

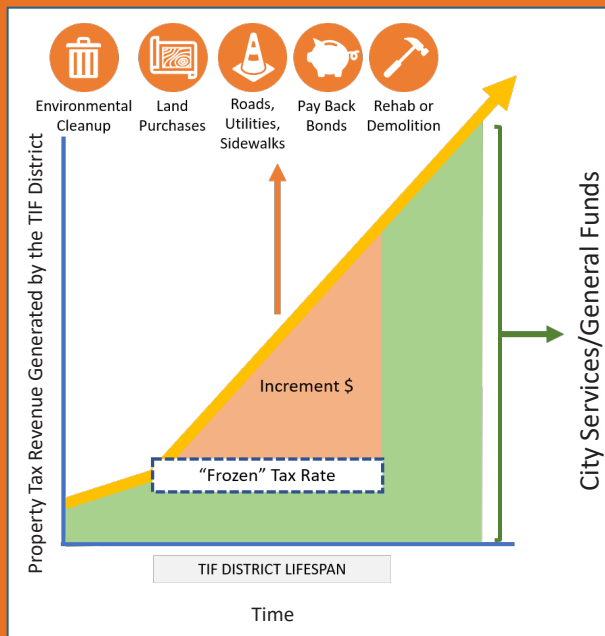
PUBLIC FINANCE & TIF DISTRICTS



What is Tax Increment Financing and How Does It Work?

Tax Increment Financing, or “TIF,” is a powerful tool communities use to help pay the costs of public infrastructure improvements, promote economic development, and enhance opportunities for job growth, new housing, and economic success within a designated area (known as a district). TIF works by assisting with financing aspects of a development project, using the anticipated future tax revenue from that project. When a TIF district is created, and before any improvements happen, the property tax rate for the area is “frozen” for a max length of 26 years. As improvements occur and tax revenues rise, the extra tax amount collected above the frozen rate is redirected into a TIF fund. This revenue can be used to pay for certain TIF eligible improvements within the TIF District. After the district timeline is over, all property taxes revert to regular tax revenue, which is higher than that original “frozen” rate

TIF is a tool for cities to spark economic development, while increasing long-term city tax base.



Why Do Cities Use TIF?

Putting a TIF district together is a lot of work. But for many communities, it can help jump start development projects that might not happen otherwise. For projects like the Opportunity Site, TIF can play a critical role towards ensuring necessary infrastructure and community benefit projects happen. Without TIF funds the site would not be able to be developed in a way that provides the most benefit to the community.

There are two important requirements for eligible TIF funded projects in this type of district:

1. The area must be deemed under-invested.
2. It must be demonstrated that the project could not have happened without the use of TIF funds

What is the History of TIF in Brooklyn Center?

The City of Brooklyn Center currently has five active TIF districts, largely covering disinvested commercial areas around the former mall site. The Opportunity Site is covered by a “redevelopment” TIF district, which can be utilized to support development and related infrastructure.

How Does a TIF District Impact Current Taxpayers?

The use of a TIF district does not impact area tax rates or transfer existing tax revenues to a developer or project. It simply “borrows” from the future tax base in a district to finance district improvements today. The goal is to grow the city’s overall tax base, which will benefit all city taxpayers as the site is built out. By utilizing TIF funds, the City will be able to proactively pursue Opportunity Site improvements that meet City goals and help avoid compromising on the quality of the development. TIF funds will benefit the Opportunity Site by funding:

- Opportunities for affordable housing
- Critical infrastructure needed for site development including roads, utilities, and sidewalks
- Development incentives to encourage unique area amenities, like plazas, parks and public spaces

TIF within the Opportunity Site can be used for:

- Costs associated with acquiring properties
- Building rehabilitation or demolition
- Environmental cleanup if sites are contaminated
- Roads, utilities, parking, sidewalks, etc
- Pay back any bonds or debt that was leveraged to finance the project.

TIF Implications for the Opportunity Site

TIF will have a significant role in the overall funding of Opportunity Site improvements. An assessment done in 2020 estimated total project public infrastructure costs, including building demolitions and infrastructure upgrades, will cost nearly \$35 million. TIF will be necessary to complete these improvements. It will also be needed to offset the costs of other prioritized community needs such as enhanced public amenities, affordable housing, affordable commercial spaces, and community services available within the project area.