

Morningside TIF

Tax increment Financing is a tool allowed in Minnesota with the end goal of creating public benefit. It has often been used in contaminated land redemption, floodwater mitigation, and in blighted areas. Theoretically, it's use leverages current tax revenues against future tax revenues. Here in Edina, almost always in redevelopment or housing districts.

The problem is that current tax revenues are locked in at low rates for up to 25 years, which withholds any property tax relief for the life of the TIF district. During that time, expenses associated with development, such as street improvement, expanded emergency services, and sewer and water availability are, by default, borne by the taxpayer.

Let me give you a simplified example of that statement.

Let's say you have a land parcel that has the potential for a new building several times larger than the existing building, which has current taxes at, say, \$1000. You then propose your new building, at much greater construction expense, and discover that "but for" the use of TIF it would be difficult to finance and build. Your request is accepted, a 20 year TIF district is put in place, and the building is built. Good work.

Over the life of the new TIF district, the city will only receive the current \$1000 per year, although the taxes you pay go up to \$10,000, but are held in the TIF pot until the pot is poured out in 20 years back

into the city's pot. The value of that \$1000 obviously becomes less over 20 years, and public expenses become higher. Somebody is responsible for those expenses. The taxpayer. As this process is repeated, the problem is multiplied.

TIF Part 2

The second part of this question asks for a summary of examples of TIF'S current use. I'll give you a quick overview, and have a summary of the TIF Districts as available from the State Auditor's office for you if you would like a copy for greater detail.

We currently have 12 TIF districts in Edina, including the Eden Wilson, or Perkins site. If the Macy's site is approved on the 15th, that would bring us to 13. The total on project costs, if Macy's is approved, and including Eden Wilson at 22.7 million, is \$460,252,200. We also have 3 decertified districts but which have not been closed out. Those districts no longer collect taxes, but do contain significant assets which are used at the city's direction. Those assets belong to the taxpayer.

That practice, in September of this year, was questioned by the Nebraska State Auditor, and the city of Auburn, Nebraska subsequently returned over \$658,000 to the traditional recipients of property tax collections. The Nebraska auditor warned "of fast TIF growth, saying that poses risk to property tax burden" There are copies of that report also available for you to take home if you wish.

On Rezoning

The city of Edina has been quite active in rezoning in recent years, often using the PUD classification, or planned unit development, to accomplish the goal of dramatically increased density. That

approach virtually ignores zoning, removing most height or density limitations. Our zoning ordinances and design guidelines exist for reason. They are a roadmap to transition from zone to zone safeguarding the respective uses in that zone, and tend to honor residential neighborhoods, which is the reason most moved here. Discussions of any rezoning must be carefully considered, and only over a prolonged public discussion. There is nothing to rush to.