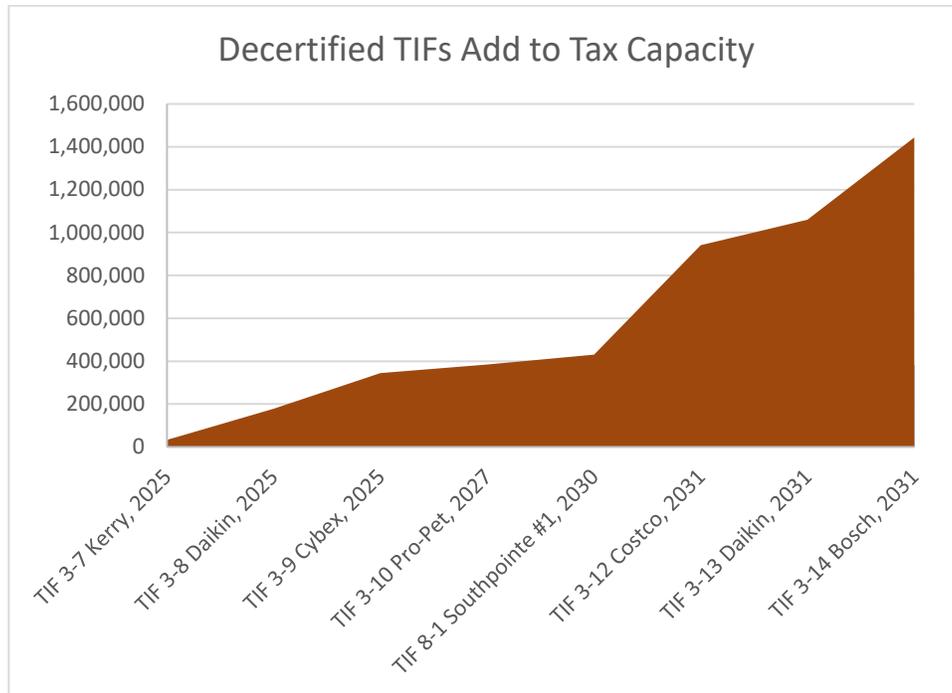


Over the next several years, as TIF districts are decertified, this increment value is added back to the City's total tax capacity. The City's goal is to keep its levy increases in line with capacity increases. The decertification of TIF districts is beneficial in this regard.



Here is a brief recap on how tax capacity is calculated for commercial and industrial property:

The "tax capacity value" is determined by multiplying the taxable market value of the property by the statutory percentage rates (also called class rates) for the specific classifications/uses on the property. Minnesota has many class rates and those rates can be changed only by the State Legislature. Commercial and industrial property has a rate of 1.50% for the first \$150,000 in value, and 2% of the value above \$150,000.

Class Rate	Amount	Tax Capacity
1.50%	\$150,000	\$2,250
2.00%	<u>850,000</u>	<u>17,000</u>
	\$1,000,000	\$19,250

The chart displaying the cumulative effect of decertifying TIF districts in the next several years, results in a total addition to tax capacity of over \$1.4 million. I wanted to put that into perspective for you. A \$1,000,000 taxable market value results in \$19,250 of capacity. \$1.4 million of increased capacity for the eight TIF districts is the result of a substantial increase in market value for the City (estimated over \$71 million).