

# Clarifying Tax Increment Financing (TIF) Pooling Rules

- Support efforts to address tax increment financing (TIF) laws so that pooled increment has limits on a cumulative basis, rather than on an annual basis.
- Organizations that support this include:
  - League of Minnesota Cities
  - Metro Cities

# Clarifying Tax Increment Financing (TIF) Pooling Rules

- TIF in Minnesota is governed by the TIF Act (M.S. Section 469.174 – 469.1799).
- The Office of the State Auditor (“OSA”) is responsible for overseeing the use of TIF.
- Spending TI revenue outside the boundaries of a TIF district is referred to as “pooling”.
- Cities use pooled TIF funds for a variety of reasons including but not limited to affordable housing.
- From 2011-2017, \$16.75M in TI revenue has been contributed/pooled to the City of Minneapolis’ Affordable Housing Trust Fund (AHTF).

# Clarifying TIF Pooling Rules (cont.)

- TIF Act states that up to 35% of TI from a redevelopment TIF district may be pooled.
- City of Minneapolis staff believe this is a cumulative test that is performed once, when the TIF district is decertified (terminated).
- Under a new interpretation, OSA staff believes the test must also be performed annually.
- A simple amendment is needed to the TIF Act to clarify the TIF pooling rules, to specify that only the cumulative test is required.

# Actual Tax Increment Contributions to the City's Affordable Housing Trust Fund (AHTF) (Budget Years 2011-2017)

Budget Year (1)	Actual TI Contribution to AHTF (2)
2011	\$1,750,000
2012	2,000,000
2013	2,000,000
2014	2,000,000
2015	2,000,000
2016	3,500,000
2017	3,500,000
	<b>\$16,750,000</b>

# Projected Future Tax Increment Contributions (Budget Years 2018-2028)

Budget Year (1)	Assuming 35% <u>Annual</u> Pooling Test (2)	Assuming 35% <u>Cumulative</u> Pooling Test (3)	Difference (4)
2018	\$2,000,000	\$2,000,000	\$0
2019	2,500,000	4,000,000	1,500,000
2020	2,500,000	4,000,000	1,500,000
2021	2,500,000	4,000,000	1,500,000
2022	1,500,000	4,000,000	2,500,000
2023	1,100,000	3,100,000	2,000,000
2024	750,000	2,750,000	2,000,000
2025	500,000	2,300,000	1,800,000
2026	500,000	2,200,000	1,700,000
2027	110,000	800,000	690,000
2028	0	680,000	680,000
	<b>\$13,960,000</b>	<b>\$29,830,000</b>	<b>\$15,870,000</b>

# Impact to City of Minneapolis of Clarifying TIF Pooling Rules

- Currently projected that \$15.87 million more TI revenue could be contributed to City of Minneapolis' AHTF in 2019-2028 (10 years).
- Maximum assistance from AHTF is currently \$25,000 per apartment unit.
- At least 635 more affordable apartment units in City could receive assistance from AHTF.

# Legislative History

- 2016:
  - HF 3758/SF 3433 authored by Rep. Drazkowski and Sen. Rest would have clarified that the increment should be calculated on an annual basis, which would have been consistent with the OSA's interpretation.