

Tax Increment Financing-TIF 101

What: Tax increment financing (TIF) is a financing method authorized by state law that allows an authority to capture and designate most of the increased local property tax revenues from new development within a defined geographic area for a specified period of time. Tax increment revenues may be used for various qualifying public purposes such as redeveloping blighted properties, remediating contamination, and constructing public infrastructure as well as creating employment opportunities and affordable housing. The main objective of tax increment financing is to encourage certain types of development or redevelopment that would not normally occur without such assistance.

The city of St. Louis Park considers utilizing TIF funds to assist redevelopment projects in an effort to support the city's economic development goals and strategies. These goals and strategies include facilitating projects that:

1. Enhance the overall livability and economic viability of the community.
2. Foster the expansion, redevelopment and revitalization of the city's business areas through environmentally sustainable projects.
3. Retain and foster the growth of the city's exiting high-quality businesses.
4. Assist the startup, growth, diversification and expansion of the city's small businesses.
5. Recruit new businesses that are compatible with and complementary to the city's existing businesses.

How: When a TIF district is created, the property values in that district are "frozen" at the current level. As development occurs and property values rise within the district, the city "captures" the increase in property taxes to pay for public improvements within the district. Tax increment is the difference between the base amount of property tax revenue generated before TIF district designation and the amount of property tax revenue generated after TIF district designation.

Funds: Revenue from tax increment financing (TIF) districts is a financial asset of the City of St. Louis Park. Creating a TIF district does not reduce property tax revenues available to overlapping taxing bodies like schools. Property taxes (or "Base Taxes") collected on properties at the time a TIF district is created continue to flow to the overlapping entities (schools, city, county, etc.). Only property taxes derived from new growth that would not have occurred, "but/for" the use of TIF are used for TIF projects. These entities will see the full increase in property tax revenue once the developer's TIF note is paid off.

TIF Example (26-year District)

