issued yet)	<b>\$951,596</b> IFL	<b>\$3,350,000</b> PAYGO Note	<b>\$2,600,000</b> PAYGO Note
<b>2023 TIF Revenue</b>	\$ 756,275	\$212,639	\$487,575	\$245,119	\$332,060	\$66,807

District	Beltline Residences (Opus)	Rise on 7 (Common Bond)	9920 Wayzata Blvd (Bigos)	Wooddale Ave. Apts. (REE)	Beltline Station 1 (Sherman)	Beltline Station 2 (Sherman)
<b>District Type</b>	Redevelopment	Housing	Housing	Housing	Housing	Renewal & Renovation
<b>Project</b>	Redevelopment of 1 parcel into a 250-unit market rate apartment with 7,445 sq/ft of retail	Redevelopment of 1 parcel into 120-unit affordable apartment	Redevelopment of 2 parcels into 233-unit apartment with 20% of units affordable at 50% of AMI	Redevelopment of 1 parcel into a 114-unit affordable apartment	Redevelopment of 2 parcels into 82-unit affordable apartment	Redevelopment of 6 parcels into 302-unit market rate apartments in 2 buildings, 23,376 sq/ft of commercial space and a 546-stall parking structure which will include a park and ride facility
<b>Certified</b>	7/20/2022	7/20/2022	7/20/2022	7/20/2022	TBD	TBD
<b>Keep Open for Pooling for Aff. Hsg.</b>	Yes	Yes	Yes	Yes	Yes	TBD
<b>Anticipated Term</b>	12/31/2049	12/31/2049	12/31/2049	12/31/2049	12/31/2050	12/31/2040
<b>Current Obligations</b>	\$5,200,000 PAYGO Note (Note not issued yet)	\$1,800,000 Deferred loan from AHTF at 1% interest (repaid with TIF. If not enough developer pays remaining at earlier of 40 years from CO, refinance/resyndication or sale)	\$6,300,000 PAYGO Note (Note not issued yet)	\$1,462,000 PAYGO Note (Note not issued yet) and \$850,000 AHTF loan	\$1,442,847 PAYGO Note (Note not issued yet) and \$980,238 AHTF loan	\$5,088,472 PAYGO Note for market rate apts and \$5,751,036 PAYGO Note for mixed-use apts (Notes not issued yet) and \$1,554,000 grant (spending plan dollars)
<b>2023 TIF Revenue</b>	\$0	\$0	\$0	\$0	\$0	\$0

## OBLIGATIONS OF THE TIF DISTRICTS

The revenues from these districts are largely site specific, meaning that the revenues are restricted by law and by contract with the developers. The revenues must be used primarily to address blight, contamination, housing or redevelopment needs for the parcels in the TIF district within a specified period of time. The City currently has approximately \$40 million in outstanding PAYGO Notes and \$570,000 in one bond. See chart in Appendix A for district detail.

## TIF AS A DEVELOPMENT TOOL

Continuous redevelopment is vital to maintaining the City's long-term economic health and vitality. St Louis Park has utilized TIF for key redevelopment and housing projects since 1972 when the Oak Park Village TIF District was established. Utilizing this tool to accomplish the various community development goals of the City has optimized land uses, strengthened the tax base and diversified housing options, while cleaning up contaminated sites and increasing employment opportunities. One immediate benchmark of the benefit of utilizing TIF is the overall increase in market value from when the district was created to when it is fully developed and aging. As indicated in the table on the following page, the overall market value of the City's TIF district portfolio has increased by 1,192% (Districts that are certified, and collecting TIF):

District	Market Value at Time of Certification	Pay 2023 Taxable Market Value	Percent Increase in Value
Park Center	493,000	14,613,000	2864.10%
Zarthan	4,053,600	45,078,000	1012.05%
Mill City	708,700	44,545,000	6185.45%
Park Commons	4,618,000	229,427,100	4868.11%
Wolfe Lake	1,717,300	15,112,000	779.99%
Aquila	1,900,000	22,524,000	1085.47%
Elmwood	10,864,500	194,267,800	1688.10%
Highway 7 Business Center	2,792,700	10,266,000	267.60%
West End ( <b>Partial Construction</b> )	43,051,000	360,162,000	736.59%
Ellipse	1,931,800	57,641,000	2883.80%
Hardcoat	1,184,700	3,373,000	184.71%
Eliot Park	2,143,000	37,315,400	1641.27%
The Shoreham	2,476,200	45,449,000	1735.43%
4900 Excelsior	2,404,000	53,789,000	2137.48%
Elmwood Apartments	1,100,000	16,200,000	1372.73%
Wooddale Station	5,811,900	39,060,000	572.07%
Bridgewater Bank	3,772,400	19,771,000	424.10%
Parkway Residences	3,006,600	25,650,000	853.12%
Texa Tonka (Partial Value)	2,114,000	7,926,000	274.93%
<b>TOTAL</b>	<b>96,143,400</b>	<b>1,242,169,300</b>	<b>1192.00%</b>
Beltline Residences	5,423,000	6,251,000	15.27%
Rise on 7	2,735,000	2,761,000	0.95%
9920 Wayzata Blvd	3,565,000	5,659,000	58.74%
Wooddale Ave Apts (REE)	2,616,000	2,616,000	0.00%
Beltline Station 1	1,833,180	1,833,180	0.00%
Beltline Station 2	7,240,090	7,240,090	0.00%
<b>TOTAL</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

Due to the age of the City, the majority of the TIF districts created are redevelopment districts which have a 26-year term. However, most of the City's Districts do not extend to the entire term. Since 1997, the average term of the TIF districts is approximately 17 years. In the last 5 years, the average has increased to approximately 19 years. This is due to many factors, including but not limited to, increases in labor and construction costs, interest rates, property acquisition, operating costs of projects and City requirements for sustainability and affordable housing. In addition, many of the newer districts are housing districts which the City has typically allowed to go the full duration to capture 100% of the TIF for affordable housing once the obligations are paid off (See chart in Appendix A). The City's election to retain 35% of the TIF for affordable housing in redevelopment districts has only added three (3) years onto the term of those particular districts.

While there are undoubtedly many benefits to utilizing TIF as a development tool, cities still wonder if they are utilizing the tool too much or not enough. A city's use of TIF should be independent from comparison to like size or neighboring cities. It should be balanced between a community's strategic priorities/goals and an appropriate level of taxation. To quantify a community's use of TIF, a common benchmark or measure is the percentage of the gross tax base captured in TIF districts. Below is a chart which demonstrates the City's current and projected tax base, which is captured in TIF districts.

**City of St. Louis Park**

District	District Type	Actual				Projected				
		2020	2021	2022	2023	2024	2025	2026	2027	2028
Park Center	Hsg	150,890	156,578	159,990	174,303	0	0	0	0	0
Zarthan	Redev	467,481	451,000	410,444	441,199	445,611	450,067	454,568	0	0
Mill City	Redev	491,141	516,141	516,141	547,954	553,434	558,968	564,558	0	0
Park Commons	Redev	2,406,018	2,546,930	2,518,622	2,618,887	2,645,076	2,671,527	2,698,242	2,725,224	0
Edgewood	Redev	0	0	0	0	0	0	0	0	0
Wolfe Lake	Redev	129,144	133,709	151,791	173,950	175,690	177,446	179,221	0	0
Aquila Commons	Redev	201,109	209,382	211,836	190,260	192,163	194,084	196,025	197,985	199,965
Elmwood	R & R	1,975,041	2,032,483	2,060,056	2,069,644	2,090,340	2,111,244	2,132,356	2,153,680	2,175,217
Highway 7 Business Center	Redev	81,904	84,865	85,777	98,643	99,629	100,626	101,632	102,648	0
Highway 7 Subdistrict	HSS	53,504	53,504	53,504	53,504	53,504	53,504	53,504	53,504	0
West End	Redev	2,855,997	2,838,055	3,372,514	4,044,266	4,084,709	4,125,556	4,166,811	4,208,479	4,250,564
Ellipse on Excelsior	Redev	652,232	656,421	652,289	697,833	0	0	0	0	0
Hardcoat	Econ Dev	22,974	24,919	24,872	0	0	0	0	0	0
Eliot Park	Redev	390,896	399,659	400,968	437,510	0	0	0	0	0
The Shoreham	Redev	444,609	469,362	467,981	470,768	0	0	0	0	0
4900 Excelsior	Redev	548,563	592,423	593,343	644,636	651,082	657,593	0	0	0
Wayzata Blvd	Redev	4,021	7,164	15,725	0	0	0	0	0	0
Elmwood Apartments	Redev	0	181,250	181,250	181,250	183,063	184,893	186,742	0	0
Wooddale Station	Redev	0	415,601	415,601	415,601	419,757	423,955	428,194	432,476	436,801
Bridgewater Bank	Redev	0	47,859	184,679	208,935	211,024	213,135	215,266	217,419	219,593
Parkway Residences	Redev	0	0	136,650	283,042	381,924	831,635	839,951	848,351	856,834
Texa Tonka (Pastor Properties)	Hsg	0	0	0	56,945	420,256	538,720	544,107	549,548	555,044
Beltline Reidences	R & R	0	0	0	0	606,779	831,635	839,951	848,351	856,834
<b>Captured TIF Tax Capacity</b>		<b>10,875,524</b>	<b>11,817,305</b>	<b>12,614,033</b>	<b>13,809,130</b>	<b>13,214,040</b>	<b>14,124,587</b>	<b>13,601,129</b>	<b>12,337,666</b>	<b>9,550,852</b>
Total Tax Capacity (Gross)		96,057,628	102,157,645	106,119,396	116,626,650	117,792,917	118,970,846	120,160,554	121,362,160	122,575,781
<b>Percentage of Tax Base in TIF</b>		<b>11.3%</b>	<b>11.6%</b>	<b>11.9%</b>	<b>11.8%</b>	<b>11.2%</b>	<b>11.9%</b>	<b>11.3%</b>	<b>10.2%</b>	<b>7.8%</b>

*Assumes 1% annual increase in tax base and TIF beginning in payable 2024*

Today, the City's use of TIF is a bit higher compared to other first ring suburbs, however historically shorter terms of assistance in your TIF districts mitigates this. Overall, this amount of use is expected given that St Louis Park is fully developed, portions are in need of redevelopment and the City has chosen to use TIF to achieve strategic priorities such as affordable housing, climate action and sustainability, and race equity and inclusion.

Also shown are the tax rates and bond ratings for similar cities. The cities shown were selected because (i) they may be immediately adjacent to St. Louis Park (ii) they are first-ring, fully developed suburbs (iii) may be similar in size; and (iv) have similar economic characteristics. Although this is a small sample of municipalities, the amount of TIF used by a City does not correlate directly with a City's tax rate or bond rating. As noted, even though St. Louis Park has the second highest percent of tax capacity captured in TIF, more of the cities have a higher tax rate. This means that for

the same value home in these cities, their local taxes are higher than in St. Louis Park, even though they use TIF less. In addition, in conversations with rating agencies, we do know that market value growth and redevelopment are important factors in maintaining St Louis Park's AAA bond rating.

Comparable City	Population	Captured TIF as a % of Tax Base	City Tax Rate	Bond Rating
Edina	52,437	1.2%	28.056%	Aaa/AAA
Minnetonka	52,554	1.7%	33.922%	Aaa
New Brighton	22,413	9.4%	39.795%	AA
<b>St. Louis Park</b>	<b>48,827</b>	<b>11.8%</b>	<b>42.861%</b>	<b>AAA</b>
Fridley	30,289	12.2%	43.017%	Aa2
Robbinsdale	14,210	9.6%	48.265%	AA+
Richfield	36,710	10.4%	52.120%	Aa2
Golden Valley	21,545	2.0%	53.407%	Aaa
Hopkins	18,269	8.7%	61.432%	AA+



## RECENT STATE-WIDE GENERAL LEGISLATION

In 2021 the Minnesota State Legislature provided temporary authority to use unobligated TIF from existing tax increment districts to help stimulate private development that would not otherwise commence without assistance before December 31, 2025.

The City/EDA may provide loans, interest rate subsidies, or assistance in any form (including an equity or similar investment in a private project) to private development, as long as it consists of new construction or substantial rehabilitation of buildings and ancillary facilities AND if doing so will create or retain jobs in the State (including construction jobs).

Unobligated increment includes increment from any district that is not obligated as of July 1, 2021, nor required for payment on outstanding obligations during the six months following the transfer of the increment out of the district. The City can use ALL unobligated increment and is not restricted to the normal “pooling” thresholds (i.e., 20%, 25% or 35% for districts that elect the additional 10% for affordable housing purposes).

The City may use the unobligated tax increment for any private development that would otherwise not commence without the assistance. That means these dollars can be used for end uses typically not permitted for tax increment districts, such as retail or market rate housing on a vacant site. In order to be able to utilize these dollars, the City and EDA are required to develop a Spending Plan and hold a public hearing on it and the use of TIF dollars.

In 2022, the City transferred \$1,554,653 to a special fund and these dollars have been committed to the Beltline Station redevelopment.

## TIF FOR AFFORDABLE HOUSING

### General

The rules for utilizing TIF for affordable housing are complex. St. Louis Park has used TIF from several sources to assist affordable housing developments. The statutory authorities for each case are outlined below:

1. **Special Pooling Provision for Housing.** Minnesota Statutes, Section 469.1763, subdivision 2(d), allows the EDA/City to pool up to an additional 10% above the standard allowable limit for owner-occupied housing that meets the income qualifications noted in #2 below and rental housing that meets low-income housing tax credit requirements (the projects do not need to receive tax credits, they just need to be tax credit eligible, meaning they are both rent and income restricted). Eligible uses include acquisition and site preparation, construction, rehabilitation and public improvements directly related to the housing, as long as these costs were not funded through tax credits (does not apply if all eligible expenses are funded through tax credits). The funds can be spent anywhere within the City and do not need to be located within a Project Area. The income and rent guidelines are defined as follows:

**Rental Housing:** 20% of the units occupied by families at 50% of area median income (AMI) (20/50) or 40% of the units occupied by families at 60% of AMI (40/60) and rents for all the income-restricted units must not exceed 30% of the applicable income limit

For a redevelopment district the total pooling may be up to 35%. This pooling, pursuant to Minnesota Statutes, Section 469.176 subdivision 4k, can be done without regard to project area/development district limitations. The EDA/City would not implement this pooling until the obligations in the various TIF districts are paid off since typically 95% of the TIF is pledged to the obligation.

2. **Pooling from Housing Districts.** A housing district is established for either rental or owner-occupied housing. The rental housing developments are income limited to those noted in #1 above. The owner-occupied housing is limited to 100% of AMI for families of two or less, or 115% for families of three or more. The rental housing restrictions remain for the life of the TIF district while the owner-occupied restrictions apply only to the first occupants. If excess funds from a housing district are realized, then 100% of the tax increment may be pooled for other housing projects that meet the income limitations listed above. This pooling can be done without regard to project area and development district limitations.

## TIF District Sources

Currently, the main tax increment sources, from which the City could fund affordable housing, are from Aquila and Park Center (housing), Wolfe Lake, Ellipse, Eliot Park, The Shoreham, Mill City and Zarthan (redevelopment). ***In addition, the EDA should review making the additional 10% election to the West End, 4900 Excelsior and Park Commons TIF Districts in 2023.*** The table below summarizes the amounts that are anticipated to be available and are based upon pay 2023 TIF estimates. Based upon this table:

- The districts ***shaded in gray*** are redevelopment districts where the City has elected to retain the additional 10% for affordable housing.
- The districts ***in white*** are redevelopment districts where the City has not yet elected to retain the additional 10% for affordable housing.
- The districts ***shaded in green*** are housing districts and the City has always allowed these districts to remain open to capture 100% of the TIF for affordable housing.
- 2023 is highlighted in bold to show how much from each district is available; and
- The ***orange highlighted year*** (2026) represents the last year the City can transfer from the various districts to the AHTF pursuant to the special legislation discussed on the following page.

POOLING FOR AFFORDABLE HOUSING													
Gray Shaded Areas Depict TIF District That Have Been Modified to Allow For Additional 10% - Green Shaded Area Are Hsg TIF Districts													
Year	Wolfe Lake Redev	Zarthan Redev	Mill City Redev	Ellipse Redev	Eliot Park Redev	Shoreham Redev	West End Redev	4900 Excelsior Redev	Park Commons	Park Center Hsg	Aquila Hsg	Yearly Total	Cumulative
2020				170,000								170,000	170,000
2021	109,421			492,066	163,361	146,387				460,787	583,962	1,955,984	2,125,984
2022				353,562	135,627	542,960				184,410	4	1,216,563	3,342,547
<b>2023</b>	<b>125,000</b>	<b>500,000</b>	<b>630,000</b>	<b>279,809</b>	<b>2,620</b>					<b>205,135</b>	<b>211,812</b>	<b>1,954,376</b>	<b>5,296,924</b>
2024	225,000	500,000	640,000					500,000			211,812	2,076,812	7,373,736
2025	250,000	500,000	630,000				200,000	795,000			211,812	2,586,812	9,960,548
2026	200,392	541,925	644,984	-	-	-	200,000	472,686	-		211,812	2,271,799	12,232,348
2027	-			-	-	-			2,400,000		211,812	2,611,812	14,844,160
2028	-			-	-	-			693,000		211,812	904,812	15,748,972
2029	-			-	-	-					211,812	211,812	15,960,784
2030	-			-	-	-					211,812	211,812	16,172,597
2031	-			-	-	-					211,812	211,812	16,384,409
2032	-			-	-	-					211,812	211,812	16,596,221
2033	-			-	-	-					-	-	16,596,221
2034	-			-	-	-					-	-	16,596,221
2035	-			-	-	-					-	-	16,596,221
2036	-			-	-	-	23,960,909				-	23,960,909	40,557,130
<b>TOTAL</b>	<b>909,813</b>	<b>2,041,925</b>	<b>2,544,984</b>	<b>1,295,437</b>	<b>301,608</b>	<b>689,347</b>	<b>24,360,909</b>	<b>1,767,686</b>	<b>3,093,000</b>	<b>850,332</b>	<b>2,702,089</b>	<b>40,557,130</b>	

If the City continues to keep the existing three (3) redevelopment TIF districts open as allowed through 2026, it will capture approximately \$1.365 to \$1.38 million annually for the AHTF. If the City were to decertify these districts and return 100% of the increment back to the County for redistribution, the City's proportionate share would be approximately \$542,000 to \$550,000. Depending upon where the City dedicates those returned dollars the net loss to the AHTF ranges from \$823,000 to \$1.365 million. The Chart below illustrates this as well as the dollars associated with the two (2) of the three (3) future districts as well (did not include Park Commons since those dollars come in after 2026).

Projected Dollars to AHTF			
	Projected		
	2024	2025	2026
<b>Current TIF Districts</b>			
Wolfe Lake	225,000	250,000	200,392
Mill City	640,000	630,000	644,984
Zarthan	500,000	500,000	541,925
<b>Total Annual Increment</b>	<b>1,365,000</b>	<b>1,380,000</b>	<b>1,387,301</b>
<b>Future TIF Districts</b>			
West End	-	200,000	200,000
4900 Excelsior	500,000	795,000	472,686
<b>Total Annual Increment</b>	<b>500,000</b>	<b>995,000</b>	<b>672,686</b>
<b>GRAND TOTAL- Annual Increment</b>	<b>1,865,000</b>	<b>2,375,000</b>	<b>2,059,987</b>
Projected Dollars To General Fund <u>OR</u> AHTF as a Result of 100% of Returned Increment			
TIF District	Projected		
	2024	2025	2026
Wolfe Lake	89,336	99,263	79,566
Mill City	254,112	250,142	256,091
Zarthan	198,525	198,525	215,171
<b>Total Annual City Share of Taxes if Districts Decertified</b>	<b>541,973</b>	<b>547,929</b>	<b>550,828</b>
<b>Future TIF Districts</b>			
West End	-	79,410	79,410
4900 Excelsior	198,525	315,655	187,680
<b>Total Annual City Share of Taxes if Districts Decertified</b>	<b>198,525</b>	<b>395,065</b>	<b>267,090</b>
<b>GRAND TOTAL - Annual City Share of Taxes if Districts Decertified</b>	<b>740,498</b>	<b>942,994</b>	<b>817,918</b>
<b>Existing 3 Districts</b>			
Annual Loss in Tax Dollars to AHTF (100%)	(1,365,000)	(1,380,000)	(1,387,301) #
Annual Loss in Tax Dollars to AHTF (IF City portion is deposited into AHTF)	(823,027)	(832,071)	(836,473)
<b>All Districts</b>			
Annual Loss in Tax Dollars to AHTF (100%)	(1,865,000)	(2,375,000)	(2,059,987)
Annual Loss in Tax Dollars to AHTF (IF City portion is deposited into AHTF)	(1,124,502)	(1,432,006)	(1,242,069)

## Special City TIF Legislation

During the 2021 legislative session, the State approved Minnesota Sessions Laws 2021, 1<sup>st</sup> Special Session, Chapter 14, Article 9, Section 5 (the “Special Legislation”). The Special Legislation authorizes the City/EDA to transfer tax increment accumulated for housing purposes from its housing TIF districts and 35% from its redevelopment TIF districts to the City’s Affordable Housing Trust Fund (AHTF).

The Special Legislation allows the City/EDA to provide grants, loans, and loan guarantees for the development, rehabilitation, or financing of housing; or match other funds from federal, state, or private resource for housing projects. Housing projects are not defined in the Special Legislation, but it is the intent of the City/EDA to use it for rental and for-sale housing projects in accordance with its AHTF guidelines.

The City’s EDA has until December 31, 2026, to transfer the funds to its AHTF. In addition, the City/EDA has to provide a report to the Chair and ranking Minority Leader of the House and Senate Tax Committees by February 1, 2024, and February 1, 2026, detailing the housing projects financed with the transferred funds, including the percentage of area median income provided, total cost per project, number of units and income and rent limitations

The City/EDA currently has six (6) districts as noted above that are transferring funds (Wolfe Lake, Ellipse, Eliot Park, The Shoreham, Park Center and Aquila). To date, the City has transferred approximately \$3.342 million and is expected to transfer up to \$1.954 million in 2023, for a total of approximately \$5.296 million. The City has the authority to transfer funds until December 31, 2026, and if the City keeps the various districts open until that time, in total it could have approximately \$12.2 million available for affordable housing.

Once these funds are transferred over to the City’s AHTF, they are no longer considered TIF and all restrictions (income and percent of units required to be affordable), are no longer applicable. The only limitations are what are in the City’s policy, which is to fund affordable housing projects for extremely low (30% or less AMI), very low (50% or less AMI), or low (up to 60% AMI) for rental and up to 80% AMI for ownership. Staff will review the TIF funds annually to determine future transfers, up until December 31, 2026, per the Special Legislation.

## IMPACT OF DECERTIFIED TIF DISTRICTS

One frequent question we receive is what are the additional levy dollars the City can expect to receive from future TIF districts after they are decertified? The City will see the gradual decertification of eleven (11) TIF districts over the next five (5) years, starting with Eliot Park, The Shoreham, Ellipse and Park Center on December 31, 2023. These districts, when decertified, will return value to the tax rolls for general taxing purposes, and the City will see a corresponding increase in its tax base. The Districts to provide the most benefit to the tax levy will be when Park Commons decertifies in 2027 and Elmwood Village Decertifies in 2029.

The table below shows how much more the City could levy and still maintain a stable tax rate over the next 10 years. The additional tax capacity freed up by decertifying districts allows the city to set the levy to cover operational and debt needs without directly increasing the property tax impact on taxpayers. As shown in the table, over the next 5 years, decertifying districts could provide an additional \$2.04 million in tax dollars to the City (\$2.8M cumulative total) and over the next 10 years this cumulative amount will increase by approximately \$2.3 million to \$3.9 million. The future district decertification's have been incorporated into the long-range financial forecast for City budgeting purposes.

TIF District	Obligation(s) Paid In Full	Decertifies Dec. 31	2024	Next 5	Next 10
			TOTAL	TOTAL	TOTAL
Eliot Park	2020	2023	437,510	437,510	437,510
Shoreham	2021	2023	470,768	470,768	470,768
Ellipse	2020	2023	697,833	697,833	697,833
Park Center	2003	2023	161,590	161,590	161,590
Zarthan	2022	2026	-	441,199	441,199
4900 Excelsior	2024	2025	-	644,636	644,636
Mill City	2023	2026	-	547,954	547,954
Wolfe Lake	2020	2026	-	173,950	173,950
Elmwood Apartments	2026	2026	-	181,250	181,250
Park Commons	2027	2027	-	2,618,887	2,618,887
Highway 7 Corporate Center	2027	2027	-	152,147	152,147
Elmwood Village	2029	2029	-	-	2,207,356
Bridgewater Bank	2029	2029	-	-	208,935
Aquila Commons	2018	2032	-	-	190,260
			-	-	-
			-	-	-
			-	-	-
<b>Total Annual Captured Net Tax Capacity Returned to Tax Rolls</b>			<b>1,767,701</b>	<b>6,527,724</b>	<b>9,134,275</b>
<b>City Preliminary Tax Rate for Taxes Payable in 2023 <sup>(1)</sup></b>				<b>42.861%</b>	
<b>Estimated Additional Annual Tax Levy Available <sup>(1)</sup></b>			<b>\$ 757,654</b>	<b>\$ 2,797,848</b>	<b>\$ 3,915,041</b>

**(1) - Assumptions:**

- Calculates additional dollars the City could levy and still maintain the same tax rate as Pay 2022.
- Assumes no change in existing tax base from prior year
- Assumes no change in the Fiscal Disparities Distribution Dollars from Pay 2023

## CONCLUSIONS AND RECOMMENDATIONS

Based upon the updated financial review and analysis of the City's TIF districts, following are the conclusions, actions anticipated as well as recommendations:

### Conclusions

1. **Decertify Three TIF Districts.** The City is required to decertify Eliot Park, Ellipse and The Shoreham Districts because their obligations are paid in full and they have accumulated the allowable 35% for affordable housing. A portion of the remaining cash balances can be transferred to the City's AHTF (as noted in the chart below) and the portion noted in #2 below will be returned to the County for redistribution. ***The City will be approving resolutions at a meeting in November to decertify these districts early.*** The City will submit the required resolutions to the County Auditor so the tax capacity of these districts will be removed for taxes payable in 2024. In addition, the City will be required to submit a confirmation of decertification form to the Office of the State Auditor to account for any remaining TIF in the District (Ehlers will assist staff with these forms and accounting). In addition, we recommend retaining \$100,000 in each of these districts until the active tax petitions are resolved to assure the City has the funds available for any awards granted to those property owners, if any (so no impact on the City's General Fund).

District	AHTF Amount
Ellipse	\$ 279,809
Eliot Park	\$ 2,620
Shoreham	\$ -
<b>TOTAL</b>	<b>\$ 282,429</b>

2. **Return of Increment to County For Redistribution.** The City will be returning approximately \$1.2M from the three (3) TIF Districts noted in #1 above to the County for redistribution by December 31, 2023. The City's proportionate share will be approximately \$476,000 and these dollars are available for any general fund purposes.

District	Amount Returned	City Portion
Ellipse	\$ 361,981	\$ 143,725
Eliot Park	\$ 387,897	\$ 154,015
Shoreham	\$ 449,972	\$ 178,661
<b>TOTAL</b>	<b>\$ 1,199,850</b>	<b>\$ 476,400</b>

3. **2021 Special TIF Legislation for Affordable Housing Trust Fund (AHTF).** We recommend staff and Ehlers review the TIF districts that have cash balances available for transfer prior to year-end to determine if the approximately \$1.954 million is the appropriate amount to be transferred to the City's AHTF for 2023.

## Recommendations

1. **Continue Pooling Tax Increment Generated From All Currently Eligible TIF Districts and Dedicate the Funds to the City's AHTF.**  
We recommend the City continue to capture the annual allotment of TIF from Wolfe Lake, Zarthan, Mill City, Park Center and Aquila districts through 2026 to maximize the dollars for affordable housing and utilize the authority provided for in the special legislation.
2. **Election to Retain an Additional 10% for Affordable Housing:** We recommend making this election in 2023 for the 4900 Excelsior, West End and Park Commons TIF Districts to provide the City the flexibility to retain the additional funds. For 4900 Excelsior and West End, this will allow the City to transfer available funds to the AHTF prior to December 31, 2026, when the special legislative authority ends. For Park Commons, this will allow the City to retain those funds in the TIF District for use on affordable housing as well but will carry the restrictions noted on page 18.



# APPENDIX A

## Obligations of District

Pay As You Go Obligations, Interfund Loans and AHTF Loans				
District	Note	Type	Outstanding After 8/1/2023	Total By TIF District
Hwy 7 Corporate Center	Note A		\$ 399,576	\$ 563,566
	Note B	PAYGO	\$ 68,499	
	Note C		\$ 72,372	
	Note D		\$ 23,119	
Excelsior and Grand	Phase NE		\$ 2,852,302	\$ 8,921,735
	Phase E	PAYGO	\$ 3,485,707	
	Phase NW		\$ 2,583,726	
West End	Duke Realty	PAYGO	\$ 20,909,528	\$ 20,909,528
4900 Excelsior	Weidner	PAYGO	\$ 617,461	\$ 617,461
Elmwood Apartments	36th Street LLC	PAYGO	\$ 481,976	\$ 481,976
Bridgewater Bank	Bridgewater Bank	IFL	\$ 918,564	\$ 918,564
Parkway Residences	Sela Investments LLC	PAYGO	\$ 3,350,000	\$ 3,350,000
Texa Tonka	Pastor Properties	PAYGO	\$ 2,600,000	\$ 2,600,000
Rise on 7	Common Bond	AHTF Loan	\$ 1,800,000	\$ 1,800,000
<b>TOTAL OBLIGATIONS ISSUED</b>				<b>\$ 40,162,830</b>
Wooddale Station	PLACE (not issued yet)	PAYGO	\$ 3,377,236	\$ 3,377,236
Beltline Residences	Opus (not issued yet)	PAYGO	\$ 5,200,000	\$ 5,200,000
9920 Wayzata Blvd	Bigos (not issued yet)	PAYGO	\$ 6,300,000	\$ 6,300,000
Wooddale Ave Apts	Real Estate Equities (not issued yet)	PAYGO	\$ 1,462,000	\$ 2,312,000
	Real Estate Equities (not issued yet)	AHTF Loan	\$ 850,000	
Beltline Station 1	Sherman (not issued yet)	PAYGO	\$ 1,442,847	\$ 2,423,085
	Sherman (not issued yet)	AHTF Loan	\$ 980,238	
Beltline Station 2	Sherman Mk Apt (not issued yet)	PAYGO	\$ 5,088,472	\$ 10,839,508
	Sherman Mixed Use (not issued yet)	PAYGO	\$ 5,751,036	
<b>TOTAL OBLIGATIONS NOT ISSUED</b>				<b>\$ 30,451,829</b>
<b>GRAND TOTAL</b>				<b>\$ 70,614,659</b>

Bonds After 8/1/2023			
Issue	Amount	Paying District	Term
2008B GO Tax Increment Bonds	\$ 570,000	West End	2/1/2024
<b>TOTAL</b>	<b>\$ 570,000</b>	<b>N/A</b>	<b>N/A</b>

## Term of TIF Districts

District	Year Established	Type of District	Term of District	# of Years of TIF Based Upon Obligation Being Paid Off	# of Years of TIF Based Upon Pooling for Affordable Housing	Difference Between Term and Obligations Being Paid Off
Park Center	1997	Housing	26	6	26	0
Zarthan	1999	Redevelopment	26	23	26	0
Mill City	2000	Redevelopment	26	23	26	0
Park Commons	2001	Redevelopment	26	26	26	0
Wolfe Lake	2003	Redevelopment	26	14	21	-5
Aquila	2004	Housing	26	12	12	-14
Elmwood Village	2004	Renewal and Renovation	22	22	22	0
Highway 7 Business Center	2006	Redev/HSS	26	22	22	-4
West End (Partial Construction)	2007	Redevelopment	26	20	20	-6
Ellipse	2009	Redevelopment	26	10	13	-13
Hardcoat	2010	Economic Development	9	9	9	0
Eliot Park	2013	Redevelopment	26	5	8	-18
The Shoreham	2015	Redevelopment	26	3	6	-20
4900 Excelsior	2015	Redevelopment	26	8	8	-18
Elmwood Apartments	2017	Redevelopment	26	8	8	-19
Wooddale Station	2017	Redevelopment	26	15	15	-11
Bridgewater Bank	2017	Redevelopment	26	6	6	-20
Parkway Residences (Under construction)	2020	Redevelopment	26	15	15	-11
Texa Tonka (Pastor Properties)	2021	Housing	26	12	12	-14
Beltline Residences (Under construction)	2021	Redevelopment	26	8	8	-18
Rise on 7 (Common Bond)	2022	Housing	26	26	26	0
9920 Wayzata Blvd (Bigos)	2022	Housing	26	15	26	0
Wooddale Ave Apts (REE)	2022	Housing	26	15	26	0
Beltline Station 1 (Sherman)	2022	Housing	26	26	26	0
Beltline Station 2 (Sherman)	2022	Renewal and Renovation	16	16	16	0
<b>AVERAGE</b>	<b>N/A</b>	<b>N/A</b>	<b>25</b>	<b>15</b>	<b>17</b>	<b>-8</b>
<b>AVERAGE LAST 10 YEARS</b>	<b>N/A</b>	<b>N/A</b>	<b>25</b>	<b>13</b>	<b>15</b>	<b>-11</b>
<b>AVERAGE LAST 5 YEARS</b>	<b>N/A</b>	<b>N/A</b>	<b>25</b>	<b>17</b>	<b>19</b>	<b>-5</b>

Note: Districts highlighted in grey are redevelopment districts where the city has made the election to retain up to 35% for affordable housing.