St. Louis Park
MINNESOTA
Experience LIFE in the Park

AGENDA
OCTOBER 14, 2024

6:00 p.m. Study session – Community Room

Discussion items

1.	Tax increment financing 101 and other forms of financial assistance for proposed redevelopment projects
2.	Annual TIF District status update

Members of the public can attend St. Louis Park Economic Development Authority and city council meetings in person. At regular city council meetings, members of the public may comment on any item on the agenda by attending the meeting in-person or by submitting written comments to info@stlouisparkmn.gov by noon the day of the meeting. Official minutes of meetings are available on the city website once approved.

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City council study sessions are not broadcast. Generally, it is not council practice to receive public comment during study sessions.

The council chambers are equipped with Hearing Loop equipment and headsets are available to borrow. If you need special accommodations or have questions about the meeting, please call 952.924.2505.

Executive summary

Title: Tax increment financing 101 and other forms of financial assistance for proposed redevelopment projects

Recommended action: Please provide staff with any comments or questions related to this report and presentation.

Policy consideration: None. The intent of the discussion is to further familiarize the EDA/council with tax increment financing and other forms of financial assistance for proposed redevelopment projects.

Summary: As part of this year's annual tax increment financing (TIF) district management discussion, Stacie Kvilvang, senior financial advisor with Ehlers, will provide an overview of TIF and other forms of financial assistance and their uses. A summary of these financial assistance tools is provided in the staff report and will be presented and discussed at the study session.

Financial or budget considerations: The application of financial assistance tools to facilitate desired redevelopment projects and further the city's strategic priorities affects the city's total tax capacity which is reflected in the city's annual budget and long-range financial plan during and after the term of the TIF district. It also plays a significant role in the retention of the city's AAA bond rating.

Strategic priority consideration: St. Louis Park is committed to providing a broad range of housing and neighborhood oriented development.

Supporting documents: Discussion

Prepared by: Greg Hunt, economic development manager
Jennifer Monson, redevelopment administrator
Reviewed by: Karen Barton, community development director / EDA executive director
Amelia Cruver, finance director
Approved by: Kim Keller, city manager

Discussion

Background: The EDA/city's financial advisor, Ehlers, along with city staff, annually present the EDA/council with an update on the financial status and management of the city's tax increment financing (TIF) districts. As part of this year's annual TIF district management discussion, Stacie Kvilvang, senior financial advisor with Ehlers, will provide an overview of TIF and other forms of financial assistance and their uses. A summary of these financial assistance tools is provided below and will be reviewed at the study session.

Redevelopment is necessary for the city to remain economically vibrant, provide a broad range of new housing to meet market demand and retain its AAA bond rating. Projects in first-ring suburbs like St. Louis Park are often not economically feasible on their own as they require tearing down obsolete structures (many with hazardous building materials), remediating contaminated soils, and replacing outdated utilities in order to construct modern, energy efficient buildings. Additionally, when affordable housing is included in the new development, it requires developers to lease units at below market rents for a number of years. These and other additional costs prevent projects from being economically feasible. As a result, cities are often asked to contribute public financial assistance to help offset these added costs so that projects are able to move forward.

Initial process

As presented in the development process presentation at the Oct. 7, 2024 special study session, when a developer has a proposed development project it wishes the city to consider, an initial meeting is held with city planning and economic development staff. City staff and the developer review the project's scope, components and economic impact; compatibility with city strategic priorities and policy requirements; conformance with city comprehensive plan and zoning ordinance; extraordinary costs requiring financial assistance; time schedule; and other information. Once generally acceptable site and building concept plans are prepared and the developer confirms the proposed development's components and numbers, the developer is invited to share the project's financial proforma with staff and the EDA's financial consultant. The new development's pro forma needs to include the following estimates:

- Detailed project Sources and Uses of funds (including any extraordinary site development, redevelopment and/or clean-up costs)
- Revenue/income projections
    - Proposed housing developments must include number of affordable units and their affordability levels, monthly unit rents, unit counts, square footages for each unit type, and anticipated vacancy rates
- Detailed operating costs (including major categories, such as administrative, payroll, utilities, insurance, maintenance, management fees, property taxes, etc.)
- Financing assumptions (including rate, amortization, term and underwriting requirements)
- 15-Year operating proforma
- Housing projects also need to provide:
    - Detailed list of amenities
    - Types of parking (underground, structured, and/or surface)
    - Interior unit finish materials (general summary)
    - Exterior finish materials (general summary)

- Sustainable features/elements included in project

Upon review of the above, if it is determined that there is a sizable gap in a proposed development's financial pro-forma that renders it financially infeasible, and provided the proposed project is consistent with the city's strategic priorities and other policies, the EDA may consider providing financial assistance at a negotiated amount.

The EDA has several tools at its disposal to offer financial assistance:

Tax abatement
One such financing tool is tax abatement. Tax abatement is a reduction in the amount of property taxes owed on specific properties. Minnesota law allows political jurisdictions—cities, counties, school districts—to offer the tax reduction to provide a financial incentive for a public benefit, such as the creation of jobs or affordable housing.

The abatement may reduce all or part of the jurisdiction's property taxes, and the jurisdiction can limit the abatement to a specific amount per year or in total. Jurisdictions may provide abatements up to a maximum of the greater of $200,000 or 10% of the net tax capacity of the project parcel(s).

Per state statute, tax abatement requires approval from each participating taxing jurisdiction. Each participating jurisdiction must hold a public hearing and consider a resolution to approve the proposed abatement. The required public notice identifies the entity granting the abatement, the subject abatement properties and estimated total abatement amount. The proposed resolution includes:

- Abatement terms
- States that benefits to political subdivision at least equal costs of proposed agreement
- A finding that the proposed abatement is in the public interest because it:
  - Increases or preserves the tax base
  - Provides employment opportunities and/or affordable housing
  - Provides public facilities
  - Redevelops or renews blighted areas
  - Provides access to services for residents
  - Finances or provides public infrastructure
  - Stabilizes the tax base

If the city, county, and school district all agree to provide the proposed tax abatement, the maximum term of that abatement is statutorily capped at 15 years. If only the city agrees to provide the abatement, the term is capped at 20 years. Hennepin County, by adopted policy, does not typically entertain requests for tax abatements unless the proposed project provides significant affordable housing and meets other specific criteria. School districts, given their tight budgets, are highly reticent to forgo receipt of property tax revenue to provide tax abatements to development projects. That leaves just the city to provide tax abatements. Abating only the city portion of a project's property taxes typically does not generate the amount of financial assistance needed to fill the gaps for large scale redevelopments. Likewise, the statutory cap on tax abatement is typically insufficient to fill the gap for most major developments. Therefore, tax abatement has not been a form of financial assistance utilized in St. Louis Park.

Tax increment financing (TIF)

TIF is another financing tool authorized by state law to encourage creation or retention of jobs, redevelopment of blighted areas or polluted sites and construction of affordable housing. If formally approved, it allows cities, EDAs, and counties to capture most of the increased future property tax revenues generated from new development within a defined geographic area and over a specified period of time to finance certain qualified development costs incurred during construction of that development. Generally, the way it works is that the developer builds an agreed upon development and pays additional property taxes based on the new development's increased assessed value. A substantial portion of those additional property taxes, known as "tax increment," are returned to the developer to reimburse them for certain qualified costs incurred in the construction of the project until the payments reach the agreed upon number of years of assistance or maximum amount of assistance.

With TIF, the developer must first pay the full property tax amount in order to receive the agreed upon partial reimbursement of the tax increment. The city, county, and school district continue to receive the base amount of taxes that they were receiving prior to the redevelopment.

TIF is the financing tool most often used for large-scale redevelopments as it has the capacity to generate the largest amount of financial assistance. The EDA works with its financial consultant, Ehlers, to determine if a proposed development does indeed have a financial gap, if the project would be unlikely to proceed without TIF assistance (the But-For test), and the least amount of TIF assistance necessary to move the project forward. Ehlers and city staff collaborate to determine if the project and financial request meets the goals of the city's strategic priorities, Tax Increment Financing Policy and other city policies. These priorities and goals include facilitating projects that:

- Foster racial equity and inclusion to create a more just and inclusive community for all.
- Help achieve the city's Climate Action Plan goals.
- Providing a broad range of housing and neighborhood-oriented development.
- Providing a variety of options for people to make their way around the city comfortably, safely and reliably.
- Creating opportunities to build social capital through community engagement.
- Enhance the overall livability and economic vitality of the community.
- Foster the expansion, redevelopment and revitalization of the city's business areas through environmentally sustainable projects.
- Retain and foster the growth of the city's existing high-quality businesses.
- Assist the startup, growth, diversification and expansion of the city's small businesses.
- Recruit new businesses that are compatible with and complementary to the city's existing businesses.

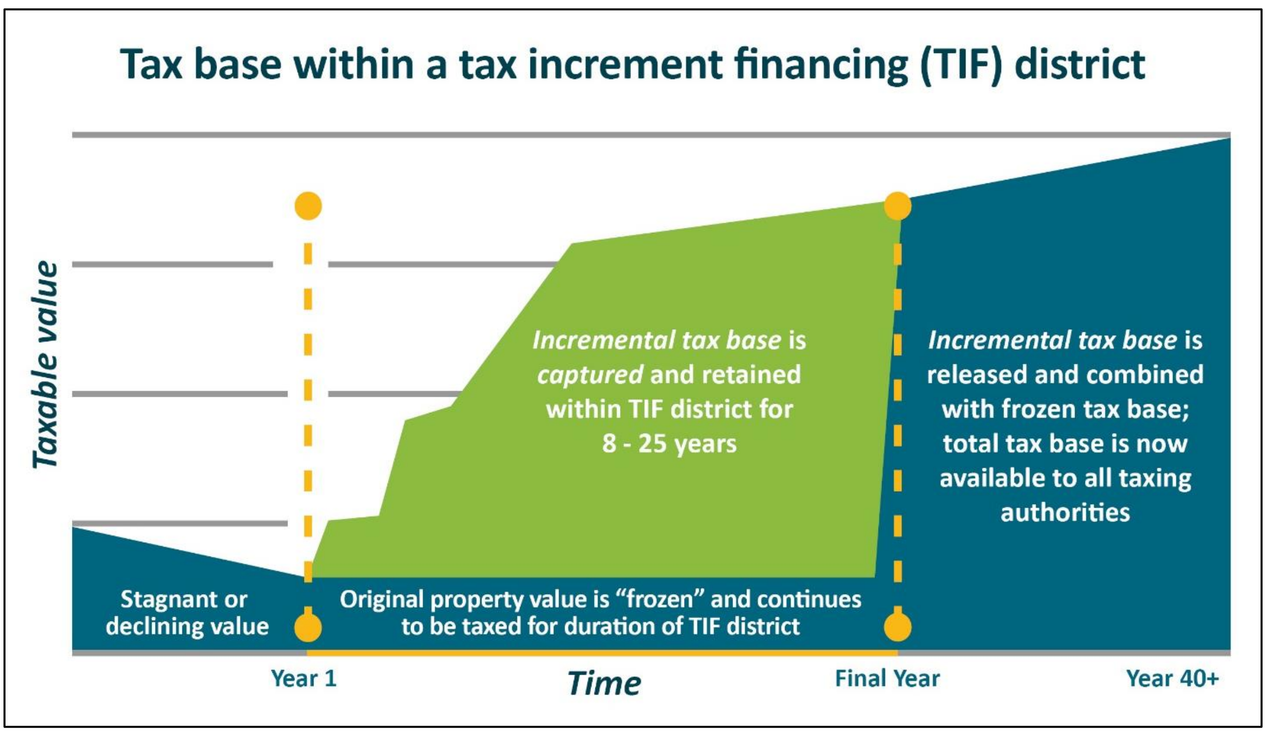
When a TIF district is established, a base assessed property value is established or "frozen" for the properties within the district. This value is reflective of the property's current assessed value (vacant land, land with structures, etc.), not the value after development is complete.

The developer pays the property taxes assessed against the subject properties. As the development moves forward and the property's assessed value increases, the property taxes increase. The revenue from the increased property taxes ("tax increment") is collected by the county and the majority is returned to the city. The city then disburses a substantial portion of the tax increment back to the developer to offset certain qualified costs (authorized by the MN TIF Act) incurred constructing the new development.

It's important to note that TIF payments to the developer do not begin until the specified project has been satisfactorily completed, the developer submits its qualified costs for verification as well as submits all required documentation under the Green Building, REI, and Inclusionary Housing Policies (as applicable). Additionally, a "Lookback Analysis" is performed to ensure that if the Development's total Public Redevelopment Costs are lower than originally estimated, the EDA can reduce the amount of TIF assistance provided. Furthermore, TIF payments are provided on a "pay-as-you-go" basis which means the developer must pay their property taxes in order to receive a subsequent TIF payment.

Creating a TIF district does not reduce property tax revenues available to overlapping taxing jurisdictions. Property taxes collected on properties within a TIF district at the time of its creation continue to be disbursed to the overlapping taxing entities (schools, city, county, etc.). The other taxing authorities continue to receive the property tax payments based on the district's base property value at the time the district was certified.

Once the project is completed and all agreed upon financial obligations are met, the TIF district can be closed. After which all taxing authorities (city, county, school district, etc.) benefit from the increased property taxes generated from the new development's higher property valuation.



What is the But-For Test? When establishing a TIF district, state statute requires the EDA to make a finding that the proposed development would not occur without financial assistance. The two components of the But-For finding are:

1. The development would not happen solely through private investment in the "reasonably foreseeable future"
2. The new development will create a net increase in market value for the site compared to the likely development that would occur without the TIF. Housing TIF districts are not required to create a net increase in market value.

The purpose of the But-For test is to prevent the unnecessary use of TIF if a development of similar value would have occurred anyway and to protect the financial interests of the city, county, and school district.

What are the rules for TIF? Tax increment financing is authorized by Minn. Stat. 469.174 – 469.179 which specifies how it may be utilized. Usage by authorized governmental units is overseen by the State Auditor's Office. In addition to the But-For test, there are rules and regulations specifying exactly how TIF can be utilized based on the type of TIF district that is established.

TIF districts include the specific parcels from which tax increment will be captured. Below is a summary of the six different types of TIF districts and the specific uses authorized within them.

District types	Duration	Qualifications	Permitted uses of TIF
Redevelopment	25 years	Site must be 70% occupied by buildings or other improvements, more than 50% of the buildings must be structurally substandard.	Site acquisition, environmental remediation, site preparation, utilities/roads/sidewalks and structured parking.
Renewal & renovation	15 years	Site must be 70% occupied by buildings or other improvements, more than 20% of buildings must be substandard and another 30% must require renovation.	Same permitted uses as redevelopment district.
Housing	25 years	Can be located anywhere in the city. Must include: • 20% affordable at 50% AMI, or • 40% affordable at 60% AMI.	Acquisition, construction or rehabilitation of housing, planning, engineering and architectural services, and related financing costs.
Soils condition	20 years	1. Pollution on site which must be cleaned up "to use" the property. 2. The costs of cleanup exceed the lesser of (1) the property's fair market value or (2) $2 per square foot.	Acquisition, cleanup and administrative expenses.

Hazardous Substance Subdistrict	25 years	Must be located within an existing TIF district	Acquisition, contamination mitigation/cleanup and administrative expenses.
Economic development	8 years	Can be located anywhere in the city.	Manufacturing, warehousing, research and development, telemarketing and tourism projects (in qualifying counites) and workforce housing outside metro area.

The majority of tax increment financing districts established in St. Louis Park have been redevelopment districts, though in recent years the city has approved several housing TIF districts to facilitate the creation of more affordable housing units.

Tax increment pooling
The Minnesota TIF Act allows for EDAs/cities to capture, or "pool" 25% of the tax increment generated from previously established redevelopment TIF districts to be used for certain qualified redevelopment expenses outside of those districts. Allowable expenses include environmental remediation, site preparation, utilities, streetlights, sidewalks and structured parking. Just a few of the city infrastructure projects benefitting from such pooled TIF include:

- Hwy 7 & Wooddale Ave interchange and bridge widening
- West 36th Street reconstruction, traffic signals, and streetscape improvements
- Excelsior Blvd traffic signals
- Future traffic signal at Beltline Blvd and Park Glen Rd

The law also allows an additional 10% of tax increment (for a total of up to 35%) from these same districts to be pooled for affordable housing expenses such as acquisition and site preparation, construction, rehabilitation and public improvements directly related to the housing, as long as those costs were not funded through tax credits. The funds can be spent anywhere within a city and do not need to be located within a specific project area. Recently, TIF pooling has been used for such projects as:

- The Quentin
- Arbor Court
- Rise on 7
- Union Park Flats

To date, the city has transferred approximately $5.3 million from its various TIF districts to the Affordable Housing Trust Fund. With the city's election to keep several districts open for pooling purposes until Dec. 31, 2026, subtracting what the EDA has committed to various affordable housing developments, the city could have approximately $8 million available for qualified affordable housing uses as needs arise.

Affordable Housing Trust Fund (AHTF)
In addition to TIF assistance, the city created an Affordable Housing Trust Fund (AHTF) in 2018 to provide a source of funds to facilitate the housing needs of low- and moderate-income individuals and families of the city.

Development projects which create and/or preserve affordable housing units (including affordable rental units, homeownership units and rent subsidies) are eligible to receive funding from the AHTF upon verification of financial need. The residential portions of mixed-use and live/work projects that meet the affordability requirements of these guidelines are eligible for assistance. This funding may also be provided to assist in the creation of common areas, meeting space, and other space for use by the residents of the subsidized units. Projects specified under the Inclusionary Housing Policy may be assisted, provided the assistance from the AHTF is used to create a deeper level of affordability or an increase in the number of affordable units than is required under that policy.

4d(1) tax classification and rate
In 2023, the state legislature approved a reduction in the 4d(1) property tax classification rate related to low-income housing rental properties. Under the previous law, the first $100,000 of assessed value had a class rate of 0.75%, while the value above $100,000 had a rate of 0.25%. The changes removed the tiered classification rates and set the classification rate at 0.25% for all class 4d(1) property.

The 4d(1) tax classification status and rate can be applied to existing properties or new developments. To be classified as a 4d(1) property, at least 20% of the rental units in a building need to be affordable to households at or below 60% area median income, and a restrictive housing covenant needs to be approved by the city and recorded on the property. If a property is sold, this declaration stays with the property so the new owners must continue to provide the affordable housing.

If a project qualifies for 4d(1) and is located within a TIF district, the amount of tax increment generated will decrease proportionally with the amount of taxes paid, and the TIF district will generate less increment over the life of the district.

Financial assistance from outside agencies
In addition to financial assistance from the city, grants are available through partner agencies including the Met Council, Hennepin County, and the State's Department of Employment and Economic Development (DEED). For the majority of these grants, the city is the primary applicant and is responsible for applying to and administering the grants if awarded.

Met Council Livable Communities Grants: In general, Met Council's grants are for projects that help the region achieve Livable Community goals and Thrive MSP 2040 goals, including affordable housing (specifically deeply affordable units, like those at 30% or 50% AMI), community engagement and input in the development's design, and transit-oriented development, especially when the design helps to create a sense of "place"). Typically, all Met Council grants are highly competitive.

Hennepin County Transit-Oriented Communities (TOC) has several grant programs that development in St. Louis Park may be eligible for including Environmental Response Fund (ERF) grants, Transit Oriented Communities (TOC) grants, or Southwest Community Works grants. The ERF grants help with site contamination and cleanup efforts. The TOC grants "aim to create walkable, mixed-use, human-centered communities around high-quality transit service. TOD projects have specific design features to enhance the public realm, reduce parking, support pedestrian and bicycle connections, increase density, and preserve open space." Southwest Community Works can provide funding if a project includes infrastructure that improve connections to light rail station areas.

MN Department of Employment and Economic Development (DEED): There are several grants from DEED for which proposed developments may be eligible, including contamination cleanup and investigation grants and redevelopment grants, which the city routinely applies for when there is known site contamination.

Other grant assistance: In addition to the grants outlined above, staff constantly search for grant assistance from other outside entities to further investment opportunities in buildings.

Applicable city policies

If a development project receives financial assistance from the EDA/city, it is required to meet one or more of the city's strategic priorities as well as various city policies and adhere to their respective requirements including the Inclusionary Housing Policy, the Green Building Policy and the city's Diversity Equity and Inclusion Policy.

Inclusionary Housing Policy: requires a minimum of one of the following levels of affordability for 26 years.

- 5% of the units affordable at 30% area median income
- 10% of the units affordable at 50% area median income; or
- 20% of the units affordable at 60% area median income.

Area median income (AMI) is calculated annually by the Department of Housing and Urban Development (HUD), and is posted by Minnesota Housing. The affordable units should reflect a similar makeup of the overall unit count based on bedroom size. In addition, the policy requires a certain number of three-bedroom units, which depends on the overall size of the development.

Green Building Policy: requires the building become certified by a third-party rating system (such as LEED, Enterprise Green Communities, or B3), and it requires the additional requirements of the St. Louis Park Overlay including analysis of and possible installation of on-site renewable energy, analysis of building electrification, installation of electric vehicle charging equipment, waste reduction and management, healthy soils, stormwater management and building benchmarking monitoring.

Diversity Equity and Inclusion Policy: The DEI Policy includes goals for workforce and peripheral enterprises to include opportunities for women and BIPOC/AAPI construction workers and other businesses hired by the developer in connection with the development (attorneys, financial consultants, accountants, etc.). The participation goals included in the policy include:

Participation Goals	Women	BIPOC/AAPI
Business Organization	10%	13%
Business Enterprises	6%	13%
Workforce	20%	32%
Peripheral Enterprises	6%	13%

Next steps: None. EDA/council members are encouraged to bring any questions related to various public financial assistance tools to the study session.

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Meeting: Study session
Meeting date: October 14, 2024
Discussion item: 2

Executive summary

Title: Annual TIF District status update

Recommended action: Please provide staff with any feedback or questions related to the TIF district status update.

Policy consideration: None. Ehlers has no recommendations or suggestions for further actions for City/EDA consideration this year in the management of its TIF districts.

Summary: The EDA’s financial consultant, Ehlers, will present the annual TIF district status update. The EDA’s continued use of pooled tax increment for qualified affordable housing uses will also be discussed. The update is a high-level overview of the TIF District Management Review & Analysis report prepared annually for EDA staff that provides the detailed status, financial condition, debt management and future value of the city’s 20 active tax increment districts. Key takeaways from this year’s update include:

1. Overall, the city’s TIF districts are meeting their intended purpose, performing well and furthering city strategic priorities and TIF Policy objectives.
2. 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.
3. The overall market value of districts where development is complete has increased approximately 1,129% since their establishment.
4. Approximately 11.3% of the city’s tax capacity is captured in TIF districts. This is less than the prior three (3) years due to a combination of decertifying of four districts and a higher increase in overall market value.
5. Development projects assisted with TIF are making a substantive contribution to the city’s economy, taxable market value, affordable housing goals, city’s strategic priorities and are assisting the city maintain its AAA bond rating.

This year, Ehlers has no specific recommendations or suggestions for further actions for the City/EDA to consider in the management of its TIF districts.

Financial or budget considerations: Per previous EDA/city council direction, a portion of the tax increment from several of the city’s TIF districts is being captured (“pooled”) and transferred to the city’s Affordable Housing Trust Fund to be used for qualified affordable housing purposes through 2026 to advance the strategic priority of increasing the city’s supply of affordable housing. These elections have been factored into the city’s 2025 budget and long-range financial plan.

Strategic priority consideration: St. Louis Park is committed to providing a broad range of housing and neighborhood oriented development.

Supporting documents: Annual TIF District status update memorandum

Prepared by: Greg Hunt, economic development manager
Reviewed by: Karen Barton, community development director / EDA executive director
Amelia Cruver, finance director
Approved by: Kim Keller, city manager

EHLERS PUBLIC FINANCE ADVISORS

MEMORANDUM

TO: Greg Hunt, Economic Development Manager Stacie

FROM: Kvilvang, Senior Municipal Advisor - Ehlers October 3,

DATE: 2024

SUBJECT: Annual City of St. Louis Park TIF District Status Update

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Overview:
The City of St. Louis Park ("City") and its Economic Development Authority ("EDA") has proactively utilized tax increment financing "TIF" to spur significant redevelopment within the City and to create options for housing that meets households needs for all phases of their lives, including different types of market rate and affordable housing. In addition, redevelopment has been undertaken to mitigate contaminated properties, increase commerce options and opportunities, and to create employment in the City in the form of new office, hotel, retail and industrial developments. In 1997, the City/EDA began investing in redevelopment projects that predominately included housing as noted in the chart below. Overall, the City's TIF districts are meeting their intended purpose, performing well, and furthering City strategic priorities and TIF Policy objectives.

Below is a chart summarizing the total residential/hotel units and/or commercial uses that were recently constructed or currently under construction, along with the City/EDA's investment with TIF.

Use	Total Units or Sq. Ft.	Market Rate	Affordable	% Affordable	TIF Investment
Residential	5,230 units	4,448	782	15%	
Commercial	566,654 sq. ft.				
Office	94,500 sq. ft.	N/A	N/A	N/A	$105,630,622
Industrial	201,100 sq. ft.				
Hotel	488 units				

Number of TIF Districts:
In 2023 the City/EDA decertified four TIF districts and created no new ones. The City currently has 20 TIF districts of which twelve (12) are redevelopment districts, six (6) are housing districts and two (2) are renovation and renewal districts. The overall market value of these districts where development is complete has increased approximately 1,129% since their establishment and the City currently has approximately 11.3% of its tax capacity captured in these districts. This is less than the prior three (3) years due to a combination of decertifying

of four districts and a higher increase in overall market value.

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 **(Partial Construction)**	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%
TOTAL	**96,143,400**	**1,242,169,300**	**1192.00%**

TIF For Affordable Housing:

Four (4) of the redevelopment districts obligations have been paid in full, yet they remain open to contribute to the City's Affordable Housing Trust Fund (AHTF) through 2026 pursuant to the special legislation the City received in 2021. In addition, one of the housing district's obligations is paid in full and its funds will be transferred to the AHTF through 2026 as well. The anticipated contribution from these five (5) districts in 2024 is expected to be approximately $2.085 million, bringing the balance in the fund to approximately $7.35 million. In 2026 when final transfers are made, the total transfers are expected to increase to approximately $12.2 million. Once the City receives the final TIF settlement in December and confirms the allowable transfer amount, staff will prepare the memo and action form for the City Council and EDA to transfer these funds to the AHTF.

Tax Capacity Captured in TIF

Cities often inquire how they "compare" to other cities in their use of TIF. Shown in the table below are the percent of tax capacity captured in TIF districts, tax rates and bond ratings for eight similar cities. The cities shown were selected because they may be (i) located adjacent to St. Louis Park (ii) are first-ring, fully developed suburbs (iii) similar in size; or (iv) have similar economic characteristics. Although this is a small sample of municipalities, the amount of TIF used by a city does not directly correlate with a city's tax rate or bond rating. As noted, even though St. Louis Park has the second highest percentage of tax capacity captured in TIF districts, half the cities have a higher tax rate. This means that for the same value home in these cities, their local taxes are higher than St. Louis Park's, even though they use TIF less.

Comparable City	Population	Captured TIF as a % of Tax Base	City Tax Rate	Bond Rating
Edina	52,437	1.6%	28.412%	Aaa/AAA
Minnetonka	52,554	2.3%	34.513%	Aaa
New Brighton	22,413	9.4%	41.673%	AA
Fridley	30,289	13.7%	42.541%	Aa2
St. Louis Park	**48,827**	**11.3%**	**44.181%**	**AAA**
Robbinsdale	14,210	10.6%	47.935%	AA+
Richfield	36,710	10.9%	52.248%	Aa2
Golden Valley	21,545	2.0%	54.205%	Aa1
Hopkins	18,269	8.6%	59.984%	AA+

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.

City Bond Rating.
Development projects assisted with TIF are making a substantive contribution to the City's economy, taxable market value, affordable housing goals and are assisting the City maintain its AAA bond rating.

TIF Administration
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 on a timely basis with the State Auditor's Office.

Recommendations
Ehlers has no recommendations or suggestions for further actions that need to be taken this year by the City/EDA for their TIF districts.

Please contact me at 651-607-8506 with any questions.