



Harvest Hills

Housing TIF Request

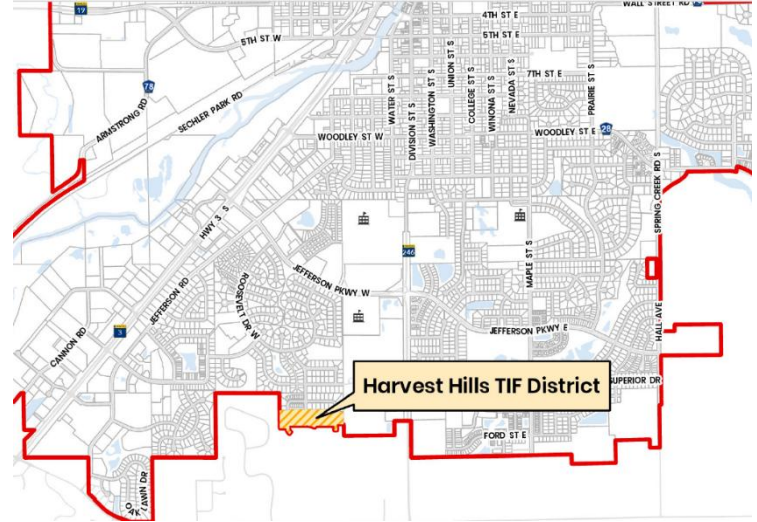
City Council
May 19, 2026

Public Hearing



- **Background: Proposed TIF District for Housing Development**
 - What is Tax Increment Financing (TIF)?
 - Proposed TIF Plan
 - Considerations
- **Public Hearing**
- **Requested Council Action**

Harvest Hills Project Overview



Timeline



- April 16 – PC recommended approval of preliminary plat
- April 16 – PC motioned that TIF Plan is in accordance with goals and land development code of the City
- April 21 – HRA approved proposed TIF plan is in accordance with housing goals of the City
- May 5 – City Council approved preliminary plat
- May 19 – City Council holds public hearing on TIF Plan

Concerns from the Public



- Access and traffic
- Pedestrian Safety
- Stormwater
- Timeline

Northfield Specific Policy Relevance



- TIF Policy (9.03)
- Business Subsidy Policy (9.01)
- Sustainable Building Policy (8.06)

TIF Plan vs TIF Agreement

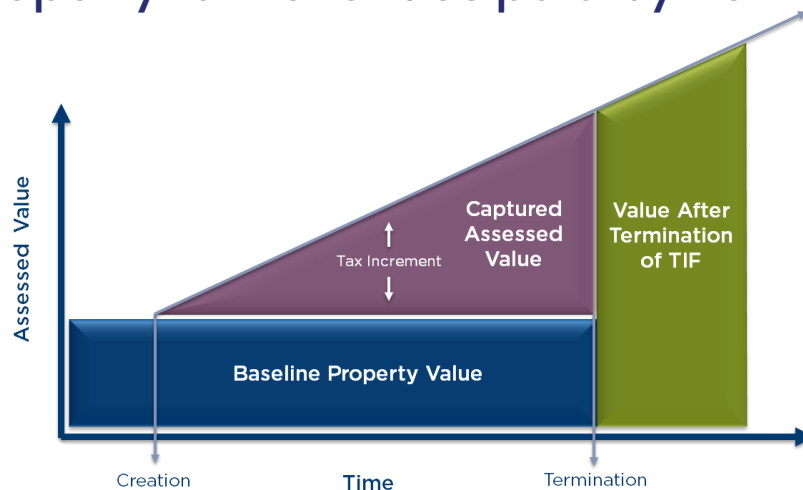


- **TIF Plan (today):** evaluating the maximum tax capacity of the district with this project
- **TIF Agreement (June):** evaluating the amount of subsidy that is appropriate for this project

What is TIF?



- Ability to fund qualified projects costs through capture of most of the increased local property tax revenues paid by new development or redevelopment



Taxes levied on existing property tax capacity and future taxes derived from a school operating referendum are not captured

What is TIF?



- **Authorized by Minnesota Statutes, 469.174 to 469.1794 (TIF Act)**
- **Why utilize it?**
 - Encourage certain types of development or redevelopment that are not reasonably expected to occur without assistance (“But For” test)
 - Examples when private investment and financing faces market limitations
 - Acquire land, clean up contaminated sites, demolition and redevelopment costs, and/or costs of an Affordable Housing Project
 - TIF can help solve for gaps in the project financing
- **Transparency: use of funds is recorded in City’s financial statements and subject to annual reporting to the Office of the State Auditor**

What is TIF?



- **Approval requires public hearing and adoption of a Tax Increment Financing Plan within a Municipal Development Program**
 - Program and TIF Plan declare policy objectives, define geography, and set a maximum budget for future TIF revenues and expenditures
 - TIF Plan is forwarded to County and School District for comment
- **Once approved, use of TIF revenues are governed by City**
 - Used to repay a financing obligation that funds development activity
 - Terms identified within a contract between developer and City – “TIF Assistance Agreement”

What is TIF?



- **TIF Property pays total property taxes as any other similar property**
 - Based on Assessor's annual Estimated Market Value
- **Portion attributed to new captured tax capacity is remitted separately to City as TIF revenue and deposited into a TIF Fund**

Example Property Taxes: What is Excluded From TIF?	
Total property taxes payable from New Development	\$430,136
Less: Commercial taxes paid to State of MN	(0)
Less: New Market Value taxes (paid to School Operating)	(61,571)
Less: Existing Base Value Taxes (paid to local jurisdictions)	(4,511)
Less: State Auditor Fee (0.36%)	(1,311)
Annual TIF remitted to City's TIF Fund	362,743

What is TIF?



- Northfield has used TIF for various types of housing, commercial redevelopment and industrial development throughout the City

Entity	Pay 2026 Net Tax Capacity	Pay 2026 Captured Tax Capacity in City	Percent of Total
City of Northfield	24,161,169	953,790	3.9%
Est. Harvest Hills	252,050	248,965	
	24,410,134	1,202,755	4.9%

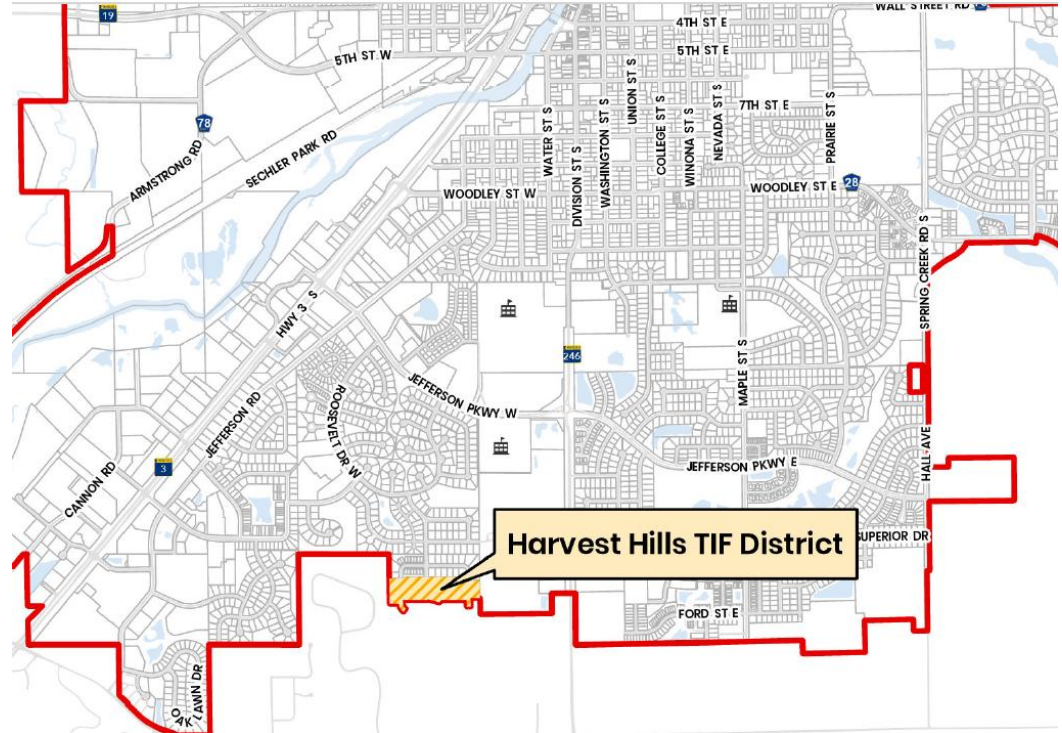
Table represents 3.9% of the City tax base created by existing TIF Districts
 10 active TIF Districts – Presidential Commons decertifies at end of 2026

TIF Plan – Proposed District



Harvest Hills

- Housing TIF District
- PID: 22.12.4.26.022
- Undeveloped property
- Assessed Value: \$246,800
- Project: 71-units of rental townhomes
 - Includes installation of utilities, streets, sidewalks



TIF Plan – Proposed District



- **Housing TIF District (under provisions of the TIF Act)**
 - Statutory maximum term:
 - 25 years after first year of TIF revenue received (26 total)
 - Qualifications: Project must meet affordability requirements, either:
 - At least 29 units (>40%) must be restricted for occupancy at affordable levels for individuals or households at or below 60% of Area Median Income (AMI), or
 - At least 15 units (>20%) must be restricted for same at or below 50% of AMI
 - AMI levels updated by HUD annually, 2026 thresholds are:
 - Individual - \$45,540 (60% AMI) and \$37,950 (50% AMI)
 - 4-person Household - \$65,040 (60% AMI) and \$54,200 (50% AMI)

TIF Plan – Proposed District



- **Regulatory Document establishes the purpose, term, estimates and budget for TIF District**

- Purpose: Provide affordable housing; incentivize new private development and infrastructure within the community
- Maximum term – taxes payable from 2028 to 2053
 - Or earlier if funding obligations are met
- Estimates and Maximum Budget
 - Full term potential TIF revenue estimate of \$10.5 million
 - Amount supports \$5.9 million potential funding capacity
 - After discounting at 5.85% financing interest rate (\$4,580,000)

ESTIMATED SOURCES

Tax Increment - 26 year collection	\$ 10,007,426
Interest	500,371
TOTAL	\$ 10,507,797

ESTIMATED USES

Affordable Housing (1.0% appreciation)	5,427,426
Administrative Costs (5%)	500,371
PROJECT FUNDING SUBTOTAL	\$ 5,927,797
Interest	4,580,000
TOTAL USES	\$ 10,507,797

Considerations – Protecting Resources (“But For” Test)



- Statutory Finding: The development would not be reasonably expected *but for* the use of tax increment
 - Staff and consultants review developer’s TIF application and financial information (ongoing)
 - Compare to market expectations for costs, operating income, private financing and investment returns
 - Determine gap, if any
 - Identify costs qualifying for TIF assistance
 - Ensure project is maximizing private sources of funding
 - “Right-size” public assistance necessary for financial feasibility

Other Considerations



- **Developer requesting Pay-as-you-go TIF Assistance to fill gap in expected private financing to build project and install infrastructure**
 - Developer takes on all risk to fund and operate housing (including pay taxes)
 - Tax increment made available to reimburse a portion of verified development costs in each phase after completion
- **Ehlers Preliminary Pro Forma Review (Phase 1 – 38 units)**
 - \$13 million estimated development costs
 - Includes infrastructure and buildings that adhere to City’s sustainability policy
 - Anticipated operating revenue from rent expect to support only \$6.9 million mortgage (53%), leaving \$6.1 million private equity investment without assistance
 - Net income after debt repayment leaves estimated 1.9% return on investment
 - Far short of market expectations (7-10%) for typical rental housing development

Council Action



- Conduct Public Hearing
- Consider motion to approve Resolution establishing Harvest Hills TIF District
- Next Steps:
 - Staff and consultants negotiates terms for TIF Assistance Agreement with Developer (along with development contract)
 - Presented for Council approval in June/July with consideration for final plat