

TAX INCREMENT FINANCING

Tax Increment Financing is provided for by Minnesota statutes providing a basis for local units of government through city government or through their Housing and Redevelopment Authorities or Port Authorities to divert a portion of a project's tax base to bonds and/or pay as you go to help finance the feasibility of new economic/community development.

Tax Increment Financing can be used for the following purposes:

- Land and building acquisition.
- Demolition and clearance.
- Relocation costs.
- Public improvements (sewer, water, utilities).
- Soil corrections.
- Site preparation.
- Legal/engineering/administrative.
- Bonding and capitalized interest.
- Project contingency.

Incremental tax revenues generated from a new project are used by a city for repayment of the sale of a revenue or municipal general obligation bond issued on behalf of the project. The fundamental principle which makes Tax Increment Financing viable, is that it is designed to encourage development which would not otherwise occur. Dedication of the projected property tax revenues does not reduce property tax revenue for the city, county, or school district as this revenue would not be available unless the development occurs.