

What is Tax Increment Financing (TIF)?

The ability to capture and use most of the increase in local property tax revenues from new development within a defined geographic area for a defined period of time.

Minnesota Statutes 469.174-469.1794

STATUTORY TYPES OF TIF

THE CITY OF ALEXANDRIA STRIVES TO USE TIF TO
LEVERAGE PRIVATE INVESTMENT THAT DELIVERS
LONG-TERM BENEFITS TO THE COMMUNITY

ECONOMIC TIF (9 YEARS)

- Create or retain jobs
- Increase tax base
- Discourage a business from relocating

HOUSING TIF (26 YEARS)

- Construct affordable housing
- Increase tax base

REDEVELOPMENT TIF (26 YEARS)

- Remediate polluted sites
- Redevelop blighted areas
- Change community market conditions
- Increase tax base

Why Consider Providing TIF?

Encourage development that wouldn't have occurred without public partnership due to a financial gap ("But for")

Fundamentally: Financial barriers prevent the private market from developing a site in accordance with the City Future Land Use plan. For example, the site may contain challenges such as:

- Contaminated land
- Blighted buildings
- Market rents too low
- Public infrastructure costs too high
- Cheaper alternatives elsewhere
- High building costs including interest rates and supplies

Redevelopment TIF District (7 current active districts)

Walgreens

- Removal of substandard buildings including: a former automobile repair shop, two homes, two garages and three office buildings
- Development of:
 - 15,000 square foot retail facility
 - Townhomes
 - Employment of 40 employees
- \$52,800 increased annual tax base



Economic TIF District (5 current active districts)

Massman Companies

- 120 jobs in Alexandria
- 75,000 square foot manufacturing facility
 - Room to expand another 100,000 square feet
- \$173,800 increased annual tax base



Northern Lights
5/10/2024

TAX INCREMENT FINANCING

Housing TIF District (14 current active districts)

Knute Nelson~ Grand Arbor

- 205,000 square foot senior housing campus on 40 acres
- 144 units
 - 20% of the units are affordable to households at 50% AMI
- \$213,600 increased annual tax base
- Creation of 24 full time jobs and 32 part time jobs

- 2015: Further construction 108 units of senior living with additional annual tax base of \$245,700

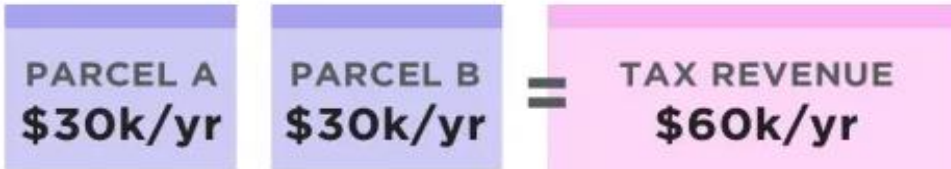


How a TIF works

How municipalities use tax increment financing to attract investment and increase property tax revenue

Original value

Two parcels have Estimated Assessed Values (EAV) that each produce \$30,000 in tax revenue per year, totaling \$60,000.



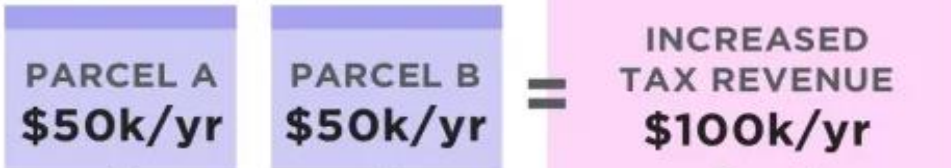
TIF is created

The municipality enters into an agreement with a developer to improve the value of each parcel. The government invests a certain sum (in this case, \$500,000) to attract investments from private parties (here, private investors commit \$2 million).



Increased value

After the redevelopment is complete, the EAV of each property increases. The parcels then produce more tax revenue, each increasing to \$50,000 per year, for a total of \$100,000.



Tax increment

The tax increment is the difference between the original property tax revenue and the new tax revenue within a TIF district. In this case, the TIF fund collects \$40,000, meaning that the original investment would be paid back in under 13 years.



Why TIF?

- TIF is not an additional tax levy
 - No increased tax burden to residents
- TIF is not your tax dollars being spent. There are no tax dollars that currently exist- it's future tax dollars that are created from the construction of a building and being pledged for eligible costs related to that development
- TIF fosters growth in the property tax base by encouraging private capital investment
- TIF is a flexible funding source that has local control
- TIF stimulates the local economy:
 - Jobs created
 - Increased housing market
 - Increased spending and income