



Department of City Development

City Plan Commission
Historic Preservation Commission
Neighborhood Improvement
Development Corporation
Redevelopment Authority

Rocky Marcoux
Commissioner

Martha L. Brown
Deputy Commissioner

September 24, 2007

Members of the Common Council
City Hall, Room 205

Dear Council Members:

At the September 18, 2007 meeting of the Zoning, Neighborhoods and Development Committee, the Department of City Development was asked to provide insight to the Members of the Council, about the factors the staff considers in evaluating tax incremental financing proposals in neighborhood retail districts. I have enclosed a brief summary of our perspective.

Please let me know if you have any questions about the department's approach.

Sincerely,

Rocky Marcoux
Commissioner

Attachment

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Criteria for Neighborhood Retail Tax Incremental Finance Districts

The following factors should be considered when evaluating Neighborhood Retail TIF district proposals. These factors do not necessarily represent guidelines or an absolute screening mechanism, but they can be used to direct TID planning activities in the city's neighborhood retail districts.

Neighborhood retail districts are assumed to predominantly consist of commercial and retail businesses serving consumers in their immediate market area. The TID may include adjacent residential properties.

Funding in neighborhood retail TIDs may be provided for public improvements, exterior improvements to residential properties adjacent to the commercial district, job training, and financing for catalytic private developments that will strengthen the economy in the district, and improve or preserve the level of retail services in the immediate market area.

Neighborhood retail TIDs should be located in the city's Renewal Community Area. This Area has the following characteristics (as measured by US Census data):

- At least 30% of the population's income is below the federal poverty level.
- Unemployment is at least 1.5 times the national average.
- Median income is less than 60% of the average median income in the four-county metro area.

Areas proposed for neighborhood retail TIDs should also:

- Demonstrate strong public-private partnerships.
- Have an established Business Improvement District that has been operating for not less than five years, that has demonstrated effective commercial revitalization efforts, including business retention and recruitment. The BID should have full-time professional staff. Alternatively, the area should be designated as a Main Street.

Private activities included in the project plan of a neighborhood TID should:

- Be consistent with the adopted Area Plan, or, if no such plan has been adopted, be consistent with retail development patterns in the area.
- Generate job opportunities for local residents, and/or build neighborhood wealth and stability by increasing opportunities for home ownership.

Financial considerations for neighborhood retail TIDs should include the following:

- The estimated payback period for such a district should not exceed 20 years.
- The amount of incremental value in such districts shall not exceed 20% of the incremental value in all tax incremental districts in the city.
- When funding is provided for private development activity, staff should consider guarantees of repayment or minimum property valuation for the assisted project in structuring the City's participation. Such guarantees may be provided by the developer and/or the Business Improvement District.
- When district boundaries must be drawn to include substantial existing tax base to support TID-funded public improvements, agreements shall be considered to share resulting incremental revenue among taxing jurisdictions for general levy purposes.
- Pay-as-you-go funding of the district shall be used whenever possible to minimize borrowing by the City. In this approach, project expenditures occur at the same pace that incremental revenue from appreciation and new growth accumulates within the district. It is not the same as a "developer-funded" TID, in which the developer makes all expenditures up front and is reimbursed by the accumulated increment over time.