

# **HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA**

**REPORT TO THE COMMISSIONERS**

**DATE: DECEMBER 17, 2025**

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING (I) THE ESTABLISHMENT OF THE GRAND AND VICTORIA REDEVELOPMENT PROJECT AREA, (ii) A REDEVELOPMENT PLAN THEREFOR, (III) THE ESTABLISHMENT OF THE GRAND AND VICTORIA TAX INCREMENT FINANCING DISTRICT, (IV) A TAX INCREMENT FINANCING PLAN THEREFOR, (V) AN HRA BUDGET AMENDMENT, AND (VI) THE EXECUTION OF A TAX INCREMENT DEVELOPMENT AGREEMENT AND RELATED DOCUMENTS, DISTRICT 16, WARD 2**

## **Requested HRA Board Action**

Authorization to approve the following:

1. The Grand and Victoria Redevelopment Project Area and Redevelopment Plan therefore (the “Redevelopment Plan”).
2. The Grand and Victoria Tax Increment Financing District (a redevelopment district) (the “TIF District”) and Tax Increment Financing Plan therefore (the “TIF Plan”).
3. A TIF Development Agreement with 845 Grand LLC (the “Developer”).
4. An HRA Budget Amendment for the TIF District

A City Council public hearing will be held on this same date considering a companion resolution approving the Redevelopment Plan, TIF District and TIF Plan.

## **Background**

845 Grand LLC (the “Developer”) has acquired 841 Grand Avenue and 857 Grand Avenue (the “Property”) and has applied to the HRA requesting the establishment of a new redevelopment TIF district to advance private development of the Property. The HRA retained the services of LHB, Inc. to complete an assessment of the proposed development site to determine if the statutory blight test has been met. LHB, Inc. is a full-service architectural, planning and engineering firm and has analyzed over 440 TIF districts for TIF authorities throughout the State. LHB, Inc. determined the

Property meets qualifications of a Redevelopment TIF District, including three substandard buildings with significant code deficiencies.

The proposed TIF District is being created to facilitate the demolition of the existing buildings and construction of one 6-story mixed used building with 90 market rate rental apartments (19 studio units, 37 one-bedroom units, and 34 two-bedroom units) and 12,800 square feet of commercial space, including two proposed restaurants on the first floor facing Grand Avenue plus structured parking with 99 residential parking stalls and 22 public parking stalls (the “Development”).

To advance assistance through tax increment financing, the HRA has prepared the Grand and Victoria Redevelopment Plan (the “Redevelopment Plan”) to include goals and objectives for the redevelopment of the Property. The Redevelopment Plan is **attached** and outlines the activities to occur within the Project Area which includes the removal of blighting conditions including substandard buildings, expanding the tax base, creating jobs for residents and the construction of 90 housing units.

On November 14, 2025, the Saint Paul Planning Commission reviewed the Redevelopment Plan and adopted a resolution (file number 25-47) finding that the Redevelopment Plan conforms to the general plan for development of the City of Saint Paul as a whole and with the comprehensive plan for the City and therefore recommends the Redevelopment Plan to the City Council and HRA for approval.

The Property is in Planning District #16 (Summit Hill). The neighborhood profile for Planning District #16 is **attached**. A map of the proposed TIF District and Project Area is also **attached**.

### **Related City Council Action**

The City Council is required to hold a public hearing and adopt a resolution approving the Redevelopment Plan, TIF District and TIF Plan, on this same date.

### **Financing Structure**

Due to the costs of the Development associated with various site, watershed and design requirements, developing a small, infill project on already improved land and constructing a

vertical mixed-use building, the project is feasible only through assistance from tax increment financing. Tax increment assistance is necessary to attract adequate private equity and debt to complete the Development. As mentioned above, the Property has been surveyed, and conditions have been met to qualify the Property as a Redevelopment TIF District under Minnesota Statutes.

The tax increment revenue projections included in the TIF Plan were prepared by PED staff with input from Ramsey County based on the redevelopment plan detailed by the Developer. A copy of the TIF Plan is **attached**. The tax increment revenue projections utilize the following assumptions:

- Total taxable market value once constructed of \$26,500,000.
- The base value for the TIF District is \$6,465,800 as assessed in 2025, resulting in \$20,034,200 of increased market value.
- Delay first receipt of increment to Pay 2028, resulting in final collection year of Pay 2053.
- Total annual tax increment collected by the HRA when fully complete is estimated at \$363,076, in Pay 2030, excluding the commercial property tax value increase that is shared through the fiscal disparities program.
- Producing total tax increments collected from the tax parcels over the 26 years of \$9,079,790.

The budget included in the TIF plan totals \$9,440,000 as follows:

<b>Estimated Sources of Revenue</b>	<b>Amount</b>
Tax Increment Revenues	\$9,080,000
Interest and Investment Earnings	<u>360,000</u>
<b>Total Tax Increment Revenues</b>	<b>\$9,440,000</b>
<b>Estimated Project Costs</b>	<b>Amount</b>
Site Improvement/Prep Costs	\$1,288,000
Other Qualifying Public Improvements	1,668,000
Construction of Affordable Housing	2,956,000
Administrative Expenses	908,000
Interest Expenses	<u>2,620,000</u>
<b>Total Estimated Project Costs</b>	<b>\$9,440,000</b>

### TIF Development Agreement

Ari Parritz is the managing member of the Developer. Ari Parritz is the president and founder of Afton Park Development and has ten years of experience leading urban redevelopment projects, specifically in the Twin Cities. As a contract developer for Reuter Walton Development, Afton Park was the project lead for the Kenton House on Grand at St. Albans. Afton Park has also developed apartments in Stillwater and Robbinsdale and is developing an 150-unit project in Edina.

The City/HRA retained Ehlers as our Municipal Advisor to evaluate the Developer's current pro forma based on industry standards for construction costs, project costs, rental rates and operating expenses, developer fees, available funding sources, underwriting criteria, and project cash flow. Based on the results of the pro forma analysis, Ehlers concluded the project requires \$2,956,000 to attract adequate capital and debt financing. The table below depicts the proposed sources and uses for the Development with a total cost of \$44,604,984 including a private construction loan, TIF Pay-Go Note, in the principal amount of \$2,956,000 pledging tax increments from the TIF District, Developer equity and \$350,000 DEED grant awarded to the City (City Council acceptance of DEED funds will be forthcoming). **TIF Pay-Go Notes do not have scheduled payments, the HRA pledges tax increments as they are collected without any liability of the HRA or City for any other financial backing.**

SOURCES			
	Amount	Pct.	Per Unit
First Mortgage	28,522,423	64%	316,916
TIF Note	2,956,000	7%	32,844
Equity	12,776,561	29%	141,962
Local Grants	350,000	1%	3,889
<b>TOTAL SOURCES</b>	<b>44,604,984</b>	<b>100%</b>	<b>495,611</b>

  

USES			
	Amount	Pct.	Per Unit
Acquisition Costs	4,773,000	11%	53,033
Construction Costs	31,418,286	70%	349,092
Environmental Abatement/Soil Correction	1,221,000	3%	13,567
Professional Services	2,197,992	5%	24,422
Financing Costs	2,955,633	7%	32,840
Developer Fee	1,750,000	4%	19,444
Cash Accounts/Escrows/Reserves	289,073	1%	3,212
<b>TOTAL USES</b>	<b>44,604,984</b>	<b>100%</b>	<b>495,611</b>

PED staff recommend a structure which would allow the HRA to pool an estimated 25% of the TIF funds for affordable housing throughout the City. The terms recommended are:

- The Developer receive 85% of the tax increment in the first year (2028), stepping back 5% each year, to a fixed 60% in the 6<sup>th</sup> year (2033) and beyond.
- The HRA will issue Pay-As-You-Go Tax Increment Financing Note (the “TIF Pay-Go Note”) up to the maximum principal amount of \$2,956,000, upon completion of the project and issuance of a certificate of occupancy and a Certificate of Completion, on or after March 1, 2028, with an interest rate equal to the lesser of 5.5% or the interest rate on the Developer’s permanent loan, supported by the pledged tax increments.
- The TIF plan will authorize 35% of the tax increments to be expended outside of the TIF district, enabling maximum pooling for affordable housing. The TIF budget includes up to \$2.956 million for affordable housing.

The HRA makes no representations or promises that the pledged tax increments will be sufficient to reimburse the Developer for their upfront costs with interest. The Developer will be required to acknowledge receipt of risk factors that can limit the amount of available tax increment that can be used to make payments under the TIF Pay-Go Note. The determination of the principal amount will be limited to TIF eligible redevelopment costs of storm water systems, earth retention and non-vibratory foundation work, utility relocation, and any soil correction, asbestos abatement, demolition and construction of public parking spaces, provided the costs are not covered by the DEED grant, and expressly exclude acquisition.

#### TIF Gap Analysis and Lookback provision:

As mentioned above, we have engaged Ehlers to advise the HRA to determine the appropriate amount of the TIF assistance and the Lookback provisions to ensure the Developer is not over-subsidized. Ehlers has recommended the following: “Based on our review of the Developer’s pro forma and under current market conditions, the proposed development isn’t feasible without the amount of public assistance outlined (\$2,956,000). The public assistance is necessary to attract adequate private equity and debt to complete the project. Due to the costs associated with various site, watershed and design requirements, developing a small, infill project on already improved land and constructing a vertical mixed-use building, this project is only feasible, in part, through public assistance. We recommend the inclusion of a three-prong ‘lookback’ provision in the TIF

agreement. This provision will allow for review of (i) actual project costs; (ii) project performance and returns on investment against initial projections at stabilization; and (iii) review at sale. If costs are lower and returns on investment exceed certain limitations, then the TIF assistance will be reduced.”

The Lookback will be designed to allow the HRA to confirm the “but for” test and ensure the Developer is not unduly enriched by the financial assistance from the HRA. The Lookback will include the following:

1. Prior to the issuance of the TIF Pay-Go Note, the Developer will certify the total development costs and if the costs are less than the total costs shown in the Sources and Uses Budget, the maximum amount of the TIF Pay-Go Note will be reduced dollar for dollar.
2. Upon stabilization of the Project, the Yield on Cost will be calculated by the HRA’s Municipal Advisor, and if the Yield on Cost exceeds a determined threshold, the TIF Pay-Go Note will be reduced by a determined amount.
3. If the TIF Pay-Go Note is still outstanding and the Project is sold to an unrelated party during the first fifteen (15) years after the issuance of a Certificate of Completion by the HRA, the Developer will provide information regarding the sale and other background documentation to the HRA’s Municipal Advisor and they will determine whether the Yield on Cost exceeds a determined threshold requiring the TIF Pay-Go Note to be terminated upon the sale.

### **Budget Action**

The HRA is approving a budget amendment to align with the financing and spending included in the TIF Plan. The budget amendment is included in the attached Financial Analysis which includes the payment of principal and interest under the TIF Pay-Go Note listed under Site Improvement Prep Costs and Other Qualifying Public Improvements, and Interest. The budget also includes expenditures for Administration and Construction of Affordable Housing.

### **PED Credit Committee Review**

On December 2, 2025, the PED Credit Committee reviewed the terms for the TIF Pay-Go Note proposed to be issued to the Developer and found it to be consistent with PED policies.

## **Compliance**

The following compliance requirements will apply to this project: Vendor Outreach, Affirmative Action, City Labor Standards, Project Labor Agreement, Two-Bid Policy, and Living Wage Ordinance.

## **Green/Sustainable Development**

The Development in the TIF district will comply with the Saint Paul Sustainable Building Ordinance.

## **Public Purpose/Comprehensive Plan Conformance**

The Development will remove blighting conditions including substandard buildings, expand the tax base, create jobs for local residents and construct 90 housing units within a Mixed-Use land use designation and a Neighborhood Node as established by the 2040 Comprehensive Plan. Neighborhood nodes within mixed-use areas envision compact, dense projects along transit corridors that balance jobs and housing within walking distances to one another. These areas are vital to the growth and economic development of the city by providing the highest densities outside of downtown. The proposed Development is supported by the following policies from the 2040 Comprehensive Plan:

- LU-1: Encourage transit-supportive density and direct the majority of growth to areas with the highest existing or planned transit capacity.
- LU-14: Reduce the amount of land devoted to off-street parking in order to use land more efficiently, accommodate increases in density on valuable urban land, and promote the use of transit and other non-car mobility modes.
- LU-30: Focus growth at Neighborhood Nodes using the following principles: increase density toward the center of the node and transition in scale to surrounding land uses, prioritize pedestrian-friendly urban design and infrastructure that emphasizes pedestrian safety.
- LU-31: Invest in Neighborhood Nodes to achieve development that enables people to meet their daily needs within walking distance and improves equitable access to amenities, retail and services.

- H-46: Support the development of new housing, particularly in areas identified as Mixed Use, Urban Neighborhoods, and/or in areas with the highest existing or planned transit service, to meet market demand for living in walkable, transit-accessible, urban neighborhoods.

The Development will create construction jobs and create and retain permanent jobs. The Developer estimates 130 FTE construction jobs and 62 FTE permanent jobs upon full operation of the Development. Construction is anticipated to start in February of 2026 and completed in the summer of 2027.

**Recommendation:**

The Executive Director recommends approval of the resolution authorizing the following:

1. Establishment of the Grand and Victoria Redevelopment Project Area and Redevelopment Plan.
2. Establishment of the Grand and Victoria Redevelopment TIF District and TIF Plan.
3. Approval of a TIF Development Agreement with 845 Grand LLC.
4. Approval of an HRA Budget Amendment for the TIF District.

**Sponsored by: Commissioner Rebecca Noecker**

**Staff:** Jenny Wolfe (266-6680) and Jessie Higgins (266-6652)

**Attachments**

- Redevelopment Plan
- District Profile
- Map of TIF District and Project Aea
- TIF Plan
- Financial Analysis