

TO: Members of the City Council/HRA
FROM: In\$ight Steering Committee
SUBJECT: Opposition to Use of TIF in the 841-857 Grand Avenue Redevelopment Plan
DATE: November 25, 2025

– In\$ight Steering Committee Recommendation –

The Redevelopment Plan for 841-857 Grand Avenue should not include Tax Increment Financing (TIF) totaling \$2.95 million.

Rationale for our Recommendation

The Steering Committee bases its recommendation on extensive analysis of how Tax Increment Financing (TIF) has been used in Saint Paul and our understanding – based on publicly available information – of how it will be used to support the Redevelopment Plan at 841-857 Grand herein after referred to as 845 Grand Avenue. In addition, members of In\$ight have had two conversations with the developer, Ari Parritz.

(Note: In\$ight analysis of the City’s use of TIF is contained in In\$ight Reports dated October 29, 2024, and August 11, 2025.)

Arguments Favoring the 845 Grand Avenue Plan

- The Saint Planning Commission has affirmed with a narrow 6 to 5 vote that the 845 Grand Avenue Plan is consistent with the Saint Paul 2040 Comprehensive Plan.
- The developer, Ari Parritz, is a competent and reputable developer committed to the improvement of Saint Paul. He recently completed a similar project at the nearby corner of Grand Avenue and St. Albans.

That project did not require TIF and the developer states that it was because of the low interest rates during covid.

- The 845 Grand Avenue project will likely be a net addition to the neighborhood.
- The developer is firm in stating that he cannot undertake and complete a successful project without the use of TIF and that he and his investors will suffer financial losses if the project is not approved by the HRA in December.
- The \$2.95 million TIF request is relatively small when compared to recent TIF supported projects in the City.
- The developer states that he understands the negatives of TIF and has also stated he is not in favor of the continued use of TIF believing the City needs to find other ways to incentivize the much-needed development of the City's tax base. He states that he cannot, however, move forward on his current timeline for this project without TIF.

In\$ight's Reservations Concerning Saint Paul's Use of Tax Increment Financing (TIF)

Among the concerns expressed in the In\$ight Reports are the following:

- TIF has been overused in the City of Saint Paul.
 - In 2024 Saint Paul had over 7.9% of taxable property captured in TIF projects.
 - The recent Landmark Towers project is an example of the overuse of TIF.
 - Saint Paul is the largest user of TIF in the State and second only, per capita, to the City of Chicago in the use of TIF in the country.
 - Minneapolis and other municipalities are reducing use of TIF.
- TIF is often advertised as a way to increase the tax base in the City but that increase does not happen for a period of up to 25 years after completion of a project.

- TIF is a public subsidy – a gift - paid to a developer as an incentive to engage in a project. It is not a loan. The City must accrue debt to grant the subsidy to the developer.
- TIF captures future taxes of real estate improvement to retire the debt incurred by the City. Future taxes do not go into the general fund.
 - Tax levies to service debt for TIF projects INCREASED 40.1% by approximately \$13M from 2015-2024.
 - Currently 8% of the property taxes of City taxpayers are devoted to covering the cost of existing TIF projects.
- City services required by the project – Fire, Police, Public Works , etc. – are not paid for by taxes paid by the project. They are paid for by taxpayers outside of the project.

Reasons Why In\$ight Opposes the Use of TIF for the 845 Grand Avenue Project

- The site is one of if not the most attractive development sites in the City of Saint Paul. We believe a developer should be able to create a profitable development plan at that site without the need for a public subsidy.
- The relatively small TIF request of \$2.95 million suggests that the developer should be able to find ways to finance a \$44.5 million project without resorting to TIF.
- Although the project has attractive features and will be a net benefit to the neighborhood, it does not have a clear and compelling public purpose justifying the use of TIF.
- Data demonstrating that the project has passed the “but for” test is not publicly available. The “but for” test may have been “passed” because the developer convinced city staff and a consulting firm that he and his investors could not achieve a desired financial return without a subsidy.
- Awarding a public subsidy to this project will set a precedent sending a signal to other developers that fulfilling the “but for” requirement will be relatively easy to demonstrate.

- TIF is often used in support of blight removal. The City has already been awarded \$350,000 from the Minnesota Department of Employment and Economic Development (DEED) for abatement, demolition, and public infrastructure improvements at the site.
- Awarding a public subsidy (TIF) removes the opportunity for the City to increase tax base revenue from one of its most attractive development sites for a period of up to 25 or more years.

– Conclusions –

- **Do not award a public subsidy – TIF – to this project.**
- **Although likely a net gain to the neighborhood, the project does not enhance City goals to increase the tax base in the short to medium term and it puts a further burden on taxpayers at a time when they are already coping with rapidly rising property taxes.**
- **Awarding TIF to this project – a project for which it is hard to justify the need for TIF – will make it difficult to refuse to award TIF to future TIF proposals in the City.**