



STPAUL.GOV

**CITY OF SAINT PAUL**

# **TAX INCREMENT FINANCING UPDATE**

Budget Committee - June 3, 2026



## Summary of Topics

- Review of TIF and How it Works
- Types of TIF Districts
- Pooling for Affordable Housing
- Statutory Requirements
- Pay 2026 Summary of TIF Districts and Captured Tax Capacity
- New TIF Districts
- Outcomes to Date and Projected Outcomes
- Pay 2025 Summary, collections and debt obligations
- Decertification Requirements
- Projected Change in Captured Tax Capacity
- Projected Impacts of Decertification



# What is TIF: Tax Increment Financing?

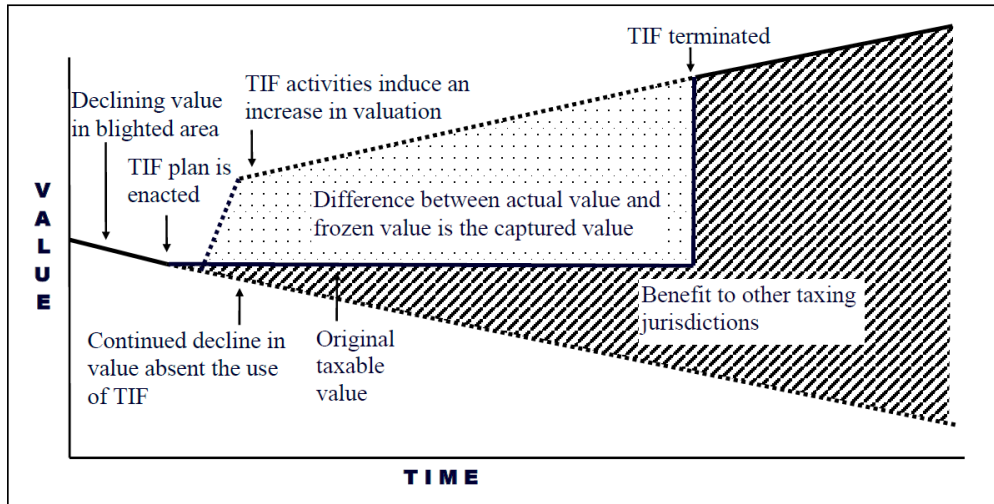
- Financing tool authorized under State law
- Enables cities and redevelopment authorities to capture increased local property taxes from development/redevelopment that would not occur “but-for” the assistance
- Local property tax revenues generated from increased value in TIF district are captured by TIF Authority\* (HRA or Port)
- Local property tax revenues are used to pay eligible costs associated with development, including administrative expenditures, in accordance with the adopted TIF Plan budget

*\* Tax increment provided to the TIF Authority is generated by the base tax rate or current tax rate, whichever is less*



# TIF District Illustration (Dept. of Revenue)

Figure 12.01-1: Classic Example of TIF



The figure to the left is from the Department of Revenue's White Paper on TIF. They use this figure to demonstrate the benefits of TIF. The example shows that without public intervention, the property value, and therefore tax revenue, would continue to decline over time. **When the TIF district is established, the base value is frozen, providing the steady tax revenue stream, and then when the TIF district expires, the incremental value will be brought into the tax base.**



## How Does TIF Work?

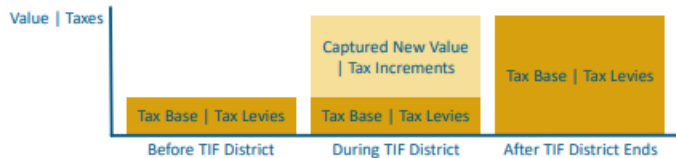
- TIF captures the difference between the current tax value of a site and the future, redeveloped value, and uses that INCREMENT to reimburse a developer for a portion of the costs of the development
- Property owners within a TIF district still pay their full amount of property taxes due, and those property taxes are then divided in the following manner:
  - Local property taxes from taxable value in place prior to the development are still paid to the taxing jurisdictions, including the City, County and School District;
  - Local property taxes from increased value of the development are captured by the TIF Authority as derived from the applicable tax rate;
  - All non-local property taxes, market value-based taxes, and base rate excess taxes are not captured and are paid to the appropriate taxing jurisdiction
- [See illustrations on following slides](#)



# How Does TIF Work?

## WHAT IS TIF?

Tax Increment Financing (TIF) is a financing tool where **new value** from a development is **captured** from the **tax base** so that the **property taxes** on the new captured value (i.e. the **tax increments**) can instead pay **qualifying costs** that **enable** the development to occur.



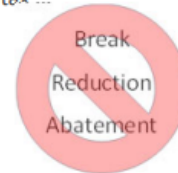
© 2023 Office of the State Auditor



## TIF FINANCING

TIF is a **financing tool** where **new value** is captured so that the **property taxes** on this captured value are segregated as **tax increments** that are used to pay **qualifying costs** that **enable** the development to occur.

- TIF is **NOT** a tax ...



- Taxpayer pays full tax but incremental taxes finance costs

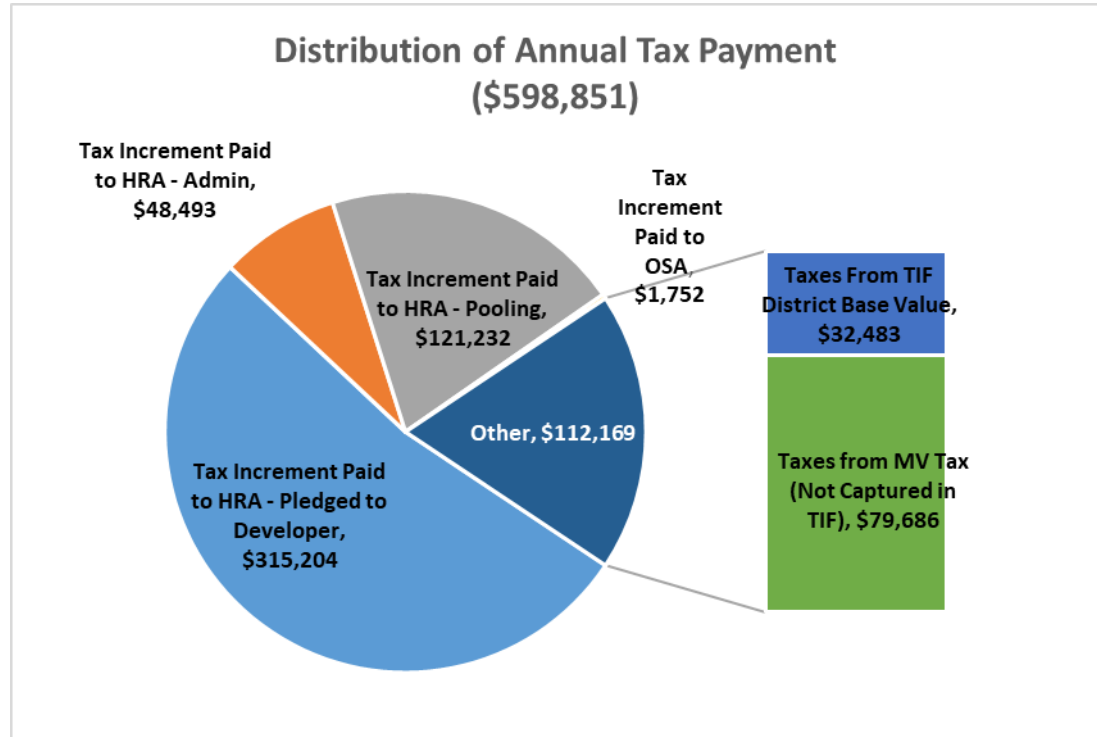


© 2023 Office of the State Auditor



## How Does TIF Work?

- As mentioned on the prior slide, all properties in a TIF district continue to pay their full taxes.
- The pie chart on the right shows the breakdown of a TIF district's distribution of their property taxes once paid, **including pooling**.
- \$112,169 of taxes continue to flow to the taxing jurisdictions either through the base value or through market value taxes, not captured in TIF
- HRA captures \$484,930 of taxes paid as tax increment, to be spent in accordance with adopted TIF Plan, with \$315,204 pledged to the Developer, \$48,483 available for admin, and at least \$121,232 for pooling





## Redevelopment TIF Districts

- Duration – 25 years after first collection (26 total years);
- Qualified by the conditions within the district prior to redevelopment
  - blighted structures on improved land, based on 3rd party study
- Eligible expenditures include removal of the blighting influences, including acquisition, demolition/renovation, site improvements, and pollution remediation, as well as parking improvements (public or private) and public improvements; and associated admin expenditures;
- Tax increments may be pooled and spent outside the TIF district boundary but within the Project Area\* for TIF eligible expenditures, including administrative expenditures
  - *Qualifying affordable housing projects may be located anywhere in the City and are not limited to the Project Area*

\*TIF Districts include the specific parcels, within a Project Area, from which tax increment will be generated and captured. The Project Area is the area where increments may be expended, which area may be coterminous with the boundaries of the TIF District or larger.





## Housing TIF Districts

- Duration – 25 years after first collection (26 total years);
- Qualified by the conditions within the district after project completion (threshold percentage of housing units set aside for income qualified households – i.e., for rental housing: either a min. of 20% of units at 50% of AMI or a min. of 40% of units at 60% of AMI, or for ownership housing: 95% of the units need to be initially purchased by qualifying households, generally up to 115% of median income);
- Tax increments may be used for all the same expenditures as for a Redevelopment TIF district and also include the construction of the qualified housing project;
- Tax increments may be pooled and spent outside the TIF district boundary for qualifying affordable housing projects
  - Including administrative expenditures



## Pooling for Affordable Housing

- As mentioned, MN TIF Statutes allow tax increments collected from TIF districts to be spent on activities geographically located outside the TIF district, commonly known as “Pooling”
  - Redevelopment TIF districts are limited to up to 35% for Pooling, including administrative expenditures, with certain limitations (10% must be spent on qualifying housing projects)
  - Housing TIF districts are similarly limited, however, qualifying housing expenditures are not considered Pooling even when located outside the TIF district
    - Tax increments generated in a Housing TIF district may only be used to finance the cost of a qualifying housing project
  - Pooling also includes expenditures for eligible costs within the TIF district that occur after a specific date (known as the Five-Year Rule)
- Staff track and monitor Pooled tax increments from existing TIF districts, shown on following slide
- Affordable Housing requirements mirror the requirements for Housing TIF District (rental or ownership)



# Pooling for Affordable Housing

## Pooling for Housing from Redevelopment TIF Districts

- Total available through 2025 is anticipated to be **\$11.069 million**, as shown below:
  - Riverfront Renaissance (#225/261-264): \$6,000,000
  - Emerald Gardens (#228/266/267): \$1,179,000
  - Phalen Village (#234/269): \$1,045,000
  - Koch/Mobil (#248): \$700,000
  - Pioneer Endicott (#302): \$811,000
  - Custom House (#317): \$1,334,000

## Pooling for Housing from Housing TIF Districts

- Total available through 2025 is anticipated to be **\$2.978 million**, as shown below:
  - Shepard Davern Rental (#244): \$1,828,000
  - Highland Pointe/Riverpointe Lofts (#278): \$560,000
  - WSF Phase III (#340): \$590,000

The allocation of Pooled tax increments to a project must be authorized by the HRA Board, examples of prior approvals are shown on the following slide



## Pooling for Affordable Housing

| Project                                    | Amount      | Detail                                                                                                                                      |
|--------------------------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| 520 Payne Ave (The Hollows)                | \$2,190,000 | Approved Nov 2021, 62 total units with 100% restricted to 60% AMI or below and 5 units at 30% AMI ( <i>plus new housing TIF District</i> )  |
| 1222 University (Twelve 22)                | \$748,983   | Approved June 2022, 55 total units with 100% restricted to 60% AMI or below and 15 units at 30% AMI                                         |
| PPL Emma Norton @ Highland Bridge          | \$444,399   | Approved Oct 2022, 60 total units with 100% restricted to 30% AMI or below ( <i>plus new Housing TIF District</i> )                         |
| PPL Nellie Francis Court @ Highland Bridge | \$537,516   | Approved Oct 2022, 75 total units with 100% restricted to 60% AMI or below and 15 units at 50% AMI ( <i>plus new Housing TIF District</i> ) |
| Mary Hall/Aeon                             | \$2,159,382 | Approved Oct 2024, 88 total units with 100% restricted to 30% AMI or below                                                                  |



# Statutory Requirements

- Any proposed TIF district must meet the statutory requirements for creation
- Must demonstrate that the “But For” test is met, requiring a determination that the proposed project would not happen solely through private investment within the reasonably foreseeable future
- The developer must incur TIF eligible costs, in accordance with the adopted TIF Plan
- The adopted TIF Plan includes the maximum tax increments to be collected and spent
- Ongoing management of TIF collections and expenditures conforming to adopted TIF Plan budget
- MN TIF Statutes limit total spending in a TIF district beginning in the 6th year (except for a housing TIF district)
- Additionally, expenditures occurring outside of the TIF District boundary is limited (commonly known as Pooling)



## Summary of TIF Districts

For Pay 2026, there are 47 HRA TIF Districts and 10 Port TIF Districts shown here:

|                | No. of TIF Districts | Total Captured Tax Capacity | Percent of Total | Total Increment to TIF Authority | Percent of Total |
|----------------|----------------------|-----------------------------|------------------|----------------------------------|------------------|
| HRA Districts  | 47                   | \$21,809,016                | 87%              | \$28,515,026                     | 87%              |
| Port Districts | 10                   | \$3,152,522                 | 13%              | \$4,196,463                      | 13%              |
| <b>TOTALS</b>  | <b>57</b>            | <b>\$24,961,538</b>         |                  | <b>\$32,711,488</b>              |                  |

Of the 47 HRA TIF Districts, 26 are Housing TIF districts, with 24 rental housing with long-term income restrictions, and the other two ownership housing



## Tax Capacity Captured in TIF

For Pay 2026, these 57 TIF Districts are capturing 6.08% of the City's total tax capacity. The table below includes a five-year history:

| Pay Year | Total Tax Capacity | Total % Change | TIF Tax Capacity  | TIF % Change  | % Captured   |
|----------|--------------------|----------------|-------------------|---------------|--------------|
| 2022     | 360,745,057        | 2.5%           | 29,131,930        | -2.4%         | 8.08%        |
| 2023     | 396,939,488        | 10.0%          | 30,891,446        | 6.0%          | 7.78%        |
| 2024     | 419,169,637        | 5.6%           | 32,977,501        | 6.8%          | 7.87%        |
| 2025     | 409,203,993        | -2.4%          | 28,684,884        | -13.0%        | 7.01%        |
| 2026     | <b>410,606,688</b> | <b>0.3%</b>    | <b>24,961,538</b> | <b>-13.0%</b> | <b>6.08%</b> |



## New TIF Districts

- Seven (7) TIF districts have been established and will begin collections in 2026 or later:
  - #358 - Landmark Towers Redevelopment TIF (**collections begin in 2026**, project is complete and should be at full value by Pay 2028)
  - #359 - The Heights Sherman Phase I Housing TIF (*HRA Board action pending*)
  - #360 - The Heights Habitat Phase I Housing TIF (**collections begin in 2027**, project is progressing well)
  - #361 - The Heights JO Companies Housing TIF (*HRA Board action pending*)
  - #362 - Snelling Midway Redevelopment TIF (collections expected to begin in 2027 or later, first phase is underway)
  - #370 - Grand and Victoria Redevelopment TIF (collections expected to begin in 2028, project will commence this summer)
  - TBD - Port Authority Fairview/St. Joe's Tax Increment Financing District (collections would begin in 2030)
- Proposed Galtier Plaza Redevelopment TIF (to be introduced today at HRA Board)





# HRA TIF District Outcomes To Date and Projected

The **47 TIF districts established** by the HRA **generating increment this year** include the following outcomes:

- **26 Housing TIF Districts have generally produced:**
  - **3,058 total housing units**, as follows:
    - 2,057 affordable rental (60% AMI or below)
    - 877 market rate rental (above 60% AMI)
    - 50 affordable owner (income restricted generally 115% AMI or below)
    - 74 market rate owner (not income restricted)
- **19 Redevelopment TIF Districts have generally produced:**
  - **2,803 total housing units**, as follows:
    - 509 affordable rental (60% AMI or below)
    - 1,377 market rate rental (above 60% AMI)
    - 917 market rate owner (not income restricted)
  - 1,652,000 SF of commercial uses, including retail, office and service
  - 149 hotel rooms
  - 3,473 structured parking spaces

*Ford Site Redevelopment TIF and Minnesota Event TIF (to bring total to 47) are listed on following slide*



## HRA TIF District Outcomes To Date and Projected

Redevelopment at the **Ford Site** includes construction completed or underway, as follows (excluding separate housing TIF districts covered on the prior slide):

- 165 Ownership units
- 327 Market Rate rental units
- 425 Senior Rental units
- 60 Affordable Rental units
- 155,500 SF of retail/office
- All parks, streets and utilities are substantially complete, with some street segments occurring over the next two years tied with vertical construction

The **Minnesota Events TIF district** has generated an average of \$2.73 million/year (2009-2025) to facilitate capital improvements within the RiverCentre complex, including the arena, and is expected to generate \$2.43 million in Pay 2026



# HRA TIF District Outcomes To Date and Projected

There are **Five (5) TIF districts established by the HRA yet to start tax increment collections**, expected to produce the following outcomes:

1. Grand and Victoria Redevelopment TIF District - 90 market rate rental units and 12,800 SF of retail - commence this summer (collections begin in 2028)

The **Heights Housing TIF Districts**:

2. **Habitat Heights Phase I Housing** TIF District – 73 affordable ownership units underway with multiple homes occupied
3. **JO Companies Heights Housing** TIF District – pending future HRA Board action, up to 199 affordable rental units
4. **Sherman Associates Phase I Heights Housing** TIF District pending future HRA Board action, anticipate 213 affordable rental units
5. **Snelling Midway Redevelopment** TIF District, construction underway for first phase of development:
  - Two restaurants each occupying around 5,000 square feet
  - A four-story office building with ground floor retail, and adjacent parking occupying around 87,000 square feet
  - A 160-room hotel with 5,000 square feet of retail and 10,000 square feet of restaurant space on the first level of the hotel with an attached 320 stall parking structure



## **HRA TIF District Outcomes To Date and Projected**

In summary, the total production in place or planned:

- Over 7,400 of new housing units
- Nearly 2 million SF of Commercial Uses
- Over 300 hotel rooms
- Nearly 4,000 structured parking stalls

Note, the above totals reflect only what occurred with the TIF Districts and does not include additional outcomes from Pooling or other temporary spending opportunities



## Pay 2025 Collections

For Pay 2025, there were 46 HRA TIF Districts and 12 Port TIF Districts generating increment. Below are the **unaudited** collections:

| District Type                        | Total Expected      | Total Actual        | Collection Rate |
|--------------------------------------|---------------------|---------------------|-----------------|
| HRA Housing TIF Districts (26)       | \$6,245,862         | \$5,395,314         | 86%             |
| HRA Redevelopment TIF Districts (20) | \$25,124,577        | \$23,631,432*       | 94%             |
| Port TIF Districts (12)              | \$5,720,749         | \$5,108,903         | 89%             |
| <b>All TIF Districts</b>             | <b>\$37,091,188</b> | <b>\$34,135,649</b> | <b>90%</b>      |

For the HRA TIF districts, most of the reductions are the result of tax petitions settled or pending over multiple years.

\*\$2,447,206 of this amount was paid to Ramsey County from the Minnesota Events TIF District



## Pay 2025 Debt Obligations

- The HRA expended tax increments on **33 Pay-Go Notes** with Pay 2025 tax increment collections
  - Pay-Go Notes do not have scheduled payments, the HRA pledges tax increments as they are collected without any liability of the HRA or City for any other financial backing
- The HRA expended tax increments on **6 TIF Revenue Bonds** with Pay 2025 tax increment collections
  - TIF Revenue Bonds generally have scheduled principal and interest payments, and the HRA pledges tax increments as they are collected without any liability of the HRA or City for any other financial backing if pledged tax increments are not sufficient to cover the scheduled payments.
- The HRA expended tax increments on **1 General Obligation (GO) TIF Revenue Bonds** with Pay 2025 tax increment collections
  - GO TIF bonds do have the backing of the City to levy property taxes if the pledged tax increments are insufficient



# Statutory Requirements – Decertification

- **What requires early decertification and why?**
  - MN TIF Statutes limit total spending in a TIF district [aka Five-Year Rule](#)
  - Five-Year Rule defines costs obligated after the first five years as being “out-district” even if they are within the TIF district boundary (*excluding Housing TIF Districts*)
  - Additional obligations/expenditures after the Five-Year date are subject to Pooling limitations (25-35% for Redevelopment TIF Districts)
  - This limitation restricts use of collected tax increments
  - When a determination has been made that no additional spending is allowed, the TIF district would need to be decertified, and no future tax increment collections would be allowed (Koch Mobil Redevelopment TIF District was decertified in 2024 for this reason)



## Decertification – Consideration

- Should the HRA elect early decertification?
  - If the TIF district has met its development outcomes and covered all obligations, it can be closed early, even if pooling opportunities exist (*policy decision, provided appropriate TIF Plan budget in place*)
  - Shepard Davern Rental Housing TIF District was amended to **keep it open to generate source for affordable housing** even though obligations fully repaid
- **HRA only keeps a district open to pool for affordable housing, so this source would be lost if election made to close early, when not otherwise required**
- Upon decertification, the tax capacity captured in the TIF district would become available for the taxing jurisdictions
- See graphic from OSA on following slide





# Decertification – What Happens

## What happens to the tax dollars?

- Since all properties pay their taxes even when they are located within a TIF district, the tax dollars, in full, will now be collected by the taxing jurisdictions.
- The graphic to the right is from the OSA to demonstrate the change to tax rates with and without TIF

### TAX BASE, RATES, & LEVIES

- Tax base capture directly affects tax rates

Rate = Levy / Value (Value excludes value captured by TIF)

City rate with TIF = 46.770% (= \$467,700 / \$1,000,000)

City rate without TIF = 43.957% (= \$467,700 / \$1,064,000)

|                   |             |
|-------------------|-------------|
| Total NTC of City | \$1,064,000 |
| Captured NTC      | \$ 64,000   |
| Tax Base          | \$1,000,000 |
| City Levy         | \$ 467,700  |

- Tax increments are additional taxes

46.770% x \$1,000,000 = \$467,700 city levy

46.770% x \$64,000 = \$29,933 of tax increment

- Tax base capture indirectly affects levy decisions

If decertified, city could levy more while maintaining the same tax rate



# TIF Districts and Debt Obligations

- Of the HRA 47 TIF Districts to collect for Pay 2026
  - Five (5) have obligations paid off through 12/31/2025, as follows:
    - ❖ [#244 – Shepard Davern Rental Housing, a Housing TIF district](#)
    - ❖ [#278 – Highland Pointe/River Pointe Lofts, a Housing TIF district](#)
    - ❖ #262 – Riverfront Renaissance Drake Marble, a subdistrict of the Riverfront Renaissance Redevelopment TIF district
    - ❖ #263 – Riverfront Renaissance Uncommitted, a subdistrict of the Riverfront Renaissance Redevelopment TIF district
    - ❖ #264 – Riverfront Renaissance Llewellyn, a subdistrict of the Riverfront Renaissance Redevelopment TIF district
  - Five (5) are expected to pay their obligations in full in 2026, as follows:
    - ❖ #228/266/267 – Emerald Park TIF, a Redevelopment TIF district (3 subdistricts)
    - ❖ #234 – Phalen Village Uncommitted, the main subdistrict of the Phalen Village Redevelopment TIF district
    - ❖ #302 – Pioneer Endicott, a Redevelopment TIF district



## TIF Districts and Debt Obligations

- As mentioned earlier, the HRA may collect and spend tax increments from a Housing TIF district provided the TIF parcels remain income restricted, enabling the creation of new affordable housing units
- Furthermore, the HRA may collect and spend tax increments from a Redevelopment TIF district if debt is retired, to pool for affordable housing projects
- For the five (5) districts collecting tax increments in Pay 2026 expected to pay off obligations this year, future HRA action will be needed to authorize early decertification, as follows:
  - Emerald Park (#228/#266/#267), decertify as of 12/31/2026 (two years early)
  - Phalen Village Uncommitted (#234), decertify as of 12/31/2026 (two years early) – note #269 subdistrict will remain
  - Pioneer Endicott (#302), decertify as of 12/31/2026 (14 years early)



# TIF Districts Decertifying 2026-2028

The table below lists notable TIF Districts that are decertifying, by statutory terms or early, in the period 2026-2028 (final year) for capture years 2027-2029:

| TIF #         | TIF Name                                                    | Final Year | Projected Released Tax Capacity* |
|---------------|-------------------------------------------------------------|------------|----------------------------------|
| #212          | MN Life/Block 4 Redevelopment TIF                           | 2026       | \$979,618                        |
| #213          | Block 39/Lawson Redevelopment TIF                           | 2026       | \$1,220,709                      |
| #228,266-267  | Emerald Park TIF (EARLY DECERT)                             | 2026       | \$1,172,620                      |
| #234          | Phalen Village-Uncom Redev TIF (subdistrict) (EARLY DECERT) | 2026       | \$680,300                        |
| #302          | Pioneer Endicott Redevelopment TIF (EARLY DECERT)           | 2026       | \$386,428                        |
| #224/233/260* | North Quadrant Housing TIF                                  | 2027       | \$627,949                        |
| #225/261-265  | Riverfront Renaissance Redevelopment TIF                    | 2028       | \$2,969,926                      |
| #236          | Great Northern Lofts Redevelopment TIF                      | 2028       | \$310,392                        |

\* Based on Pay 2026 Captured Tax Capacity



## Captured Tax Capacity Projections

The table below identifies how the projected captured tax capacity may change with the established TIF districts (and proposed) offset by TIF districts expiring as shown on the prior slide; **assuming no changes to the City's overall tax base, other than activity within a TIF district**

| Pay Year | Added TIF<br>Tax Capacity | Total Tax<br>Capacity | Decertified<br>Tax Capacity | Total TIF<br>Captured<br>Tax Capacity | Percent<br>Captured |
|----------|---------------------------|-----------------------|-----------------------------|---------------------------------------|---------------------|
| 2027     | \$3,593,126               | \$414,309,158         | (\$4,439,675)               | \$24,224,333                          | 5.85%               |
| 2028     | \$1,047,928               | \$415,609,722         | (\$627,949)                 | \$24,896,948                          | 5.99%               |
| 2029     | \$1,317,755               | \$417,262,046         | (\$3,372,929)               | \$23,176,343                          | 5.55%               |
| 2031     | \$2,628,199               | \$420,429,314         | (\$1,223,783)               | \$25,119,828                          | 5.97%               |
| 2032     | \$1,165,983               | \$421,782,303         | (\$519,701)                 | \$25,953,116                          | 6.15%               |
| 2033     | \$1,509,805               | \$423,300,187         | (\$1,223,126)               | \$26,247,874                          | 6.20%               |
| 2034     | \$593,446                 | \$423,901,791         | (\$4,371,253)               | \$22,478,225                          | 5.30%               |



## Decertification and Impacts

- An estimated \$2,200,327 of tax capacity would be returned to the tax base for Pay 2027, from expiring TIF districts
- An additional estimated \$2,239,348 would be returned to the tax base through early decertification of 3 TIF districts/subdistricts that will fully pay their obligations in 2026 (as previously shown)
- The estimated total to be returned to the tax base for Pay 2027 is \$4,439,675
- City tax rate for Pay 2026 is 54.04596%

As shown on the prior slide, when a TIF district is closed, the captured tax capacity is returned to the tax base and could result in a reduction in the City tax rate if the levy is not increased. For Pay 2026, the median value home is \$289,200. The above estimate approximates to a reduction of \$9.11/year with the statutorily expiring TIF districts, and a reduction of \$18.27/year when including the early decertification of 3 TIF districts/subdistricts (when assuming the property is homestead). This represents a 1.26% reduction of the annual tax payment to the City.



# Questions?

**Staff Contact:**

Jenny Wolfe, PED, HRA Debt Manager

651-266-6680

*[jenny.wolfe@ci.stpaul.mn.us](mailto:jenny.wolfe@ci.stpaul.mn.us)*