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# BRIEFING



## MALL OF AMERICA A STRATEGIC PUBLIC INVESTMENT

IN 1988, THE CITY OF BLOOMINGTON entered into a development contract with the Mall of America Company that included public funding of public improvements equal to 10 percent of the Mall's development costs over all phases. Public improvements, such as street and utilities, were funded through tax increment financing (TIF), a tool that utilizes a portion of property taxes paid by the Mall to repay the debt issued by the City through its Port Authority.

Bloomington has realized a positive return on its investment in the Mall of America. Additional developments in the vicinity of the Mall added 1,705 hotel rooms and \$83 million to the city's tax base. The Mall attracted major infrastructure improvements such as light rail that, in turn, are driving the construction of the \$600 million Bloomington Central Station transit-oriented development. In addition, Bloomington's General Fund receives \$1 million in taxes from the Mall each year

over and above the cost of services. The State of Minnesota also benefits: the Mall generates up to \$32 million per year in state sales tax revenues and pays \$11 million per year in state income taxes and \$5.4 million in property taxes – a total that has reached almost \$50 million per year.

In its initial 1988 agreement with the Mall of America Company, the City and Port Authority developed a formula for funding public improvements for future phases. At that time, it was intended that public improvements related to a second phase of the Mall would be constructed using TIF revenues from both the first



and second phases. However, in 2001, state property tax reform legislation shifted a portion of the commercial property tax receipts directly to the state, reducing revenues to the City for the TIF District by \$5.6 million per year. Due to the delay in the start of the second phase, the City is asking the Legislature for a seven-year extension of the Mall of America Phase II TIF District. The state, as the major beneficiary, will be given the opportunity to invest in maximizing development of the site.

For more information, call Assistant City Manager Clark Arneson at 952-563-8921.



Preliminary development plans have been approved for the Mall's \$1.4 billion second phase that include a 5.6 million square-foot, integrated, mixed-use center with retail, hotel, office, residential and entertainment uses. This type of high-intensity development, similar to downtown areas in other cities, makes better use of costly infrastructure improvements such as highways, sewers and mass transit. It also attracts a unique blend of tourists and tenants. Without public improvements such as significant structured parking, high-intensity development cannot occur. Structured parking constitutes approximately 60 percent of the on-site public improvements for the second phase of the Mall.