

“Super TIFs” Steering & Rules May 1, 2014

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Legislative Reference Bureau*

“Super” Tax Increment Financing District

- Conceptual Idea.
- No Formal proposals.
- Needs Enactment of State legislation.

Not a Traditional TIF

- Actually a **development district**.
- **Not** based solely on increased property value.
- **Broadens** TIF purpose:
 - Other tax and revenue sources.
 - More than infrastructure improvements and other eligible projects.

Revenue Sources

- State Taxes – Income, Payroll, Sales
- Other Taxes – Entertainment, Hotel/Motel (Lodging)
- Other Revenue (Ticket Surcharge)
- Private Contributions

Current Examples

1. **Rochester MN** “Destination Medical Center”
2. **Allentown PA** “Neighborhood Improvement Zone”

Rochester Destination Medical Center

- Established by Minnesota State Law.
- Overseen by DMC Corporation.
- Governed by 8 member Board.
 - 4 appointed by Governor.
 - 1 by Mayor (Council approves).
 - 1 by Council President
 - 1 by County Board
 - 1 by Mayo Clinic

DMC Corp. Objective & Process

- Strengthen Mayo Clinic's future attractiveness to patients and employees.
- Implement the Development Plan.
- Approve public and private projects.
- Mayo Clinic Economic Development Agency writing 5-year Plan.
- Anticipate Plan by February 2015.
- Board & City Council approve Plan.

Project Costs

- 20-year, **\$6 billion** project.
- \$3.5 billion Mayo Clinic.
- \$2.0 billion anticipated private investment.
- \$585 million public financing.

Public Financing \$585 Million

- **Less than 10%** of \$6 billion cost.
- Minnesota - \$424 million.
- Rochester - \$128 million.
- Olmsted County - \$33 million.

Public Financing Sources

- Sales Tax
 - Extend Current 0.5% sales tax
 - Impose NEW 0.25% sales tax
- Increase Hotel “Room Tax”
- Impose Food & Beverage Tax
- Impose Admissions & Entertainment Taxes
- Traditional TIF funding

Plus:

Tax Abatement Authority

City of Rochester Oversight

- City approves:
 - Development Plan.
 - Infrastructure Projects.
 - DMC Corporation Annual Budget.
 - Long-term Debt Issuance.
- Projects subject to City's planning, zoning laws, etc.

Allentown Neighborhood Improvement Zone

- Revitalize downtown Allentown.
- Non-contiguous 130 acre area.
- Created by Pennsylvania Legislature.
- Legislation applies only to Allentown.
- Funds \$177 million, 10,000 seat arena.
- Subsidizes developers in Zone.

Allentown Neighborhood Improvement Zone

- NIZ administered by the Allentown Neighborhood Improvement Development Zone Authority.
- Created by City Council.
- Authority's Board has 9 members.
- All Board members appointed by the Mayor; City Council approves.

ZONE Tax Revenues Re-directed

- State Corporate income tax.
- State Personal & local income tax.
- State Sales, use & local service taxes.
- Includes taxes on companies constructing zone improvements.
- Beverage tax and Amusement tax.
- **Property taxes excluded.**

City of Allentown Oversight

- Approved:
 - Allentown Neighborhood Improvement Development Zone Authority.
 - Authority's articles of incorporation.
- Approves Authority Board members.
- Projects must be:
 - Consistent with City's Master Plan.
 - In compliance with City's zoning laws.

Issues to Consider

- Delineation of government and private party roles.
- Responsibility for debt payments if expected revenues fall short.
- Fiscal impact on other governmental units.
- Impact on other areas of the City.