Wayzata City Council Workshop Meeting Agenda
Wayzata City Hall, 600 Rice Street
Meeting Held Remotely
TUESDAY, JUNE 1, 2021

Click HERE to join the Zoom meeting.

Pursuant to Minnesota Statute Sec. 13D.015, and the Executive Orders and Emergency Declarations related to the COVID19 pandemic, this City Council meeting is being conducted by electronic means using the audio and video conferencing platform, Zoom. Members of the public may watch and listen to the meeting by logging into Zoom, or by calling 312-626-6799 on a phone, and entering Zoom Meeting ID 924 9548 4163 and Passcode 428753. The meeting will also be shown on Channel 8, WCTV, and streamed on the City's website at www.wayzata.org/WCTV.

WORKSHOP TOPICS FOR DISCUSSION:

1. Discussion of Tax Increment Financing as Local Government Tool (5:30-6:30 p.m.)

City Council Workshop
City Council Agenda Report

MEETING DATE: June 1, 2021	**WORKSHOP AGENDA ITEM:** 1
TITLE: Discussion of Tax Increment Financing as Local Government Tool (5:30-6:30 p.m.)	
PREPARED BY: Jeff Dahl, City Manager	
REVIEWED BY: N/A	

DISCUSSION OBJECTIVE:

To increase knowledge of Tax Increment Financing (TIF) as a local government tool for public and private community investment.

BACKGROUND:

Stacie Kvilvang of Ehlers and Associates, the City's financial adviser, will be presenting the attached information regarding TIF, which is a resource authorized through state statutes for local governments to utilize for housing, redevelopment, and economic development initiatives.

TIF is a tremendously complex and significant tool that the City of Wayzata has proactively used to help meet its community vision. TIF is incorporated into the City's budget, CIP, and audit. Staff believes a workshop dedicated to the basics of TIF is appropriate because:

- New staff, elected, and appointed officials need the education;
- Experienced staff, elected, and appointed officials need a refresh; and
- The City is currently working with its legislative officials on a TIF Amendment that would clarify flexibility to utilize TIF to fund a portion of Phase II of Panoway.
- At their next meeting, the Housing and Redevelopment Authority (HRA) will be discussing TIF as a part of the City's affordable housing tools.

Members of the HRA will be observing this workshop as well.

ATTACHMENTS:

1. TIF Basics and Status Update 6-1-21

EHLERS
PUBLIC FINANCE ADVISORS

TIF 101 and District Updates

June 1, 2021

Agenda

- Tax Increment Financing Basics (TIF)
- Existing TIF Districts
  - ✓ Overview
  - ✓ Obligations
  - ✓ Pooling
  - ✓ Market value increase

What is Tax Increment Financing (TIF)?

The ability to capture and use most of the **increase** in local property tax revenues from **new development** within a defined geographic area for a defined period of time **without** approval of the other taxing jurisdictions.

Just a Few Things TIF Can Be Used For

- Acquisition
- Demolition
- Relocation
- Environmental remediation
- Site Work/Excavating
- Footings/foundations
- Parking lots/structures/underground
- Utilities
- Curb/gutter and sidewalks
- Lighting/landscaping
- Storm water ponding
- Construction of affordable housing

What TIF Generally Can’t Be Used For

- Parks
- City Facilities/Buildings

Types of Districts

- 4 Primary Types
  - ✓ **Redevelopment**
  - ✓ Housing
  - ✓ Renewal and Renovation
  - ✓ Economic Development

- 2 Other Types
  - ✓ Soils
  - ✓ Hazardous Substance Sub District

Redevelopment

- **26-year** maximum term
- Qualifications
  - ✓ More than **50%** buildings substandard
  - ✓ **70%** of parcels are "occupied"
- **Any future use allowed**

Building Blocks of TIF

Original Tax Capacity

Prior to TIF assistance, properties have a **"base value"** with tax revenues funding local units of government

- TIF: Base value continues to go to taxing jurisdictions

Original Tax Capacity = 67,200

Total Tax Capacity

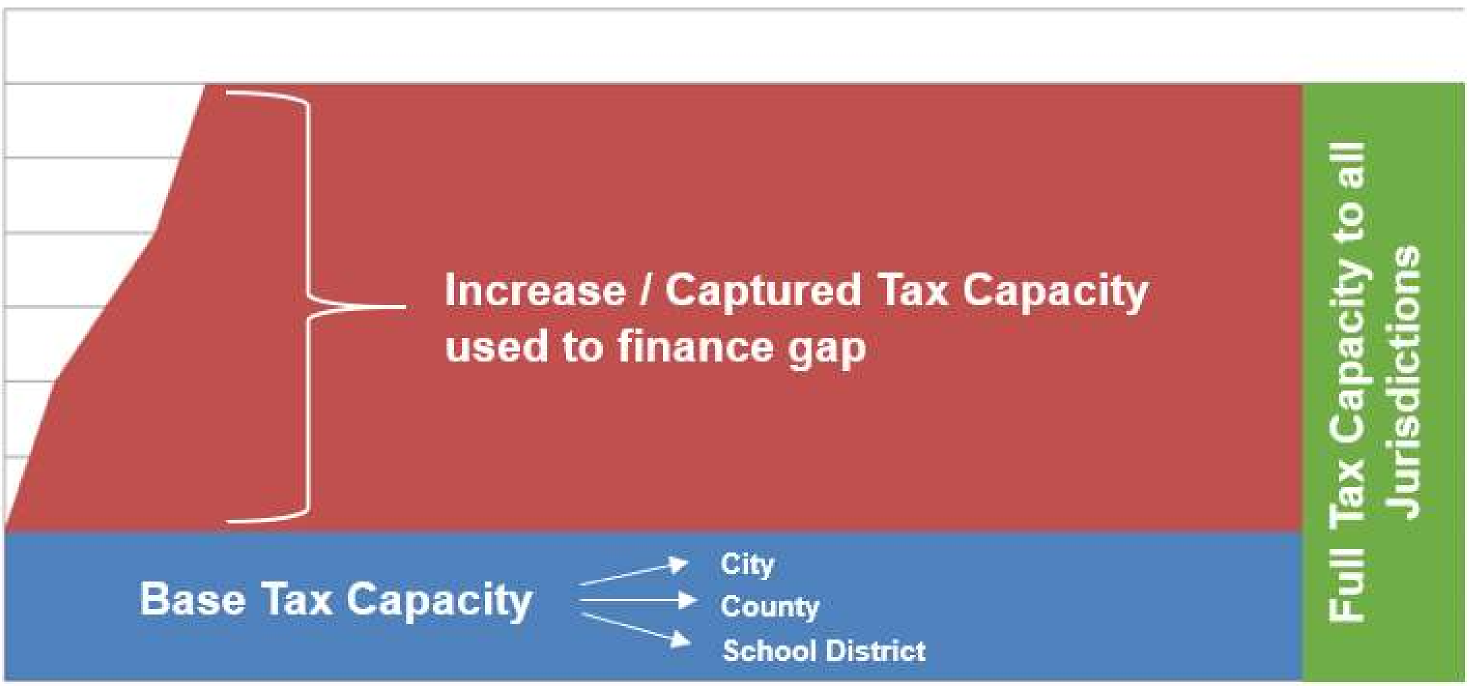
Total Tax Capacity = 507,500 → New development increases Total Tax Capacity

Original Tax Capacity = 67,200 → Original tax revenues

Building Blocks: TIF

New Total Tax Capacity =	507,500
- Original Tax Capacity =	66,450
"Captured" Tax Capacity (increase) =	441,050
x Tax Rate =	95.001%
Annual TIF =	**419,002**

TIF Building Blocks



Other Taxes Not Captured in TIF

State Property Taxes

- ✓ Tax paid by commercial users (cabin owners pay as well)
- ✓ Not included in local tax capacity rate, therefore it is not applied to captured value for TIF districts or abatement

Market Value Taxes

- ✓ School operating referendums and other school taxes
- ✓ Based upon market value of property rather than tax capacity of property
- ✓ Not included in local tax capacity rate, therefore it is not applied to captured value for TIF districts or abatement

Fiscal Disparities Taxes

- ✓ Paid into State pool for distribution

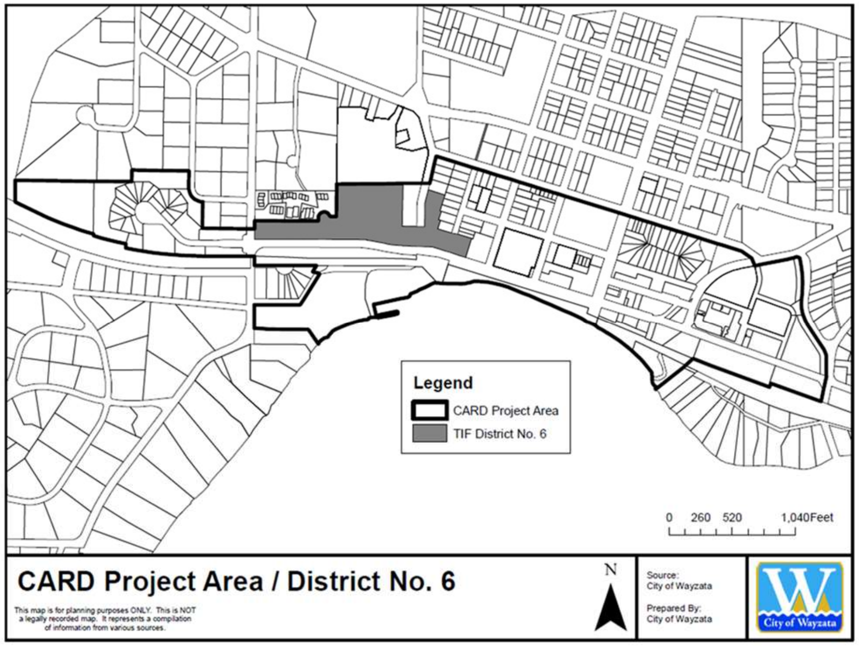
Net TIF Available for Developer

WHAT IS EXCLUDED FROM TIF?	
Total Property Taxes	576,277
less State-wide Taxes	0
less Fiscal Disp. Adj.	0
less Market Value Taxes	(94,147)
less Base Value Taxes	(63,128)
Annual Gross TIF	**419,002**
OSA Fee	(1,508)
City Admin Fee (10%)	(41,749)
Net TIF Available to Developer	**375,744**

Developer receives **$.65** for every dollar in taxes paid

Project Area

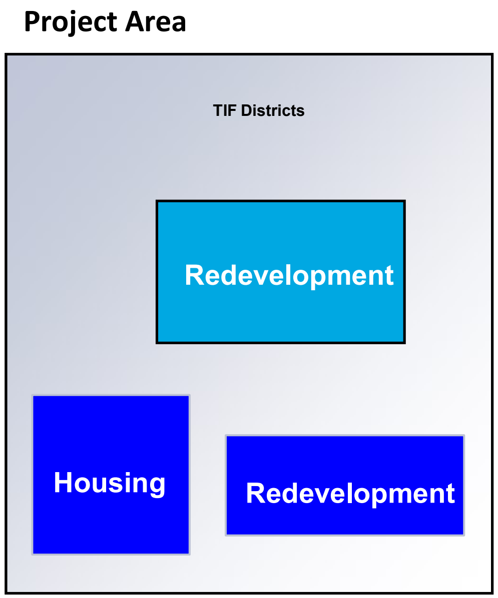
Project Area: Where Money can be Spent



- TIF districts must be located in a Project Area
  - City's project area is Central Area Redevelopment District (CARD)
- Sets boundary for TIF expenditures

TIF Districts Within Project Area

<u>TIF District: Where Money is Collected</u>



- Defines Parcels for capture of value

- Project area can contain multiple TIF districts

What is Pooling

- The legal authority for cities to use/spend up to **25%** of TIF collected outside the TIF District boundaries
  - ✓ Has to be spent in the project area (CARD)
  - ✓ **25%** includes admin so if City/EDA uses the **10%** they generally allocate, then you only have **15%** to pool outside
- Dollars have to be used for purpose of the “pooling” district
  - ✓ Redevelopment purposes from redevelopment districts

Pooling

Project Area

TIF Districts

Redevelopment TIF District #1

Redevelopment TIF District #2

TIF District #1 TIF	$1,000,000
Admin Used (5%)	($50,000)
Legal Pooling (20%)	**$200,000**

Available to spend in TIF District #2 or to buy a blighted house in the Project Area

Accomplishments To Date Through Pooling

- Public Improvements
  - **$1.515** million from **TIF 2** for street, streetscape and bridge projects **(2012)**
  - **$31,000** from **TIF 2** for Panoway on Wayzata Bay **(2020)**
- Mill Street Parking Ramp
  - **$7,725,000** in GO TIF Bonds **(2016)**
- Panoway on Wayzata Bay
  - **$2.245** million in GO TIF Bonds from **TIF 5 (2020)**
  - **$440,000** in GO TIF bonds from **TIF 6 (2020)**

TIF District 3 (Widsten) – Certified 1995

TIF District 5 (Wayzata Bay) – Certified 2011

TIF District 6 (D. Town West) – Certified 2017

Existing Obligations

District	Bonds/PAYGO	Original Bond/PAYGO Amount	Outstanding After 2/1/2021	Term
Outstanding Obligations				
TIF 3 - Widsten	Interfund Loan	$ 1,760,500	$ 230,379	12/31/2022
TIF 5 - Wayzata Bay Center	Pres Homes PAYGO	$ 23,060,000	$ 23,695,298	2/1/2041
	2016A GO TIF Bonds (Pooling) ★	**$ 7,725,000**	**$ 7,190,000**	**2/1/2041**
	2020A GO TIF Bonds (Pooling) ★	**$ 2,245,000**	**$ 2,245,000**	**2/1/2040**
TIF 6 - Downtown West	Hoyt PAYGO	$ 1,685,376	$ 1,685,376	2/1/2046
	Zitzloff PAYGO	$ 1,000,000	$ 1,000,000	2/1/2046
	Lothenbach PAYGO	$ 717,000	$ 717,000	2/1/2046
	Hughes PAYGO	$ 1,700,000	$ 1,700,000	2/1/2046
	2020A GO TIF Bonds (In District) ★	**$ 1,025,000**	**$ 1,025,000**	**2/1/2031**
	2020A GO TIF Bonds (Pooling) ★	**$ 440,000**	**$ 440,000**	**2/1/2031**
TOTAL		**$ 41,357,876**	**$ 39,928,053**	**N/A**

Note: The PAYGO obligations for TIF 6 - Downtown West have not yet been issued

Increase in Tax Base

- Over **580%** increase in market value overall
- Only partial values for TIF 6

District	Original Market Value	Pay 2021 Taxable Market Value	Percent Increase in Value
TIF 3 Widsten	$1,114,100	$45,654,000	3998%
TIF 5 Wayzata Bay	$16,800,000	$271,479,000	1516%
TIF 6 Downtown West	$39,298,000	$73,477,000	87%
TOTAL	**$57,212,100**	**$390,610,000**	**583%**

2021 Special Legislation TIF Request

- Use TIF from TIF District 6 for design and construction of lakefront boardwalk and boat slips related to the Panoway on Wayzata Bay
- Boardwalk and boat slips are **not** located in the TIF District
- Legislation would deem these expenditures as expenditures **within** the TIF District
- What does that mean?
  - ✓ City dollars available for these projects wouldn't be limited to 25% pooling limit
    - ➢ **$2.3M to $4M**
  - ✓ City dollars available under the legislation
    - ➢ **Up to $11.45M**

Let’s Talk!