



**JOINT CITY COUNCIL AND HOUSING AND REDEVELOPMENT AUTHORITY WORK SESSION  
RICHFIELD MUNICIPAL CENTER, BARTHOLOMEW ROOM  
OCTOBER 17, 2022  
6:00 PM**

Call to order

1. Discuss opportunities to spend pooled tax increment within the community.

Adjournment

**Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9739.**



## **STAFF REPORT NO. 25**

### **WORK SESSION**

**10/17/2022**

REPORT PREPARED BY: Melissa Poehlman, Executive Director

DEPARTMENT DIRECTOR REVIEW: Melissa Poehlman, Executive Director  
10/11/2022

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez, City Manager  
10/12/2022

#### **ITEM FOR WORK SESSION:**

**Discuss opportunities to spend pooled tax increment within the community.**

#### **EXECUTIVE SUMMARY:**

In 2022, the Housing and Redevelopment Authority (HRA) approved the preparation of a Tax Increment Management Review & Analysis report by HRA financial consultant Ehlers. The Management Report provides a review of Tax Increment Financing (TIF) as a development tool, tax base impacts after decertification, outstanding obligations, pooling, and more. It also looks at all 13 active TIF Districts to assess opportunities, challenges, and any compliance issues with those Districts. On September 19, Senior Municipal Advisor Rebecca Kurtz presented the highlights of the Management Report to the HRA. The Executive Summary and presentation are available for review on the HRA Agenda page of the City website.

Amongst the highlights discussed was the identification of a significant amount of pooled tax increment (approximately \$10 million) that is available to invest in the community in the next few years. There are three separate statutory authorities under which the money can be spent; all with different timelines and authorized uses. A preliminary plan to maximize the effectiveness of these monies was introduced to the HRA on September 19. This work session is intended to allow for discussion of the preliminary plan and next steps, with the inclusion of the Council.

#### **DIRECTION NEEDED:**

- **Confirm that the identified next steps align with policymaker expectations; and**
- **Provide preliminary feedback regarding Spending Plan and Affordable Housing Trust Fund priorities and guidelines.**

#### **BACKGROUND INFORMATION:**

##### **A. HISTORICAL CONTEXT**

N/A

##### **B. POLICIES (resolutions, ordinances, regulations, statutes, etc):**

- Minnesota State Statute 469.1763 Subd. 2(a) allows the HRA to retain a maximum of 25% of its annual tax increment from its redevelopment TIF Districts and use it for other redevelopment activities outside of the District's boundaries. This 25% maximum includes the amount retained for administration.

- In 2021 the City obtained special legislation allowing the City and HRA to transfer 10% of increment pooled for housing to an affordable housing trust fund. In May of 2022, policymakers modified the TIF plans of the Lyndale Gateway / Interchange West, Urban Village, and City Bella TIF Districts to allow for this transfer.
- In 2021 the State Legislature provided temporary authority to use unobligated TIF from existing TIF Districts to help stimulate private development that would not otherwise occur without assistance prior to December 31, 2025.

**C. CRITICAL TIMING ISSUES:**

- In order to spend accumulated increment under either the temporary or special legislation, monies must be authorized and/or transferred to the necessary funds.
- Authority granted by the temporary legislation expires December 31, 2025. Only increment that is not obligated as of December 31, 2022 (or within the following six months) may be spent. A Spending Plan for money to be used under this authority must be adopted by December 31, 2022.
- Special legislation allows the transfer of pooled TIF to the Affordable Housing Trust Fund (AHTF) through December 31, 2026. There is no deadline to spend monies once in the AHTF.
- Regular pooling must be spent prior to the decertification of the TIF District from which it is generated. The TIF Districts in question expire in 2025 (Lyndale Gateway / Interchange West & Urban Village) and 2030 (City Bella).

**D. FINANCIAL IMPACT:**

Approximately \$10 million in pooled tax increment will be available over the next 8 years.

**E. LEGAL CONSIDERATION:**

See policies section.

**ALTERNATIVE(S):**

N/A

**PRINCIPAL PARTIES EXPECTED AT MEETING:**

None

**ATTACHMENTS:**

Description	Type
▢ Presentation	Presentation



# Pooled Tax Increment



# Why we're here

- Ehlers TIF Management Plan complete
- Significant pooled increment to spend
- Three tools - various limitations, timelines, requirements
- Proposed next steps

# TIF Management Plan

- Detailed analysis
- Obligations will be met
- Impact on market value +400%
- Approx. \$10 million in pooled TIF

# 3 Pooling Options

- Special Legislation – Limited uses, longest timeline.
- Temporary Legislation – Most flexible, shortest timeline.
- Regular Pooling – Limited uses, medium-term timeline.

# Details

	Temporary Leg.	Special Leg.	Regular Pooling
<b>Alt. Name</b>	Spending Plan	Affordable Housing Trust Fund (AHTF)	Housing & Redevelopment Fund + Admin.
<b>Timing</b>	'22 Adopt Plan '25 Spend	'26 Transfer to Fund No deadline to spend	Spend prior to decertification of contributing district
<b>\$ Limit</b>	No limit	10%	25% (incl. 10% Admin.)
<b>Uses</b>	Spur development & create/retain jobs	Development/rehab of affordable housing. Matching funds.	Acquisition, demo, site improvements, infrastructure, structured parking – blighted sites



# Next steps

- Transfer \$750,000 to AHTF
- Adopt Spending Plan (Temporary Legislation) for up to \$6.4 million by December 31, 2022
- Craft AHTF and Spending Plan guidelines to articulate priorities

# Spending Plan

- Based on Strategic Plan
  - Vibrant downtown
  - Increased tax base
  - Maintain affordability
  - Climate resilience
  - Add'l goals of Comp Plan or other city plans

# AHTF Priorities

- Further the goals of the Inclusionary Housing Policy (IHP):
  - Larger bedroom sizes
  - Deeper affordability
  - Accessibility
- Plus:
  - Leverage other funds
  - Energy-efficiency
  - Housing with supportive services
  - Housing with resident subsidies
- Projects going above and beyond the IHP and Housing TIF District requirements.

# Requested Feedback

- Does proposal for pooled money make sense?
- Discuss draft AHTF and Spending Plan guidelines.