



MEMORANDUM
Finance Department
Development Finance Division

DATE: August 18, 2008
TO: Council Member Paul Ostrow, Chair, Ways & Means/Budget Committee
FROM: Mark Winkelhake, Manager, Development Finance
SUBJECT: Projected Net Tax Increment From Potential New Redevelopment Finance TIF District

At the August 8th, 2008 meeting of the Ways & Means/Budget Committee, Heather Johnston and I presented a Finance Department report summarizing staff's review and analysis of the 2008 Redevelopment Finance TIF District legislation.

Included in the report was Table A which showed projected pay 2011 net tax increment from a new Redevelopment Finance TIF district assuming four different district sizes (Scenarios A-D). The size of the new district was expressed as a percentage of the total value of eligible parcels that could be placed in the new district (100%, 75%, 50%, 25%).

Although a number of assumptions were used in projecting net tax increment, the primary assumption is the annual valuation growth rate. The projections in Table A assumed a modest 1.50% annual growth rate.

Several council members expressed a desire to see what level of projected net tax increment would be produced under a "worst case", or at least a more conservative set of assumptions. Although a worst case can not be projected accurately, we have produced six (6) new scenarios. Scenarios E-H assume no valuation growth (0%), and Scenarios I-L assume negative valuation growth (-1.50%). The assumptions and results of all 12 scenarios (A-L) are shown on the attached Summary Report.

This report can be further summarized as follows:

<u>Size of District</u>	<u>Range (in millions) of Projected Pay 2011 Net Tax Increment (Annual Growth Rate From -1.50% to +1.50%)</u>
100%	\$21.9 - \$24.1
75%	\$16.0 - \$17.7
50%	\$10.2 - \$11.3
25%	\$4.3 - \$4.8

**City of Minneapolis, Minnesota
2008 Special TIF Legislation**

Summary Report

**Projected Pay 2011 Net Tax Increment (a)
From Potential New TIF District Established in 2010**

% of Total Value of Eligible Parcels Included in New TIF District	Assuming Modest Valuation Growth		Assuming No Valuation Growth		Assuming Negative Valuation Growth	
	Scenario	Projected Pay 2011 Net Tax Increment	Scenario	Projected Pay 2011 Net Tax Increment	Scenario	Projected Pay 2011 Net Tax Increment
100%	A	\$24,146,280	E	\$23,020,622	I	\$21,928,232
75%	B	\$17,704,083	F	\$16,859,840	J	\$16,040,546
50%	C	\$11,261,887	G	\$10,699,058	K	\$10,152,863
25%	D	\$4,819,689	H	\$4,538,276	L	\$4,265,178

Major Assumptions

Annual valuation growth rate (pay 2009-2011)	1.50%	0.00%	-1.50%
Fiscal disparity election (inside or outside TIF district)	Inside	Inside	Inside
Fiscal disparity contribution rate (pay 2008 = 26.9225%)	30.00%	30.00%	30.00%
Total local property tax rate (pay 2008 = 119.788%)	113%	113%	113%

(a) Net tax increment = gross tax increment - state auditor fees - county reimbursement.
No deduction has been made for administrative costs of monitoring and reporting on the
TIF district since it is unclear at this time whether such costs are eligible.