

**Council Agenda Item 25-0393R**



**MEETING DATE:** May 12, 2025

**SUBJECT/TITLE:** RESOLUTION APPROVING A POLICY ON DEVELOPMENT INCENTIVES FOR TAX INCREMENT FINANCING

**SUBMITTED BY:** Tricia Hobbs, Manager Economic Development & DEDA and Councilors Forsman, Randorf, and Kennedy

**RECOMMENDATION:** Approve

**BOARD/COMMISSION/COMMITTEE RECOMMENDATION:**

**PREVIOUS COUNCIL ACTION:** There are no previous Council actions related to this item.

**BACKGROUND:** Tax increment financing (TIF) is a financial tool, authorized by State law, that cities use to facilitate development that otherwise would not be financially possible. The use of TIF allows for job creation, affordable housing, or redevelopment of blighted or contaminated sites.

The creation of TIF Districts, and the use of TIF, are governed by Minnesota State Law. TIF Law (Minnesota Statutes, Sections 469.174 to 469.179) is complex and has changed over the years and continues to change. This law gives the power to establish TIF districts to an “authority.” An Authority (as defined in Minnesota Statutes, Section 469.174, Subd.2) has the power to create and administer TIF districts and plans. Authorities include municipalities, economic development authorities (EDA), housing and redevelopment authorities (HRA), and port authorities.

Duluth has used TIF as a public finance tool to initiate community improvements since the 1970s. Large-scale mixed-use and commercial projects such as Cirrus’s manufacturing campus, our Medical District, and Bluestone Commons, would not have been possible without the use of TIF. However, the City of Duluth and DEDA have never adopted a formal policy to define and communicate priorities for use.

Staff have spent over a year researching and reviewing policies from other communities across Minnesota. Using this information, they collaboratively drafted this policy with feedback from staff across our organization. The intent of this policy is to guide City staff in forming recommendations regarding the use of TIF and negotiating contract terms with developers; to provide a framework within which the City Council and City Administration can evaluate and compare proposed uses of TIF; and to inform the public of the City’s position on the use of TIF and the process through which decisions regarding the use of the tool are made.

**BUDGET/FISCAL IMPACT:** None



**OPTIONS:** Approve the policy to provide a framework for the use of TIF; Deny the policy and continue operating without a policy and framework.

**NECESSARY ACTION:** Approve.

**ATTACHMENTS:** City of Duluth and DEDA TIF Policy