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

In$ight St. Paul 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$ight St. Paul have had two conversations with the developer, Ari Parritz.
(Note: In$ight St. Paul's analysis of the City's use of TIF is contained in In$ight St. Paul 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 St. Paul's Reservations Concerning Saint Paul's Use of Tax Increment Financing (TIF)

Among the concerns expressed in the In$ight St. Paul 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 St. Paul 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.
- 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.**

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.)

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- 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.
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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.**

845 Grand Avenue

Should the project receive a public subsidy (TIF) of $2.95 million?

What is 845 Grand Avenue?

- A proposed six-story, mixed-use building at the northeast corner of Grand and Victoria.

Primary Reasons for Awarding a Public Subsidy (TIF)

- A project is deemed to have a clear and compelling public purpose.
- A project passes the "but for" test, i.e., this or any other developer would not undertake the project "but for" the award of a public subsidy (TIF).
- A project removes "blight."

Recommendation - The proposed project at 845 Grand Avenue DOES NOT meet the standards required for the award of a public subsidy – TIF

- A clear and compelling public purpose has not been identified.
- There is no publicly available evidence it has passed the "but for" test.
- A definition of the site as "blighted" is questionable and it has already received $350,000 of DEED for abatement, demolition, and public infrastructure improvements.

Additional Considerations

- The site is one of the most attractive development sites in Saint Paul.
- Awarding a public subsidy to this project will set a precedent and send a message to developers that public subsidies are readily available.
- If this project at an attractive development site receives a public subsidy (TIF), there will be no valid reasons for other developments to be refused a public subsidy (TIF).
- 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 up to 25 or more years.

For additional information, contact Julian Loscalzo at julian@ballparktours.net or at 612-328-1145.

From:	Barbara Sibley
To:	HRAHearing (CI-StPaul)
Subject:	Grand and Victoria Redevelopment
Date:	Tuesday, December 9, 2025 11:07:24 AM

I strongly encourage the HRA to NOT declare the Grand and Victoria area a Tax Increment Financing (TIF) District. The area does not meet the "but - for" criteria for defining a proposal to use TIF. It is prime real estate for retail, housing, or a mix of both. Is it a blighted area? If it were, that would be news to the residences to the north and east of the area. In other words, it is not a blighted area.

I'm glad the developer wants to pursue a project in this area. And I hope they do. What I'm not in favor of is locking up any benefit to the City's general fund for 25 or more years. Let's develop some discipline on use of TIF for projects that meet the "but for" criteria. This project doesn't.

Respectfully,
Barbara Sibley
Ward 4

From:	ROBERT MUSCHEWSKE
To:	HRAHearing (CI-StPaul)
Subject:	Op Ed Concerning the City"s use of TIF
Date:	Tuesday, December 9, 2025 12:04:36 PM
Attachments:	TIF Op-Ed - 05 24 25 Revised 05 25 25.docx

Please add this to the file concerning the use of TIF for the redevelopment project at Grand and Victoria. The Op Ed makes the case that the City has overused TIF and should be very cautious in continuing to use it.
Bob

Bob Muschewske
Saint Paul, MN 55102

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Bob Muschewske
370 Summit Avenue
Saint Paul, MN 55102

rmuschewske@comcast.net
612-578-3635

Tax Increment Financing (TIF)

Saint Paul's Overuse of TIF Has Negative Consequences

Tax increment financing (TIF) is a public financing tool employed with the long-term objective of expanding the City's tax base. It seeks to accomplish that goal by subsidizing redevelopment, infrastructure, and community improvement projects such as:

1. Upgrading obsolescent facilities.
2. Eliminating blight.
3. Remediating pollution
4. Expanding affordable housing choices.
5. Enhancing private sector employment growth.
6. Encouraging redevelopment activities that enhance urban features, amenities, and historic structures.

There is growing concern that TIF has been overused and that it has not delivered hoped-for results in addressing City goals. Other municipalities concerned about the efficacy of TIF have concluded that it places an undue and unfair burden on taxpayers and are reducing the use of TIF.

When using TIF, the City typically provides a subsidy to developers to engage in a project and then diverts property tax revenue from the project using those funds for 25+ years to repay the City for the upfront money it spent to induce the private development activity. The City's tax base is not increased during this period. TIF is not a loan to a developer that the developer pays back to the City. TIF is a gift to the developer. The City provides the developer with a public subsidy – the gift – and the City must issue bonds to fund the amount of the gift. During the 25 to 30-year life of the project, property taxes that are paid by the TIF project do not go into the general fund but are used to retire the debt incurred by the City. In addition, none of the new tax revenue is used to pay for public services provided to the project such as fire, police, and public works. Those cost obligations are passed on to all other St. Paul taxpayers.

In 2024 the City of Saint Paul had over 7.9% ($2.8 Billion) of taxable property captured in TIF projects – the largest amount of any city in Minnesota. Given the significant need for redevelopment in Saint Paul's downtown, there will be mounting pressure to increase the use of TIF.

TIF IS A SEDUCTIVE TOOL

Many City constituencies view TIF as an efficient and constructive solution to the achievement of one or more of the City's goals. City leaders may view TIF as an easy and attractive method for developing the City's tax base – an important goal of the City. The building trades may view it as an effective method for creating construction jobs – also an important goal of the City. Developers view it as "free money" enabling them to pursue and profit from development opportunities. Taxpayers, unaware of the increased tax burden they will bear, may be pleased that the City is focusing on development opportunities. Accordingly, the pressure to use TIF can be persuasive despite negatives associated with its use.

TIF IS AN IMPERFECT TOOL

There are significant negatives associated with the current use of TIF:

- It is a complex tool with many permutations making it difficult for the public to understand how it works, and the City websites provide little information about TIF projects and the impact on taxpayers.
- Its ultimate impact often cannot be assessed for years after its implementation.
- The predicted success of the project is often based on difficult-to-make financial projections.
- TIF obligations are not identified in annual City budgets.

USE OF TIF REQUIRES CAREFUL ANALYSIS

Careful and rigorous consideration needs to be given to the approval of each TIF project to increase the probability that the project will benefit the City and its taxpayers. To ensure that it is the right solution for any given project requires a thoughtful understanding and analysis of the following issues:

- Is there a clear and compelling public purpose served by the proposed project?
- What are the barriers to private sector funding of the project that make it necessary to use public subsidies – TIF – on a given project? To what extent has the City or a developer explored other funding sources? What keeps a developer from tackling a project without a public subsidy?
- The "but for" test – a test that the project would not occur without the assistance of a public subsidy – must be rigorously applied. If a pattern develops that TIF is readily granted, it provides an incentive for all developers to ask for a public subsidy.
- TIF can incentivize development that results in over-building and thus the sub-optimal use of existing facilities. This can in turn reduce net operating income for other competing properties and reduce the City's overall tax capacity.
- Should TIF be awarded to local or non-local developers? Providing TIF financing to non-local developers gives the financial advantages of TIF financing to those developers outside of the City.
- If a local developer has a project not financed with TIF and is confronted with a competing project financed by TIF, that creates an unfair advantage for the TIF financed project. Such conflicts should be avoided in the awarding of TIF.
- Will the impact of a TIF project on other properties be positive or negative?
- When a project involving the conversion of a commercial structure to a residential structure is considered for TIF, decision-makers need to

understand that residential structures pay only about half the tax that commercial structures pay.

- The City needs to analyze the difference between poorly performing and successful districts – both past and present – to assist in the decision making about whether a proposed district is likely to be successful and provide a benefit to the entire City.

INFLECTION POINT CALLS FOR CAUTIOUS AND PRUDENT USE OF TIF

The City of Saint Paul will be making critical decisions in the coming months concerning development opportunities in the downtown area. At least ten buildings in the center of downtown will be candidates for redevelopment. There will be increasing pressure to utilize TIF despite the negatives associated with its use. Many have expressed concern that TIF has been overused and that City goals for its use have not been accomplished. The cautious and prudent analysis of upcoming TIF proposals is a wise course of action. The long-term financial health of the City is at stake.

In$ight St. Paul Committee

From:	Wallace, William
To:	HRAHearing (CI-StPaul)
Subject:	Grand/Victoria Redevelopment and TIFf
Date:	Tuesday, December 9, 2025 11:55:12 AM

I am contacting you to register my disagreement with the plan to offer TiFF financing to this development proposal. The plan, as I understand it, is to build market rate apts and commercial space. This will provide a significant profit to the developer. St. Paul loses needed tax revenue to give a developer an even greater income stream. Unless the proposal shows that the developer is taking a 20 year loss on this project, and why would that be?, then I don't see any reason for yet another taxpayer funded income project for a commercial development.

Bill Wallace
477 Laurel Avenue
Saint Paul, MN 55102

From:	ROBERT MUSCHEWSKE
To:	HRAHearing (CI-StPaul)
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Bob

Bob Muschewske
370 Summit Avenue
Saint Paul, MN 55102

rmuschewske@comcast.net
612-578-3635

From:	Carl Michaud
To:	HRAHearing (CI-StPaul)
Cc:	#CI-StPaul_Ward1; Polly Heintz
Subject:	Proposed TIF at Grand and Victoria
Date:	Tuesday, December 9, 2025 4:50:22 PM

HRA Board members,

I am writing to you today to request that you not to approve the use of Tax Increment Funding (TIF) for the development proposed on the northeast corner of Grand & Victoria.

First, this project does not warrant public funding at one of the most desired, sought-after locations in the city. Several other buildings along Grand Avenue were recently remodeled and redeveloped without the use of TIF. Homeowners and other businesses are dealing with the impact of higher interest rates recently; all developers will need to adapt to the new financial environment.

Second, residents will not see the benefits of increased property taxes from this project for at least 25 years. Please stop providing subsidies to developers and start thinking about the financial impact to the city's residents. We have the highest property taxes in the state. Why? One reason is that the city is the largest user of TIF in the Metro area with close to 8% of our tax base in TIF districts meaning that 8% of your property taxes go to support city services in those districts. And TIF districts take away money from the county and school district. Why should so many financially-stressed households across the city pay to support development in this highly-valued location? What are they getting out of it except higher property taxes and rents to pay for city services provided to TIF districts until they are decertified?

Third, the information provided in the presentation on the HRA agenda is misleading. LHB Inc. says this property meets the qualifications for TIF, but never really says the property is blighted. Just because a proposal "qualifies" for TIF, doesn't mean that you HAVE to approve it for a TIF. Businesses were located there until very recently. How many more jobs will be added beyond the number already in place? No data is offered by staff to support this claim. The graph explaining TIF does not factor in depreciation of the TIF-supported property over the 25 year time period, and it assumes the property will continue to devalue without considering that another developer may step in to refurbish the existing space for new tenants.

Fourth, TIF often competes with other similar buildings in the area, resulting in lower occupancy levels in those buildings and decreased valuations. Did staff analyze the financial and competitive impacts on other businesses in the immediate area? The city needs to maintain a level competitive playing field and not favor one development over others.

Fifth, it has been very difficult for me to obtain information about the proposed project. I submitted a data practices request on November 3, #D113020-110325, to obtain any and all information about this project. Clearly, staff had reports from its consultants LHB Inc. and Ehlers that have not been shared with me as required by law. Only yesterday did I see a presentation about the project on the HRA Agenda. This process is neither transparent nor provides an opportunity for a resident to review and understand the project.

Finally, just say no to TIF here. Make St Paul affordable again.

Thank you for your consideration of my comments.

Carl Michaud
St Paul

From: Cindy Oczak Warner
To: HRAHearing (CI-StPaul); #CI-StPaul_Ward4; #CI-StPaul_Ward3
Subject: Use of TIFs Victoria and Grand
Date: Tuesday, December 9, 2025 8:27:46 AM

Good Day,

I am writing to say the NE corner of Victoria and Grand should not be TIF eligible. This is prime real estate on a prime street in St Paul. The taxpayers have been through enough with all the fraud, abandoned buildings, crime and misuse of public funds. It seems all business acumen is a thing of the past.

I would respectfully request that the developer of this location pay tax as all other businesses in the area. You have plenty 0f TIF to award with the rebuild of downtown which is becoming a sewer.

Thank you

Cindy Warner

From:	Ellen Brown
To:	HRAHearing (CI-StPaul)
Subject:	Grand and Victoria Redevelopment TIF application
Date:	Monday, December 8, 2025 3:21:09 PM

I cannot attend the meeting on Wednesday.

There is definitely a need for a restructure/replacement for TIF but unless/until that is in place, I think the Grand and Victoria redevelopment project deserves TIF support. It will bring more residents/consumers to support Grand Avenue businesses and provide housing for empty nesters to downsize in their own neighborhood, freeing up housing for families.

Respectfully,
Ellen T Brown

From:	Ellie Garrett
To:	#CI-StPaul_Ward1; HRAHearing (CI-StPaul)
Subject:	Proposed TIF for Grand/Victoria
Date:	Monday, December 8, 2025 4:55:40 PM

I'm Joyce (Ellie) Garrett.

I STRONGLY object to TIF designation for any development in the Grand/Victoria neighborhood. TIF is an important but overused tool in St Paul. Its purpose is to spur development in blighted neighborhoods. But it comes at a cost to taxpayers, who pick up the tab for city services in the development. Our taxes are already too high. And it is surely an insult to our neighbors who live in genuinely blighted areas of the city to hear that their tax dollars will be used to support development in a part of the city where the developers should be bearing their fair share. It will harm existing businesses in the area who don't enjoy TIF benefits yet have to compete with a developer who does. And it will put the city in a bind, having established a precedent for using TIF for developments that don't need it. It will become even harder to attract non-TIF development.

The TIF proposal is unwise, unjust and unaffordable. Please vote against it. Hold the line. If this developer walks, good riddance.

Jenny Wolfe

From: ROBERT MUSCHEWSKE <rmuschewske@comcast.net>
Sent: Friday, November 28, 2025 9:27 AM
To: Jenny Wolfe
Subject: In$ight Opposition to Taz Increment Financing for 845 Grand Avenue Project
Attachments: 845 Grand Avenue - Message to HRA 11 25 25.pdf

You don't often get email from rmuschewske@comcast.net. Learn why this is important

Think Before You Click: This email originated **outside** our organization.

Jenny - attached is a document detailing the opposition of In$ight St. Paul to the use of Tax Increment Financing for the project at 845 Grand Avenue.

Bob

Bob Muschewske
370 Summit Avenue
Saint Paul, MN 55102

rmuschewske@comcast.net
612-578-3635

Understand Today's Reality for the City of St. Paul

Join us to protect the financial future of our City

In$ight St. Paul's 10-29-2024 Report

We are St. Paul residents and property taxpayers who truly love our City.
We own our homes in St. Paul where we have raised our families and educated our children. Some of us are renters, and some of us own business properties in our City. We all deeply care about the well-being of our neighbors and our communities.

We are both stakeholders and constituents who want a financially stable and affordable future for our City. We are **In$ight St. Paul**, a grassroots, citizen organization whose mission is to advocate for a sustainable financial future for our City.

Our team of authors was guided by the **Effective Community Activism "E" Goals**:

1) **ENLIGHTEN** residents, organizations, nonprofits, policymakers and all elected officials representing St. Paul about our City's financial situation.
2) **ENGAGE** residents and organizations to advocate for responsible change.
3) **ENACT** budget and policy changes working with the St. Paul City Council to secure a sustainable financial future for City services.

We have prepared this document to educate St. Paul residents and business owners about the City's high-stress fiscal environment. We want you to join us as we ask our elected officials to make needed budget changes that will provide for a more financially affordable and stable future with high-quality, responsive essential services.

Please give us your suggestions for additional fiscal issues you would like to see identified in future reports.

This working document is divided into three major sections:

1) Defines today's high-stress fiscal environment for St. Paul's citizens, property owners, businesses and nonprofits.

2) Identifies items in the City's Proposed 2025 Budget that don't make sound long-term financial sense.

3) Action requests In$ight St. Paul would like the St. Paul City Council to support as it adopts city budgets and approves projects and programs for the next few years.

Before you read this report, please know this:

Attracting private investment is critical for the healthy future of any city. Recently, at least two significant downtown employers have decided to leave St. Paul - - - a real disinvestment.

Growth of St. Paul's tax base and population are both lagging. Deferred maintenance of basic infrastructure, rising property taxes, highest sales tax, increasing crime and challenging social issues create an environment that some people want to leave. High taxes are a particular burden to lower-income taxpayers and renters, who must absorb increases that are passed on to them.

Reversing these trends requires a sense of urgency by St. Paul's elected officials. This is a complicated situation, one that requires a deeper appreciation and understanding of a stew of interacting factors including local government aid, payments in lieu of taxes, fiscal disparities provisions, tax increment financing, licensing, rent control, service fees and a whole lot more. All within the context of an increasing demand for city services. Affordability has to be at the top of the list.

This report marks the first step in what will be a continuing effort by **In$ight St. Paul** to help the City and its leaders become more aware of, and sensitive to the sobering fiscal challenges facing St. Paul.

Our report is **"Fact Based".** Our effort to highlight St. Paul's financially stressed situation is based on analytical data prepared by five independent governmental units: Minnesota Department of Revenue, Minnesota House Research, Minnesota State Demographer, Metropolitan Council and Ramsey County Taxation. Their annual reports provide factual information to the Minnesota Legislature to develop and refine state laws regarding financing methods for local units of government. They are objective.

The concerning facts in this report are presented on pages 3 to 9.
Items in the Proposed 2025 City Budgets we think don't make sense are presented on pages 10 to 15.
Request for changes we want the City Council to implement for 2025 and beyond are identified on pages 16 to 17.

St. Paul Faces a High-Stress Fiscal Environment

PROPERTY TAX ANALYSIS

Minnesota House Research annually prepares a report regarding property tax burden for Homestead Properties in Minnesota. The report identifies data for the Median Value Homestead in all Minnesota cities. The Minnesota Legislature uses that information to adjust various state income-tax funded aid programs that are used to provide property tax relief to lower income families.

The **July 2024 Voss Report,** which uses payable 2022 property tax data, reveals these three negative findings related to the St. Paul taxpayer: The info below is from the summary data that was highlighted in the report.

1) **The Median Value Homestead in St. Paul has an effective tax rate of 1.39%.** The effective tax rate measures the amount of net property tax (gross tax on annual statement less any state paid homestead credit at income tax time) as a percent of the property's estimated market value (EMV).

In 2022, St. Paul's median value homestead had an EMV of $236,000. For all homesteads in Minnesota for taxes payable 2022, the median value homestead had an EMV of $257,400, with an effective tax rate of 1.08%. **St. Paul's 2022 effective tax rate of 1.39% was 29% greater than the State's average of 1.08%.** Minneapolis's median value homestead had an EMV of $299,000, with an effective tax rate of 1.28%.

2) **In 2022, the owner of the median value homestead in St. Paul had an average income of $88,876. The net property tax burden of $2,875 (after state paid homestead credits) was equal to 3.0% of the average income for the median value homestead. This net tax burden of 3.0% of income was the second highest tax burden rate identified in the report**.

For all of Minnesota for taxes payable in 2022, the average homestead income was $98,272, with an average net tax burden of 2.6%. St. Paul's average homestead income of $88,876 was 9.6% below the state average. And St. Paul's net tax burden of 3.0% was 15% greater than the State average net tax burden of 2.6%.

3) The Voss Report also measures if a **homesteader's net property tax burden** (after state paid homestead credit**) is equal to or greater than 5% of the homeowner's taxable income**. State legislators consider a net property tax greater than 5% of taxable income to be extremely regressive.

St. Paul homesteaders with lower incomes in 2022 did poorly, as a large number had a net property tax (after state credits) greater than 5% of their income:

a) In the income range of $10,000 to $45,000, **St. Paul had 44.5%** of its homestead owners in this income range paying net taxes equal to or more than 5% of their income. **The state average for this income range was 29.8%.**

b) In the income range of $45,001 to $90,000, **St. Paul had 15.3%** of its homestead owners in this income range paying net taxes equal to or more than 5% of their income. **The state average for this income range was 8.8%.**

c) In the income range of $90,001 or more, **St. Paul had 7.0%** of its homestead owners in this income range paying net taxes equal to or more than 5% of their income. **The state average for this income range was 2.7%.**

d) **For all income ranges combined, St. Paul had 17.1% of its homestead owners paying net taxes equal to or more than 5% of their taxable income. By comparison, 9.2% of all homesteaded properties in the entire state had a net tax burden greater than 5% of homeowners' taxable income. St. Paul's net property tax burden rate of 17.1% was almost double the State average of 9.2%.**

City leaders did not help their constituents financially from 2016 to 2024, when the certified property tax levies increased 97.4%, from $105,606,000 to $208,466,000. St. Paul's nine-year average annual tax levy growth was 9.1%, while the Consumer Price Index-W's annual average growth rate is estimated to be 3.4%.

The **Minnesota Revenue** Department's annual reports reveal the following data for the entire tax base for both St. Paul and Minneapolis, comparing actual certified property tax levies and TIF levies for 2015 to actual levies certified for 2024:

1) City levies: **St. Paul rose 101.2%**, while Minneapolis rose **64.1%**
2) School levies: **I.S.D. 625 rose 50.0%**, while Minneapolis rose **39.0%**
3) County levies: **Ramsey rose 39.8%,** while Hennepin rose **47.3%**
4) Special Dist. levies: **St. Paul rose 113.9%,** while Minneapolis rose **40.3%**
5) T.I.F. Dist. levies: **St. Paul rose 40.1%,** while Minneapolis fell **52.1%**
6) **Total Levies**: **St. Paul rose 62.8%,** while Minneapolis rose **44.6%**

TAX INCREMENT FINANCING ANALYSIS

Tax Increment Financing is a method a Minnesota city can use to provide direct financial assistance to a private developer to facilitate taxable development on blighted real estate, which would not otherwise be feasible without a public subsidy. For the underdeveloped area proposed to have new development, the City determines the existing Taxable Value for the project area, which is then designated as a Tax Increment

Financing (TIF) district. Then the City issues general obligation bonds to provide the private developer with a public subsidy, pay bond sale expenses and provide money for the City to pay debt service on the bonds for the first three years, until new property taxes begin coming in.

Once the development project is completed and the property owners within the TIF District start paying property taxes, the county taxation department subtracts the original taxable value (when the TIF district was created) from the new, current taxable value. This captured taxable value then has the current tax rate applied to it, and all the new incremental taxes collected go to pay for debt service for the bonds issued to subsidize the new development. This amount is the district's captured taxes.

Once the bonds are paid off with the tax increments collected in future years, the TIF district is supposed to shut down, and all taxes collected that are no longer needed for debt service become a part of the general tax base used by all local taxing units.

In theory, TIF districts have facilitated new development that has been deemed beneficial, and the districts have closed ahead of the schedule that was estimated at the time the bonds were issued. While those projects appear favorable, one must remember that all the new development requires costly city services that are not paid for by the properties inside the TIF districts. Those property owners don't pay for the services they receive until all the outstanding bond issues are paid off. **To cover the cost of government services inside a TIF district, the rest of the tax base then has to pay more taxes**.

And for some TIF districts, the new anticipated development did not fully materialize, resulting in a shortage of estimated property tax collections. To solve this dilemma, policymakers have pooled excess tax increments from successful TIF districts to use for debt service on unsuccessful TIF districts. **When this happens, the city taxpayers outside TIF districts must continue to pay higher property taxes for the services being provided to properties inside of TIF districts**.

Minnesota Department of Revenue's statistics for TIF districts reveal that the **St. Paul's tax levies for TIF districts from 2015 to 2024 INCREASED 40.1%** from $31,603,964 to $44,274,052. During that same ten-year period, the Minneapolis's tax levies for TIF districts **DECREASED 52.1%** from $50,105,971 to $24,013,786.

The **Metropolitan Council** recently released its Fiscal Disparities Report for Property Taxes Payable in 2024. That report also provides information about the use of **Tax Increment Financing for the metro area**. The **City of St. Paul had $34,601,887 of taxable valuation captured in TIF districts, and that was the largest capture of any city in Minnesota**. This taxable value represents about $500 million in Estimated

Market Valuation. Minneapolis is the second largest user of TIF in Minnesota, and it has only **$21,471,921** of Taxable Value captured in TIF districts.

St. Paul's total taxable value outside of TIF districts was **$420,500,432**. Minneapolis' total taxable value outside of TIF districts was **$848,580,723**, more than twice St. Paul's. **Yet St. Paul's use of TIF is 61% greater than in Minneapolis.**

FISCAL DISPARITIES METROPOLITAN TAX BASE SHARING

Metropolitan Council's Fiscal Disparities Report for Property Taxes Payable in 2024 reveals that **St. Paul is the BIGGEST WINNER of this commercial and industrial tax base sharing program for the metropolitan area**. All metro cities contribute a portion of their business properties' taxable valuation into a common pool; then some amount of taxable valuation is distributed back to each city based on a formula that measures tax base burden. This means that business properties in the metro area were helping to pay for 2024 property taxes levied against the St. Paul tax base.

The fact that St. Paul is and has been the Biggest Winner means that St. Paul has the highest stressed property tax base in the metro.

St. Paul Contributed Taxable Value of $35,142,796 into the pool, and received back $76,067,183; for a Net Taxable Value GAIN of $40,924,387.
Minneapolis contributed taxable value of $89,481,251 and received back $78,560,842; for a **Net Taxable LOSS of $10,920,409.**

While St. Paul has been the biggest winner of the Fiscal Disparities Tax Base Sharing Program, there is no assurance that net gains in taxable valuations throughout the metro area will generate future net gains for St. Paul as much as in the past. Much depends on what happens to the valuation of the business property tax bases in the region. Currently, plunging office valuations in both downtown Minneapolis and St. Paul are putting downward pressure on overall metro area business property valuations that are the basis for the Fiscal Disparities Program.

TAXABLE ESTIMATED MARKET VALUATIONS ANALYSIS

The **Minnesota Department of Revenue** reported the **estimated market values of taxable property in both St. Paul and Minneapolis for taxes payable 2024.** The percentages below represent the share of each city's Total 2024 Estimated Market Valuations for various property classes:

Residential Homesteads:	St. Paul 51.4%	Minneapolis 45.3%
Residential Non-homestead:	St. Paul 11.6%	Minneapolis 13.6%
Apartments:	St. Paul 20.3%	Minneapolis 21.1%
Commercial:	St. Paul 10.2%	Minneapolis 16.1%
Industrial:	St. Paul 5.0%	Minneapolis 2.8%

In the past 10 years **St. Paul's Residential Homestead EMV increased 70.1% to $18.299 billion,** while Minneapolis **increased 71.9% to $30.722 billion.**

In the past 10 years **St. Paul's Non-residential Homestead EMV increased 73.0% to $4.120 billion,** while Minneapolis **increased 62.5% to $9.199 billion.**

In the past 10 years **St. Paul's Apartment EMV increased 179.0% to $7.212 billion,** while Minneapolis **increased 203.5% to $14.313 billion.**

In the past 10 years **St. Paul's Commercial EMV increased 28.2% to $3.63 billion,** while Minneapolis **increased 66.7% to $10.905 billion.**

In the past 10 years **St. Paul's Industrial EMV increased 196.8% to $1.783 billion,** while Minneapolis **increased 78.2% to $1.875 billion.**

St. Paul's Residential Homestead EMV of $18.299 billion accounts for 51.4% of the City's total taxable EMV of $35.605 billion. Minneapolis's Residential Homestead EMV of **$30.722 billion** accounts for **45.3%** of its total taxable EMV of **$67.844 billion**

St. Paul's EMV for all housing increased 88.4% to $29.631 billion, while its combined commercial & industrial EMV increased only 57.7% to $5.419 billion.

The St. Paul Port Authority is doing a great job at facilitating industrial development within our City. The Port Authority is a seven-member board, with five private sector members and two City Council members. The City Council certifies the Port's annual property tax levies for general obligation bonding used to purchase land. The Port then uses revenue bonds to finance private taxable development. The business pays rent to the Port, which is used to pay the debt service for the revenue bonds. The business can buy the land and building from the Port after all revenue bond debt service is paid in full.

TAX-EXEMPT ESTIMATED MARKET VALUATIONS ANALYSIS

St. Paul has an extremely large amount of **tax-exempt property** that requires City services be paid for by the City's taxable property. The Ramsey County Assessor's 2023 total estimated market value for all property in **St. Paul is $43,390,913,200**, with **$8,102,106,500 (18.7%) being tax-exempt EMV.**

By comparison, **suburban Ramsey County** has a 2023 total estimated market value of $**43,896,514,600; with tax-exempt EMV at $4,972,717,100 (11.3%).**

When evaluating the property taxpayers' burden for supporting tax-exempt properties, it is not enough to look at the value of the property alone. What is more important is the amount of city services required for the property and the daily impact on the city's infrastructure. Thousands of people come every day from the metro area and outstate to use or visit major tax-exempt facilities located in St. Paul.

St. Paul has a much higher service delivery obligation to tax-exempt properties than other Minnesota cities. Below are some of the facilities that benefit thousands of people daily not living in St. Paul.

1) Federal facilities: District Court, Social Security and Mississippi River Park
2) State of Minnesota: 33 major buildings for state operations.
3) Metro Government: 9 buildings for planning, transit, mosquito, waste water.
4) Ramsey County: 13 buildings for courts, detention, human services & more.
5) Regional hospitals: 10 buildings, not counting health clinics.
6) Major colleges: 10 campuses, private & public.
7) Regional transportation: Downtown Airport, Train Depot, & Bus Depot.
8) Metro regional parks: Como Zoo & Conservatory and 8 other popular sites
9) Historic museums: 10 major attractions that draw people daily.
10) Major sports facilities: Minnesota Wild Hockey, Minnesota United Soccer, and St. Paul Saints Baseball.

CITY SALES TAX ANALYSIS

The City of St. Paul's 9.875% sales tax rate is the highest in Minnesota. High sales tax rates have a negative impact on business and can ultimately lead to some businesses moving out of St. Paul. When businesses leave, the City's taxable valuations are reduced; meaning residential property will have to pay more property taxes for services.

Minnesota does not collect sales taxes on essential purchases (food, clothing and medicine). The sales tax rates that apply to purchases in St. Paul are:

1) State of Minnesota **6.875%.**
2) Metro area transportation **0.75%.**
3) Metro area housing **0.25%.**
4) Ramsey county transit **0.50%.**
5) St. Paul voter-approved **0.50%** (for Rivercentre at **40%** of revenues, for Neighborhood Development at **50%** of revenues, and for Cultural Programs at **10%** of revenues).
6) New St. Paul voter-approved **1.00%** for reconstructing city arterial streets and bridges and for Parks and Recreation Facilities.

<u>POPULATION AND HOUSEHOLD ANALYSIS</u>

The **Minnesota State Demographer** recently identified population estimates for the U.S. Census year 2020, and for the State Demographer year 2023. The data reported for the five largest cities in Minnesota estimate the following population changes between 2020 and 2023:

Minneapolis' population **increased 0.9%,** to 433,633.
St. Paul's population DECREASED 0.2%, to 310,997.
Rochester's population **increased 1.3%,** to 122,969.
Bloomington's population **increased 1.7%,** to 91,537.
Duluth's population **increased 0.1%,** to 86,788.

In the last three years, St. Paul was the only large Minnesota city to have a population decrease while the population for the state increased **1.6%.**

During the last three years the total number of households in the state increased 3.3%. St. Paul's household count increased 2.4% to 123,504, while Minneapolis's household count increased **4.1%** to 195,280.

In 2023, the average persons per household in St. Paul was 2.52 people, while in Minneapolis it was **2.22** people.

On average, a St. Paul household has a larger family than Minneapolis, with less gross income and a higher property tax and sales tax burden. Not a good situation if you own or rent in St. Paul.

In conclusion, In$ight St. Paul declares:

St. Paul property and sales taxpayers pay excessively high taxes.

Our City is fiscally stressed. We need to address the complex challenges now before us. Our focus has to be on long-term financial security.

Some Elements of the City's Proposed 2025 Budget Do Not Make Sound Long-term Financial Sense

In 2023, the St. Paul voters passed a referendum allowing the City to implement a new 1% Sales Tax to be used over 20 years to finance reconstruction of arterial streets and bridges and to address deferred maintenance of Parks and Recreation facilities along with construction of some new facilities. The authorizing state law specifies that up to $738 million can be spent on public works projects and up to $246 million can be spent on park projects and recreation facilities. This 1% sales tax went into effect April 1, 2024, and the law allows the City to issue bonds to get a fast start on catching up with deferred maintenance. The annual sales tax revenue collected can be used to pay debt service on the new 1% sales tax bonds and can also be used to directly finance projects in any given year.

At the October 2 City Council Budget Committee meeting, staff from the Office of Financial Services notified the Council that Standard & Poor's has lowered the City's debt contingent liability rating from adequate to weak. The City is in a high debt situation that could lead the bond rating agencies to lower the city's AAA Rating. A reduced bond rating could cost the City millions of extra dollars in debt service payments for future bond issues.

During that meeting it was stated that the City's Proposed $24,710,000 Property Tax Levy for General Obligation Bonds accounts for 11% of the Total Tax Levy of $224,969,000. That statement is true, but misleading. What was not disclosed in the city budget summary is that fact that there is a Tax Increment Financing Levy of approximately $45 million which is for TIF Bonds issued by the City and by the Housing and Redevelopment Authority. An objective accounting of 2025 property taxes being collected for debt service obligations would be City G.O. Debt of $24,710,000 and Port Authority G.O. Debt of $2,902,00 and TIF District Bonds of $45,000,000. These three property tax obligations for debt service total **$72,612,000. That means that tax levies for G.O. debt service amounts to 26.9%** of the a Full Disclosure Total Property Tax Levy of $269,969,000.

There is no policy document on the City's website that gives a comprehensive, forward looking perspective of all of the City's debt outstanding (general obligation bonds, parking revenue bonds, tax increment bonds, short term notes, bond refunding, etc,). There is nothing about the dedicated financing sources for each bond issue, nor the length of the bonds. And there is nothing about the overlapping general obligation debt for the entire St. Paul tax base. Taxpayers have to pay for all debt that comes from the City, the Port Authority, St. Paul Schools and overlapping units like Ramsey County and Watershed Districts.

We know there is some bonding information in various tables in the Comprehensive Annual Financial Reports for the City and for the Housing and Redevelopment Authority. But that actual data is always three years behind the proposed budget being prepared. The City Council should adopt forward looking debt policies to guide city departments as they plan for future capital improvements. We know this policy direction is extremely important as major bonding plans are being considered for the 1% Sales Tax and for the upgrading of the Rivercentre at the same time the City's bond rating could possibly be lowered.

In$ight St. Paul strongly believes that no 0.5% and 1.0% sales tax bonds should be issued in 2025 for new development activity and for Parks and Recreation Projects until after a Comprehensive Bonding and Debt Service Policy Report is prepared by the City's staff with the assistance of the City's bonding advisor.

The Proposed 2025 Capital Improvement Budget (CIB) identifies specific projects approved for 2024 and proposed for 2025.

The budget for **Public Works** **identifies $21,888,000 in arterial street reconstruction projects that were approved to be financed with 2024 sales tax revenues. And for 2025, another $34,500,000 is proposed for arterial street reconstruction, with financing from 2025 sales tax revenue.** No bond money was identified for the systematic repairing of arterials and bridges.

In$ight St. Paul supports these 2025 Public Works projects to upgrade arterial streets and bridges because they take care of what exists today.

The budget **for** **Parks and Recreation** **identifies $7,296,000 in projects approved to be financed with 2024 sales tax revenues. And for 2025, a total of $11,500,000 is proposed for projects to be financed with 2025 sales tax revenue, and another $36,759,625 in projects is proposed to be financed with a 2025 1% sales tax bond issue**.

The 2017 Management and Feasibility Study by the national municipal consultancy Ameresco found that St. Paul's budget for Parks and Recreational facilities was short about $8.5 million dollars a year for a systematic maintenance program, just for existing recreation buildings and park facilities.

The new 1% sales tax program will help Parks and Recreation address deferred facility maintenance, but provides nothing for staffing operations, running programs and doing routine maintenance.

The proposed 2025 operating budget for Parks & Recreation does not have sufficient funding to carry out existing duties, as noted by the director in his budget presentation to the City Council's Budget Committee on Sept. 4, 2024**.**

Half of the justification for needing a new 1% Sales Tax was that the City was not able to finance the systematic maintenance of our existing Parks & Recreation facilities for the past couple of decades. Then why build five or more additional facilities that could easily add another couple of million dollars of annual operating costs to the already stressed Parks & Recreation budgets? Why make a bad situation worse?

The Trust For Public Lands Park Score Index has ranked St. Paul's parks and recreation system second in the nation for every year since 2016, except for third in 2020.

In$ight St. Paul declares there is no common sense need to expand our parks and recreation facilities. Rather, many St. Paul residents desire more programming at existing recreation centers. Do not add more facilities that may also be understaffed, undermaintained and underutilized.

In$ight St. Paul recommends not funding these five projects proposed to be financed in 2025, because they are NEW facilities that do not now exist:

1) **East Side Community Center - design cost $1,200,000.**
2) **Mississippi River Balcony - design cost $1,200,000.**
3) **River Learning Center at Crosby Park - design cost $2,700,000.**
4) **Multi-purpose regional athletic complex - design cost $1,200,000.**
5) **Revitalize water features and add new ones - $6,800,000.**

The proposed 2025 Capital Improvement Budget estimates the 1% sales tax revenues for 2025 to be **$46,000,000** with all of it going to projects, plus a 2025 1% sales tax bond issue of **$36,759,625**. **Meanwhile, the proposed budget for 2025 debt service does NOT identify any revenue or cost estimates for issuing a 1% sales tax bond issue for next year.** When you add in the cost of issuing bonds, the 2025 bond issue would be about $36.9 million. Thus the 2025 debt service budget should have at least $3 million budgeted for both spending and financing if the City decides to issue 19 year bonds at 5% average interest rate.. Again, **In$ight St. Paul opposes** this bond issue until a **Comprehensive Bonding and Debt Service Report** is completed.

In$ight St. Paul says: Budget required 2025 debt service if bonds are to be issued.

St. Paul collected $26,700,000 from its 0.5% sales tax in 2023. If you assume a 1% sales tax would have been double that amount, a full year's collection would generate $53,400,000. With inflation increasing in 2024, one might conservatively estimate the new 1% sales tax revenues to be $54,000,000 for 2025. That would be $8,000,000 more than the $46,000,000 1% sale tax revenue estimate in the proposed 2025 Capital Improvement Budget. And eight months of collections for 2024 would be about $34.6 million, which would be about $5 million more than the adopted 2024 budget estimate of $29,184,000.

In$ight St. Paul says: We support conservative revenue estimates, but City budget staff might want to revisit both their 2024 and 2025 revenue estimates for the new 1% sales tax. Instead of issuing 1% Sales Tax bonds in 2025, the extra $13 million in revenues estimated above could be used to finance high priority improvements at existing Parks and Recreation facilities. By high priority we mean projects that fix mechanical equipment that reduces energy consumption and eliminates dangerous hazards in buildings and on park lands.

The proposed 2025 Capital Improvement Budget double counts 1% sales tax revenues in both financing plans and spending plans. The totals for both plans are overstated by $46,000,000. The CIB budget summary identifies projects totaling $164,307,625 that are being financed. In reality. there is only enough money to finance $118,307,625 worth of projects.

The Proposed 2025 CIB **financing plan** counts 1% sales tax money dedicated for projects of $46 million, and identifies sales tax bonding of $33,759,625 and then also identifies 1% sales tax revenues of $46 million. **The financing plan overstates revenues by $46 million.**

The Proposed 2025 CIB **spending plan** identifies the costs for each project proposed to be financed ($46,000,000 sales tax money funded projects and $33,759,625 sales tax bonding projects); and then includes sales tax revenues of $46,000,000. **It is wrong to put a revenue estimate into a spending plan.**

Government Finance Officers Association (GFOA) and Generally Accepted Accounting Principles (GAAP) defined budgets as follows:

Spending plan: authorized spending and proposed transfers to another fund.
Financing plan: estimated revenues, estimated transfers-in from other funds, and the use of available fund balance.

To adopt the 2025 CIB budget as proposed would cause a serious problem with the Minnesota State Auditor's Office and could jeopardize St. Paul's AAA bond rating. A reduced bond rating could cost the City hundreds of thousands of extra dollars annually for added interest expense.

In$ight St. Paul says: Correct the double counting of 1.0% sales tax revenues in the spending plans and financing plans in the 2025 Capital Improvement Budget.

The 2025 proposed Capital Improvement Budget also has the use of the 0.5% Sales Tax Bonding to finance the lease or purchase of vehicles for Fire at $1,300,000 and Police at $1,100,000. Minnesota state law prohibits the use of bonding on equipment that does not have a life expectancy equal to or greater than the length of the bonds being issued. We guess that police vehicles get turned over every four years, thus long-term bond financing for a short-lived vehicle would be wrong!

In$ight St. Paul says: Don't use long-term bonding to finance Police and Fire vehicles that will not outlive the length of the bond issue. Don't jeopardize St. Paul's AAA bond rating and cause a non-compliance issue with the State Auditor.

Tax Increment Financing (TIF) has been a heavily used financing method to help induce new development projects in St. Paul. And at the same time, the use of TIF districts results in the citywide taxpayers having to subsidize the cost-of-service delivery to properties inside a TIF district.

We know that not all TIF Districts have been successful. That has forced the City to pool TIF district captured taxes. This strategy of having successful TIF districts help TIF districts that are not generating their anticipated taxes causes a greater citywide taxpayer subsidy, because TIF districts will last for a longer number of years.

Rent stabilization requirements and **high crime** in some TIF districts can result in anticipated development not being realized. This means unsuccessful districts will exist for a longer time, requiring an even greater burden for the general tax base to support city services inside a TIF district.

2025 property tax levies for TIF districts will be approximately **$44.3 million**. This amount is **in addition** to the Proposed 2025 city levies of **$225,000,000**. TIF district tax levies are highly significant and are an important redevelopment financing tool, yet they are **NOT** disclosed in the City's Budget Summaries.

In$ight St. Paul says for TIF Districts:

1) **Disclose TIF property tax levies when preparing the City budget,** so people can understand the high magnitude of total property taxation and subsidies for new developments.

2) **Address crime issues** that deter new development and cause property values to decrease.

3) **Understand that rent control artificially caps property values which may jeopardize both new and existing developments.**

4) **Know that the EMV of properties within a subsidized TIF district may increase over time, but often nearby properties outside of the TIF district may suffer valuation loss when land use development demand is lacking because of the new TIF development. Thus, the TIF project may ultimately produce no net gain in taxable property valuation.**

City Staffing Priorities: The City's **total full-time equivalent (FTE) staffing for all budgets between 2016 and 2025 is increasing 285 FTEs** from 2,924 to 3,209. The major changes are:

City Attorney increased **36** FTEs, from 66 to 102.
Parks and Recreation increased **87** FTEs, from 555 to 642.
Fire and Safety Services increased **42** FTEs, from 479 to 521.
Public Works increased **31** FTEs, from 385 to 416.
Police increased **13** FTEs, from 771 to 781.

In$ight St. Paul believes addressing crime is a higher priority than expanding the St. Paul's Parks and Recreation system. So, if you don't want to lose population and business, find ways to increase Police staffing.

Early Care & Learning Referendum - This is a proposal to gradually increase the City of St. Paul's property tax levy by $2,000,000 a year starting in Year 1 and continuing to $20,000,000 a year by Year 10. The money would provide no-cost early childcare and learning to low-income people and some support to other families based on a sliding scale for income. Members of In$ight St. Paul understand the need to help low-income families with Early Childcare and Learning. We know it is just as important to invest in human capital as it is to invest in housing or business.

Whatever the outcome of the referendum and the follow-up by City officials if it passes, **Insight St. Paul does not believe such a program is the core responsibility of the City. Instead, childcare is the responsibility of Ramsey County and the State. Educating young children is the responsibility of the St. Paul School District.**

The annual cost of this program is estimated to be a minimum of $111 million. To have a tax levy starting at $2 million for the first year and increasing to $20 million by the tenth would only finance about 2% of the estimated need. Increasing the City's property tax levies for this costly program does not make sense.

The American Rescue Plan. In 2021, St. Paul was awarded $167 million through the State and Local Fiscal Recovery Fund to respond to the negative consequences of Covid 19. Many important programs were implemented with this one-time federal grant. The grant dollars will soon be gone, but the demand for some of the temporary programs will remain. This situation could create future pressure to raise additional property taxes o continue some programs. **Insight St. Paul believes the City should not raise property taxes to continue programs that were intended to be temporary.**

In$ight St. Paul Requests the St. Paul City Council Take These Actions as It Adopts City Budgets and Approves Projects and Programs for the Near Future

1) Do not approve any 0.5% or 1.0 % Sales Tax Bond Issues in 2025 until after the Office of Financial Services prepares a Comprehensive Bonding and Debt Service Report that the City Council can use to determine sound, affordable bond issuance policies.

2) Do not approve design or construction funding in 2024 or 2025 for any Parks and Recreation facility or park that does not now exist. This includes:

a) East Side Community Center - design cost $1,200,000.
b) Mississippi River Balcony - design cost $1,200,000.
c) River Learning Center at Crosby Park - design cost $2,700,000
d) Multi-purpose regional athletic complex - design cost $1,200,000
e) Revitalize water features and add new ones - $6,800,000

3) Direct Parks and Recreation to provide the City Council by January 30 of next year A Fiscal Note of Full Disclosure for each proposed project which will identify:

a) An estimate of the total cost of any given project with cost estimates specifically for preliminary conceptual design, final design, land acquisition, facility construction, specialized energy saving equipment and landscaping.
b) An estimate of staffing, programming, operations and maintenance costs, along with the planned hours and days of operation.
c) If taxable property is being acquired to develop a new project, identify the amount of property taxes being lost.

4) Direct the Long-Range Capital Improvement Budget Committee to identify new operating and maintenance costs when it recommends funding priorities to the Mayor and City Council. And the CIB Committee should also identify a total cost estimate for any project that is financed over more than one year.

5) Approve a 2025 Adopted Budget that includes a debt service spending plan and a debt service financing plan for any 2025 1% sales tax bond issue. It is estimated that an additional $3,000,000 in revenues will have to be found for financing the debt service if the budget includes $36,900,000 for 1% Sales Tax Bonding.

6) Approve a 2025 adopted budget that does not double count 2025 1% sales tax revenue estimates in the financing plan and the spending plan for the Capital Improvement Budget. The proposed 2025 CIB has $46,000,000 in 1% sales tax revenues counted twice.

7) Prepare a summary for the 2025 Adopted Budget that discloses the amount of property taxes being collected for each Tax Increment Financing district. And when preparing a summary of the tax levies the City Council is approving for City operations, City debt service, Library operations and Port Authority debt service, also include an approximate estimate for TIF levies being collected. The total TIF levy is about $45 million and is the result of many projects approved by past City Councils. We are disappointed that this secret tax levy is not disclosed in any summary.

8) Require the Planning & Economic Development Department to include on its website relevant information about each existing TIF district. Information should include: the date established, a description of the development project as originally proposed, the developer's name and subsidy amount, the term of bonds issued, the original estimate of property taxes to be captured annually, the original estimated close-out date, the current estimated close-out date, and a project success determination. And lastly, if the TIF district is deemed successful but is contributing captured tax increments to a shared pool to support unsuccessful TIF districts, identify how much has been contributed. Minneapolis annually discloses data for each one of its TIF Districts. The City of St. Paul should have the same public transparency.

9) Evaluate how rent control discourages investment in housing and how high crime rates seriously lessen the likelihood of success for current or future Development.

10) Follow generally accepted accounting practices and do not use bonding to finance the purchase of Police and Fire vehicles that will not last 10 years.

11) Establish a 2025 PILOT Committee to develop an implementation plan for a St. Paul Payments In Lieu of Taxes Program. The City should initiate discussion with owners of tax-exempt properties in St. Paul to see if they will voluntarily contribute money to pay for the services they receive from the City.

12) Work with the Ramsey County Delegation to pass a state law that would give our City special annual state aid for City services provided to all state-owned buildings in St. Paul.

The **In$ight St. Paul Committee** thanks all the interested stakeholders and all the elected officials for taking the time to read our comprehensive **"We Care"** report.

If the findings in this report concern you, please feel free to share the report with your neighbors and local organizations and businesses, and assertively communicate your concerns to elected officials.

In$ight St. Paul respectfully communicates that we want St. Paul's financial future to be affordable while essential services are provided to residents and property owners.

We want St. Paul to be a **Great Place** to live, raise a family, go to school, work, shop, be entertained, enjoy sports, enjoy nature, and be a welcoming, supportive community. And, we want to be **a Fiscally Healthy Capital City of Minnesota.**

Respectfully Transmitted,

Jane Prince, Committee Co-Chairs
Gary R. Todd, Committee Co-Chairs

Dave Beal, Steering Committee Member
Gregory N. Blees, Steering Committee Member
Julian Loscalzo, Steering Committee Member
John Mannillo, Steering Committee Member
Carl Michaud, Steering Committee Member
Donna Swanson, Steering Committee Member

In the near future, our citizens committee will have a website with our name, In$ight St. Paul, where you will be able to view:

1) **3 page Guiding Principles for In$ight St. Paul.**
2) **List of Members of the In$ight St. Paul Committee.**
3) **3 page Executive Summary for this 18 page report.**
4) **22 Research Papers prepared to gather the facts used to develop this report.**
5) **7 page Summary of Key Findings from the 22 research reports.**
6) **2 page Glossary defining technical terms used in our reports.**
7) **Calendar of Events for upcoming meetings**

If you want to get involved with our mission, or if you have any questions before our website is up and running, you can contact the committee by sending an e-mail to: insight.st.paul@gmail.com

We are a volunteer organization without any staff, so please understand it may take a few days before someone can respond. Thank You.

From:	James Kielkopf
To:	HRAHearing (CI-StPaul)
Subject:	Use of TIF at Victoria Development on Grand
Date:	Tuesday, December 9, 2025 12:42:32 PM

There is no reason to use TIF for the proposed development on Grand Ave and doing so would be an egregious use of Saint Paul's homeowners' tax contributions to enrich one private developer.

1) Use of TIF is for blighted properties. Just because a developer wants to do something different with a property than its current use of popular bars and restaurants does not make a property blighted.

2) TIF use in such a case would be nothing other than a cash handout by the city of Saint Paul to the developer. City taxpayers must not held be liable for cash handouts to private developers but they would be through use of TIF.

3) If TIF is not used, the property will continue paying tax to the city of Saint Paul. Another developer may or may not come up with a better project but in either case the city will still collect taxes on the existing property. But if TIF is used this property will be removed from taxes collected for operating revenue and only used to repay a bond who proceeds were gifted to the developer without generating significantly more taxes elsewhere in that neighborhood, so there is almost no way Saint Paul taxpayers can benefit from this project.

James Kielkopf

From: JoAnn Fernandez
To: HRAHearing (CI-StPaul)
Subject: grand and Victoria redevelopment TIF
Date: Tuesday, December 9, 2025 9:27:24 AM

I oppose the Grand and Victoria redevelopment TIF.
Using TIF for a development of market rate apartments in an affluent area is inappropriate.
Don't do this with our money.

JoAnn
Fernandez

From:	Joseph Errigo
To:	HRAHearing (CI-StPaul)
Subject:	Grand and Victoria Redevelopment TIF District
Date:	Monday, December 8, 2025 5:30:43 PM

Written comments submitted by **Joseph Errigo**, Retired President and CEO, CommonBond Communities (1971-2006); Director, Western State Bank (1981-91); Principal Planner/Deputy Director of Planning, Saint Paul HRA (1968-71); Summit Hill homeowner for 40 years

I am unable to attend the December 10 hearing because of a prior commitment.

I respectfully request that you give every consideration to the individual testimony from representatives of In$ight Saint Paul, and thoroughly read and understand the published reports and recommendations prepared by this important organization.

In$ight is led by ordinary citizens with an extraordinary understanding of our city and its various agencies, departments, and public policies. The organization's Steering Committee includes individuals with decades of experience in all aspects of city government, as well as highly regarded private sector organizations, both for profit and nonprofit, including real estate development. In$ight's positions and recommendations are based on extensive research, accurate historical data and careful analysis of the short and long term impact of public policy decisions. The expanding Membership of In$ight includes ordinary citizens who are deeply concerned about increasing taxes and responsible actions by city leaders.

I have worked with every city administration since 1968 (Mayor Tom Byrne!). Formulating city policy is never easy. We have enjoyed extraordinary leadership at all levels over the past six decades. Sometimes good leaders made mistakes that had negative long term implications. Today we have unique challenges that require bold new leadership and directions rather than approval of established, but perhaps worn out and overused, policies and strategies that actually cost taxpayers alot of money over the long haul.

Please step up to the challenge. In$ight Saint Paul can help you find the right path forward.

From:	Kathleen Mcgovern
To:	HRAHearing (CI-StPaul)
Subject:	Opposition to the Use of TIF in the 841-857 Grand Avenue Redevelopment Plan
Date:	Monday, December 8, 2025 10:17:49 PM

Date: December 8, 2025

TO: Members of the City Council/HRA Hearing
FROM: Kathleen Mc Govern
SUBJECT: Members of the City Council/HRA Hearing and the In$ight St. Paul Steering Committee's Opposition to Use of TIF in the 841-857 Grand Avenue Redevelopment Plan dated November 25, 2025

This is a letter to say as a St Paul resident for 42 years, I agree with well researched and reasoned In$ight recommendations and conclusions outlined below.

Do not award a public subsidy - TIF- to the project for the reasons listed.

In$ight St. Paul 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$ight St. Paul have had two conversations with the developer, Ari Parritz.
(Note: In$ight St. Paul's analysis of the City's use of TIF is contained in
In$ight St. Paul 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.
1That 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 St. Paul’s Reservations Concerning Saint Paul’s Use of Tax Increment Financing (TIF)

Among the concerns expressed in the In$ight St. Paul 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.

2• 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 St. Paul 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.

• 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
3Economic 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.

Sent from my iPhone

From:	Wolfie Browender
To:	HRAHearing (CI-StPaul); #CI-StPaul_Ward7; #CI-StPaul_Ward3; #CI-StPaul_Ward2
Subject:	No TIF for the Grand and Victoria
Date:	Monday, December 8, 2025 9:26:51 PM

Dear Council members:

I am writing to ask you not to approve the proposed TIF District for the Grand and Victoria redevelopment project. As you're likely aware, TIF Districts were conceived to:

- • Redevelop areas occupied with substandard buildings
- • Build housing for low-income and moderate-income families
- • Clean up pollution
-
- None of these affect the Grand/Victoria site.
-
- Furthermore, Saint Paul is has the most TIF Districts in Minnesota and adding another one will effectively increase our taxes again. Rather than approving new Districts, the City should be sunsetting those that have met their obligations and are producing tax revenue and thus adding them to the tax rolls.
-
- If there is one thing that most Saint Paulites agree on, it's that our tax burden is unsustainable. Denying this TIF District will be a step toward better financial stewardship.
-
- Thank you.

Wolfie Browender
Ward 3 resident

From:	Scott Hanson
To:	HRAHearing (CI-StPaul)
Subject:	Opposition to Use of TIF for 841-857 Grand Ave
Date:	Tuesday, December 9, 2025 10:37:58 AM

[You don't often get email from srey55@yahoo.com. Learn why this is important at https://aka.ms/LearnAboutSenderIdentification]

Members of the City Council/HRA ,

The Redevelopment Plan for 841-857 Grand Avenue should not include Tax Increment Financing (TIF).
TIF should be used as a last resort to develop areas with big problems facing developers for good projects with no path forward.
This project is in one of the nicest parts of the city and the city needs the tax revenues now.
Please don't misuse TIF for this project.
Thank you for your consideration.
Scott Hanson
Ashland Ave. Saint Paul.

IN$IGHT ST. PAUL'S ANALYSIS OF TAX INCREMENT FINANCING (TIF)

August 11, 2025

Tax Increment Financing (TIF) is a public financing method a Minnesota city can use to provide a subsidy to private developers (and eventual property owners) to facilitate taxable development on property that is vacant, blighted or underutilized. TIF can only be used if it can be proven that private development would not otherwise be feasible without a public subsidy. TIF can however be easily overused or abused and cause negative consequences to nearby properties. It is important to note that the property taxes paid by the new development for the next 26 years are used to pay for the public subsidy provided, while the added cost for providing government services to the new development is shifted to all other taxpayers outside of a TIF District. Granting TIF should therefore be carefully analyzed and wisely used.

St. Paul is the state's biggest user of TIF. In$ight St. Paul's October 2024 report, called on the city to be forthcoming in telling its citizenry about its TIF activities. Our report noted that St. Paul, unlike Minneapolis, does not disclose any details about its many TIF districts, which handle millions of dollars of taxpayers' money. It is this situation -- the need for basic accountability -- that has motivated In$ight St. Paul to better understand and explain TIF and to look into the city's past and future use of it. Both the St. Paul Housing and Redevelopment Authority and the St. Paul Port Authority use TIF to expand St. Paul's taxbase.

For an underdeveloped area proposed to have new development, the City determines the existing Taxable Value for the project area, which is then designated as a Tax Increment Financing (TIF) district. Then the City issues long-term general obligation bonds or short term pay-as-you-go notes to provide the private developer with a public subsidy, pay financing expenses and provide money for the City to pay debt service on the bonds for the first three years, until new property taxes begin coming in.

Once the development project is completed and the property owners within the TIF District start paying property taxes, Ramsey County Taxation subtracts the original taxable value (when the TIF district was created) from the new, current higher taxable value. This captured taxable value then has the current total tax rate applied to it, and all the new incremental taxes collected go to pay for debt service for the debt issued to subsidize the new development. This amount is the district's captured taxes.

After the bonds are paid off with the tax increments collected in future years, the TIF district is supposed to shut down, and all taxes collected that are no longer needed for debt service become a part of the general tax base used by all local taxing units.

In theory, TIF districts have facilitated new developments that have been deemed beneficial, and the districts have closed ahead of the schedule that was estimated at the time the bonds were issued. While those projects appear favorable, one must remember that all the new development requires costly city services that are not paid for by the properties inside the TIF districts. Those property owners don't pay for the government services they receive until all the outstanding debt issues are paid off. To cover the cost of government services inside a TIF district, the rest of the tax base then must pay more taxes.

And for some TIF districts, the new anticipated development did not fully materialize, resulting in a shortage of estimated property tax collections. To solve this dilemma, policymakers have pooled excess tax increments from successful TIF districts to use for debt service on unsuccessful TIF districts. When this happens, the city taxpayers outside TIF districts must continue to pay higher property taxes for the services being provided to properties inside of TIF districts.

Minnesota Department of Revenue's statistics for TIF districts reveal that the St. Paul's tax levies to service debt for TIF districts from 2015 to 2024 INCREASED 40.1% from $31,603,964 to $44,274,052. During that same ten-year period, Minneapolis's tax levies for TIF districts DECREASED 52.1% from $50,105,971 to $24,013,786.

The Metropolitan Council recently released its Fiscal Disparities Report for Property Taxes Payable in 2024. That report also provides information about the use of Tax Increment Financing for the metro area. The City of St. Paul had $34,601,887 of taxable valuation captured in TIF districts, and that was the largest capture of any city in Minnesota. This taxable value represents about $2.6 billion in Estimated Market Valuation. Minneapolis was the second largest user of TIF in Minnesota, and it had only $21,471,921 of Taxable Value captured in TIF districts.

St. Paul's total taxable value outside of TIF districts was $420,500,432. Minneapolis' total taxable value outside of TIF districts was $848,580,723, more than twice St. Paul's. Yet St. Paul's use of TIF is 61% greater than in Minneapolis.

Saint Paul's Overuse of TIF Has Negative Consequences

Tax increment financing (TIF) is a public financing tool employed with the long-term objective of expanding the City's tax base. It seeks to accomplish that goal by subsidizing redevelopment, infrastructure, and community improvement projects such as:

1. Upgrading obsolescent facilities.
2. Eliminating blight.
3. Remediating pollution
4. Expanding affordable housing choices.
5. Enhancing private sector employment growth.
6. Encouraging redevelopment activities that enhance urban features, amenities, and historic structures.

There is growing concern that TIF has been overused and that it has not delivered hoped-for results in addressing City goals. Other municipalities concerned about the efficacy of TIF have concluded that it places an undue and unfair burden on taxpayers and are reducing the use of TIF.

When using TIF, the City typically provides a subsidy to developers to engage in a project and then diverts property tax revenue from the project using those funds for up to 26 years to repay the City for the upfront money it spent to induce the private development activity. The City's tax base is not increased during this period. TIF is not a loan to a developer that the developer pays back to the City. TIF is a tax-free gift to the developer. The City provides the developer with a public upfront subsidy (the gift) and then the City must incur long-term debt to cover all costs associated with providing the gift.

During the first 26 years of a TIF District new property taxes captured in the district are first used to retire the debt incurred by the City and to finance city staff costs. And if tax increments collected are greater than debt issued and associated staff costs, the excess increments can be used for two other options. They may be used for secondary development opportunities within the district and, or to help pay debt service in another TIF District where captured tax increments are not sufficient to cover their existing debt service The new captured taxes are not shared with the nine units of government that service the St. Paul taxbase. None of the new tax revenue is used to pay for public services provided within the TIF District such as fire, police, streets, bridges, libraries, parks, recreation facilities, public schools, social services and courts. Those cost obligations are passed on to all other St. Paul taxpayers living outside a TIF District.

In 2024 the City of Saint Paul had over 7.9% ($2.8 Billion) of taxable property captured in TIF projects – the largest amount of any city in Minnesota. Given the significant need for redevelopment in Saint Paul's downtown, there will be mounting pressure to increase the use of TIF.

TIF IS A SEDUCTIVE TOOL

Many City constituencies view TIF as an efficient and constructive solution to the achievement of one or more of the City's goals. City leaders may view TIF as an easy and attractive method for developing the City's tax base – an important goal of the City. The building trades may view it as an effective method for creating construction jobs – also an important goal of the City. Developers view it as “free money” enabling them to pursue and profit from development opportunities. Taxpayers, unaware of the increased tax burden they will bear, may be pleased that the City is focusing on development opportunities. Accordingly, the pressure to use TIF can be persuasive despite negatives associated with its use.

TIF IS AN IMPERFECT TOOL

There are significant negatives associated with the current use of TIF:

- It is a complex tool with many permutations making it difficult for the public to understand how it works, and the City websites provide little information about TIF projects and the impact on taxpayers.
- Its ultimate impact often cannot be assessed for years after its implementation.
- The predicted success of the project is often based on difficult-to-make financial projections.
- TIF obligations are not identified in annual City budgets.

USE OF TIF REQUIRES CAREFUL ANALYSIS

Careful and rigorous consideration needs to be given to the approval of each TIF project to increase the probability that the project will benefit the City and its taxpayers. To ensure that it is the right solution for any given project requires a thoughtful understanding and analysis of the following issues:

- Is there a clear and compelling public purpose served by the proposed project?
- What are the barriers to private sector funding of the project that make it necessary to use public subsidies – TIF – on a given project? To what extent

has the City or a developer explored other funding sources? What keeps a developer from tackling a project without a public subsidy?

- The “but for” test – a test that the project would not occur without the assistance of a public subsidy – must be rigorously applied. If a pattern develops that TIF is readily granted, it provides an incentive for all developers to ask for a public subsidy.
- TIF can incentivize development that results in over-building and thus the sub-optimal use of existing facilities. This can in turn reduce the net operating income for other competing properties and reduce the City’s overall tax capacity.
- Should TIF be awarded to local or non-local developers? Providing TIF financing to non-local developers gives the financial advantages of TIF financing to those developers outside of the City.
- If a local developer has a project not financed with TIF and is confronted with a competing project financed by TIF, that creates an unfair advantage for the TIF financed project. Such conflicts should be avoided in the awarding of TIF.
- Will the impact of a TIF project on other properties be positive or negative?
- When a project involving the conversion of a commercial structure to a residential structure is considered for TIF, decision-makers need to understand that residential structures pay only about half the tax that commercial structures pay.
- The City needs to analyze the difference between poorly performing and successful districts – both past and present – to assist in the decision making about whether a proposed district is likely to be successful and provide a benefit to the entire **City.**

INFLECTION POINT CALLS FOR CAUTIOUS AND PRUDENT USE OF TIF

The City of Saint Paul will be making critical decisions in the coming months concerning development opportunities in the downtown area. At least ten buildings in the center of downtown will be candidates for redevelopment. There will be increasing pressure to utilize TIF despite the negatives associated with its use. Many have expressed concern that TIF has been overused and that City goals for its use have not been accomplished. The cautious and prudent analysis of upcoming TIF proposals is a wise course of action. The long-term financial health of the City is at stake.

SAINT PAUL'S USE OF TIF HAS FINACIALLY STRESSED ITS TAXPAYERS

Saint Paul seems poised to again use Tax Increment Financing (TIF) to help solve its high-stress fiscal environment. The city is in this situation largely from many years of TIF overuse while accepting debt to create quick development. It feels good to build new, but when that occurs using public subsidy and without adequate demand, new development depletes existing tax base and pushes out existing taxpayers. Over the long term, additional taxes are required to pay for the debt and in turn drive away even more user demand. Saint Paul is now the largest user of TIF in Minnesota, a state that already ranks high nationally in taxes. We are unable to carry even more of this burden.

Our city has not been forthcoming on its extensive use of TIF. Unlike Minneapolis, Saint Paul has not disclosed publicly any details about its many TIF districts.

WHAT YOU SHOULD KNOW ABOUT TIF:

- Tax increment financing (TIF) is a gift to a developer but paid for over many years by city taxpayers. Those taxpayers have no say in the debt burden placed on their property. They are not aware of such payments that must be paid, without the debt even identified in the city budget or reports.
- TIF is a primary reason for our Downtown's high level of vacancy.

- Almost one billion public dollars have been used to pay principal and interest over 42 years to service TIF Districts.
- While creating service needs, TIF Districts do not contribute to the costs of city services. If TIF Districts didn't exist, homeowners for an average value of $275,000 would save $13.6% or $565 each year in service costs.

WHAT WILL IN$IGHT ST. PAUL BE DOING NEXT:

- We will broadly define what a successful TIF District is.
- We will be analyzing past TIF Districts to determine what things make a district successful, and what things may have made a district unsuccessful (captured increments did not fully cover debt service).
- We will be advocating the early decertification of successful districts.
- We will be recommending TIF District Creation Policy Statements for formal adoption by both the St. Paul Housing and Redevelopment Authority and the St. Paul Port Authority.
- We will be seeking public access to important TIF District history, reports, projections and policies on both the HRA and Port Authority websites.
- We will be analyzing future proposals for new TIF districts and then provide elected policy makers with both our concerns and positive suggestions.
- We will be monitoring outstanding TIF Bond Issues and Pay-As-You-Go Notes.
- We will seek to have all those obligations included in a Comprehensive Debt Policy for the City of St. Paul

TAX INCREMENT FINANCING (TIF)

- Basic Facts -

Should Saint Paul continue the use of TIF?

What is Tax Increment Financing (TIF)

- A <u>public subsidy</u> used to support redevelopment, infrastructure, and other community improvement projects.

- TIF captures the anticipated future taxes of real estate improvements to pay for the current cost of those improvements.

  - The public subsidy is not a loan to a developer – <u>it is essentially an incentive – a gift – to the developer</u> to undertake the project.

TIF is a Seductive Tool

- Its use in supporting redevelopment is popular with many constituencies:
  - City leaders – recognized for focusing on development
  - Chamber of Commerce – supports growth objectives
  - Trade unions – increased jobs
  - Developers – free money

- But *many do not understand the negatives.*

TIF–The Primary Benefit

- Redevelopment projects deemed to have a clear and compelling public purpose are initiated and completed.
- They are projects that private developers would not normally undertake "but for" the provision of a public subsidy.
  - Original use was to eliminate blight – use has expanded.

TIF - The Primary Negatives

- Increased property taxes created by the development project do not go into the general fund for a period of 25 years or more. They are used to retire the debt incurred by the City to provide the subsidy to the developer.
  - The City's tax base is not increased during this period.
- City services provided to the project - Fire, Police, Public Works, etc. - are not paid for by the project but are paid for by taxpayers outside of the project.

A Key Consequence

- 8% of current property taxes paid by each taxpayer go to support the costs of TIF financing.

TIF - Other Negatives

- Lack of rigor in applying the "but for" test results in overuse of TIF – i.e., the excessive use of public subsidies.
- Impact on competing properties in the surrounding area not funded by TIF may not be positive.
- Impact of TIF cannot be determined for years after its implementation.
- Use of TIF in converting commercial to residential facilities results in properties with a lower tax rate.
- Predicted success of a TIF project often based on difficult-to-make financial projections.
- Taxes collected in successful projects often not returned to general fund to pay for city services.

Saint Paul is at an Inflection Point

- The City is financially stressed.
- Tax base must be increased.
- At least 10 buildings in the center of downtown are candidates for redevelopment.
- Result: Increasing pressure to utilize TIF.

Is TIF the Right Tool for a Development Project?

Careful Analysis is a Must!

- Is there a clear and compelling public purpose?
- What are the barriers to private funding?
  - Has the "but for" test been rigorously analyzed?

Have all negatives been examined?

Conclusion

- *It is time to proceed with caution in the use of TIF.*

- Saint Paul's tax levies to service debt for TIF projects INCREASED 40.1% by approximately $13M from 2015-2024.
- Saint Paul's net property tax burden rate of 17.1% is almost double the State average of 9.2%.
- In 2024 Saint Paul had over 7.9% of taxable property captured in TIF projects.

Public Comments - proposed TIF district at 845 Grand Ave

From: Dave Burns <dave@daveburnslaw.com>
Sent: Sunday, December 7, 2025 2:00 PM
To: Rebecca Noecker <Rebecca.Noecker@ci.stpaul.mn.us>
Subject: Concerns Regarding Proposed TIF for Grand & Victoria Project

Dear Councilmember Noecker,

I hope you're well. I'm writing as a constituent regarding the proposed use of Tax Increment Financing (TIF) for the market-rate development at Grand & Victoria that will come before the HRA this month.

After reviewing the materials circulating in the community, including the memo from the Insight St. Paul group, I share several of the concerns being raised:

- This proposal appears to be for a fully market-rate project on one of the most desirable corners in the city. It is hard to understand what public benefit justifies a subsidy.
- The city already has an unusually high percentage of its tax base locked into TIF districts—close to 8%, by some estimates—meaning a significant portion of property tax capacity is already being deferred.
- Approving TIF for a site that would almost certainly be developed without it seems likely to set a problematic precedent for future requests.
- Even acknowledging rising construction costs and interest rates, it is unclear whether the project truly meets the "but-for" test. If the public is being asked to subsidize it, it seems reasonable to expect meaningful concessions, affordability components, or other community benefits, none of which are apparent in the current proposal.

I'm asking that you and the Council take a careful, skeptical look at this request. Financially, the city needs development that grows the tax base now, not decades from now, and TIF should be reserved for projects that clearly cannot proceed without assistance and produce real public value.

Thank you for your consideration, and for your work on behalf of the ward. I would appreciate knowing your perspective on this proposal as it moves forward.

Regards, DB

Dave Burns
Attorney at Law

Dave Burns Law Office, LLC

From: Davis Bailey
Sent: Saturday, December 6, 2025 9:18 PM
To: #CI-StPaul_Ward1-7 <Ward1-7@ci.stpaul.mn.us>
Subject: Our City Is TIF'ed Up

Dear Council Members,

Our City cannot take on anymore limitations on our tax base as we are the State Capital, which includes many non-paying tax infrastructure. This Grand Ave project can be done by private persons, however they probably will not make as much money as they want. The current financial markets are the cause and the situation will pass in about 3 years.

Please DO NOT give TIF for the 845 Grand Ave project.

Sincerely,

Ed Davis

From: Paul Hardt
Sent: Saturday, December 6, 2025 9:34 AM
To: #CI-StPaul_Ward2 <Ward2@ci.stpaul.mn.us>
Subject: Fw: TIF ACTION Alert - Grand & Victoria

Council member Noecker, I oppose the application for TIF incentives for the proposed development at Victoria and Grand. Please see the attached document prepared by In$ight.

Paul Hardt

Begin forwarded message:

On Friday, December 5, 2025, 1:44 PM, In$ight St. Paul <insight.st.paul@gmail.com> wrote:

Dear In$ight Member:

The Steering Committee has decided to oppose the use of TIF funding for the market rate development proposed on the corner of Grand & Victoria. This project though a worthwhile private initiative, does not warrant public funding especially on one of the most desirable intersections in the city.

Currently, the city is the largest user of TIF in the Metro area with close to 8% of our tax base in TIF districts meaning that 8% of your property taxes go to support city services in those districts. In addition, occupancy levels of existing buildings are decreased. St. Paul needs to support development that will increase the city tax base now not 25 years later. We have attached a brief memo that outlines Insights concerns with this proposed use of TIF.

The city has never denied a TIF request to a private developer & we are asking you to help us start to put the city's finances back on track by denying this one. Please share the info we have provided with friends, post on social media but more importantly contact your councilmember & demand that they do not subsidize this project. The city will set a terrible standard for future TIF requests if it subsidizes a projects on the most developable locations in the city!

ACT NOW – The council will make a decision on this project at the HRA meeting scheduled for December 17. Their first review of the proposal will be on December 10 and there may be an opportunity for public comment at this meeting.

In$ight St. Paul

Steering Committee

845 Grand Avenue

Project requesting a public subsidy (TIF) of $2.95 million

845 Grand Avenue Project

- A proposed six-story, market rate, mixed-use building at the northeast corner of Grand and Victoria.
- City has granted height & set back variances allowing for increased density.

Primary Reasons for Awarding a Public Subsidy (TIF)

- A project is deemed to have a clear and compelling public purpose ie???
- A project passes the “but for” test, i.e., this or any other developer would not undertake the project “but for” the award of a public subsidy (TIF).
- A project removes “blight.”

Recommendation - The proposed project DOES NOT meet the standards required for the award of a public subsidy – TIF

- A clear and compelling public purpose has not been identified.
- There is no publicly available evidence it has passed the “but for” test.
- A definition of the site as “blighted” is questionable and it has already received $350,000 of DEED for abatement, demolition, and public infrastructure improvements.

Additional Considerations

- The site is one of the most attractive development sites in Saint Paul.
- Awarding a public subsidy to this project will set a precedent and send a message to developers that public subsidies are readily available.
- If this project at an attractive development site receives a public subsidy (TIF), there will be no valid reasons for other developments to be refused a public subsidy (TIF).
- 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 up to 25 or more years.

CONTACT YOUR CITY COUNCILMEMBER – DO A SOCIAL MEDIA POST & SHARE – SEND A LETTER TO NEWSPAPERS REGIONAL & NEIGHBORHOOD

From: Winston Kaehler
To: HRAHearing (CI-StPaul)
Subject: TIF financing for proposed development at Grand Avenue & Victoria Street
Date: Monday, December 8, 2025 6:41:46 PM

The taxpaying public of St. Paul should not be required to subsidize new development at a location that is already one of the most successful and congested in the city. Just as a tariff is a tax, TIF financing is a subsidy. The financial problems facing the City should not be exacerbated by abusing the latter as a tool to encourage new for-profit development where it is not needed.

From:	Wolfie Browender
To:	HRAHearing (CI-StPaul); #CI-StPaul_Ward7; #CI-StPaul_Ward3; #CI-StPaul_Ward2
Subject:	No TIF for the Grand and Victoria
Date:	Monday, December 8, 2025 9:26:51 PM

Dear Council members:

I am writing to ask you not to approve the proposed TIF District for the Grand and Victoria redevelopment project. As you're likely aware, TIF Districts were conceived to:

- • Redevelop areas occupied with substandard buildings
- • Build housing for low-income and moderate-income families
- • Clean up pollution
-
- None of these affect the Grand/Victoria site.
-
- Furthermore, Saint Paul is has the most TIF Districts in Minnesota and adding another one will effectively increase our taxes again. Rather than approving new Districts, the City should be sunsetting those that have met their obligations and are producing tax revenue and thus adding them to the tax rolls.
-
- If there is one thing that most Saint Paulites agree on, it's that our tax burden is unsustainable. Denying this TIF District will be a step toward better financial stewardship.
-
- Thank you.

Wolfie Browender

From:	John Mannillo
To:	HRAHearing (CI-StPaul)
Subject:	HRA presentation about TIF at 845 Grand
Date:	Tuesday, December 9, 2025 2:40:25 PM
Attachments:	HRA Presentation - GRT Comments.pdf

HRA members,

Attached is the PED slide show related to the Grand and Victoria TIF presentation. In$ight St. Paul has included their comments along with the document.

Thank you,
In$ight St. Paul

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CITY OF SAINT PAUL

INTRODUCTION TO GRAND AND VICTORIA TIF

December 10, 2025

Project Overview (Redevelopment of 841 – 857 Grand Avenue)

6 stories over 1 level of underground parking with outdoor dining/plaza space fronting Grand Avenue to include:

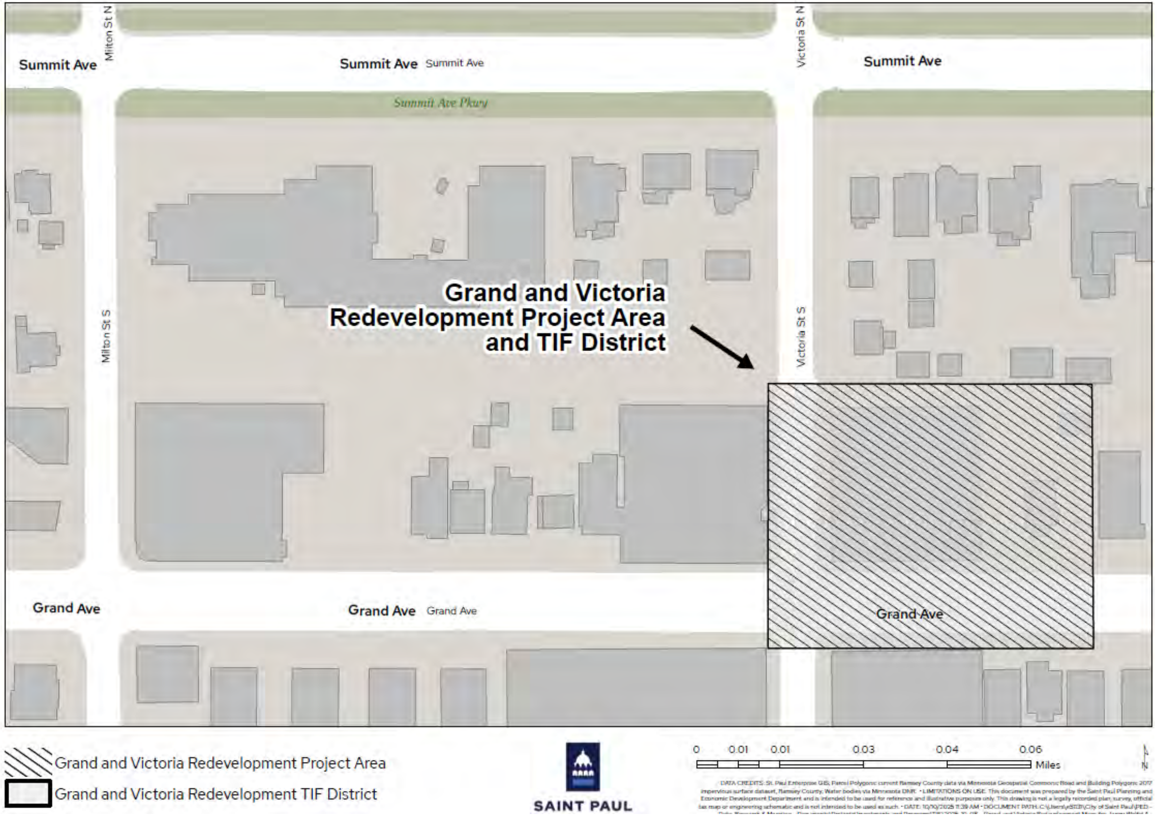
- 90 dwelling units (19 studio units, 37 one-bedroom units, and 34 two-bedroom units)
- 12,800 square feet of commercial/retail space
- 22 public parking stalls
- 99 residential parking stalls

Grand and Victoria Current Conditions

< 857 Grand Avenue

^ 841 Grand Avenue

Map of TIF District and Project Area



Background/Developer

- 845 Grand LLC (the “Developer”) acquired 841 Grand Avenue/857 Grand Avenue (the “Property”)
- Ari Parritz is managing member of the Developer
  - President/founder of Afton Park Development
  - Ten years of experience leading urban development projects
  - Recently partnered with Reuter Walton to develop the Kenton House project on Grand and St. Albans
- The Developer has applied to the HRA requesting the establishment of a new redevelopment TIF district to advance the proposed Project
  - **HRA retained LHB, Inc. to complete an assessment of the Property to determine if the statutory blight test has been met**
    - LHB 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 Property meets qualifications of a Redevelopment TIF District, including 3 substandard buildings with significant code deficiencies**

NOTE: LHB doesn't come right out and say it is blighted.
What qualifications did they use?

Grand and Victoria Redevelopment Plan

- To advance assistance through tax increment financing (TIF), HRA prepared the **Grand and Victoria Redevelopment Plan** (the "Redevelopment Plan"), which includes some of the following redevelopment objectives:
    - to remove blighting conditions including substandard buildings,
    - to complement and improve surrounding Grand Avenue area,
    - to include dense urban mixed-use development,
    - to increase the supply of housing,
    - to increase the tax base, and
    - to create jobs for local residents.

Already received subsidy for demolition, etc.

Not affordable housing

After 25 years

Does this only replace existing first floor jobs?

Grand and Victoria Redevelopment Plan

- Additional development objectives include:
  - Public realm: design new building to frame public spaces - development includes public plaza in front of proposed restaurant spaces
  - Energy efficiency/stormwater: create sustainable and energy efficient building – development includes underground infiltration system, a green roof and high efficiency building systems
  - Transportation/parking: support nearby transit stops and include structured parking on site
  - Housing: increase housing supply - development includes 90 rental units when current site only includes two
  - Employment: use zoning to support community serving retail – development includes 12,800 square feet of commercial spaces anticipated to result in three retail businesses, including the potential for two restaurants

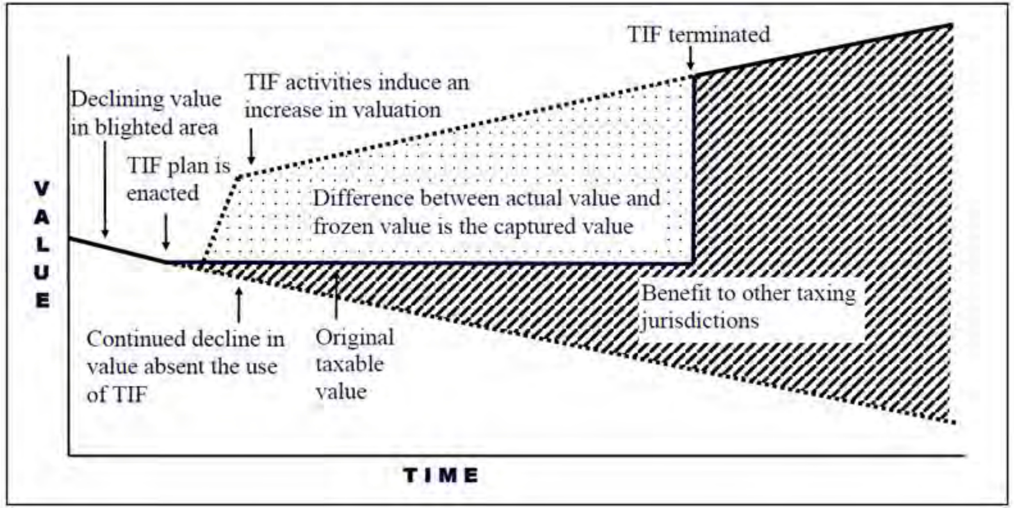
Grand and Victoria Redevelopment Plan

- On November 14, 2025, the Saint Paul Planning Commission reviewed the Redevelopment Plan and adopted a resolution (file number 25-47) determining the Redevelopment Plan is consistent with the 2040 Comprehensive Plan. Specifically including the following policies:
    - *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.*

What is TIF: Tax Increment Financing?

- Financing tool authorized under State law
- Enables cities and redevelopment authorities to capture increased local property taxes from development/ redevelopment that would not occur "but-for" the assistance
- The TIF district captures the difference between the current tax value of a site and the future, redeveloped value, and uses the INCREMENT pay eligible costs associated with development, including administrative expenditures, in accordance with the adopted TIF Plan budget

Figure 12.01-1: Classic Example of TIF



The top line of this graph fails to factor in depreciation
The bottom line of this graph assumes no other developer would take on this project and it would simply decline. It isn't TIF or nothing.

How Does TIF Work?

- Property owners within a TIF district still pay their full amount of property taxes due, and those property taxes are then divided in the following manner:
  - Local property taxes *from taxable value in place prior to the development* are still paid to the taxing jurisdictions, including the City, County and School District;
  - Local property taxes *from increased value of the development* are captured by the TIF Authority as derived from the applicable tax rate*;
  - All non-local property taxes, market value-based taxes, and base rate excess* taxes are not captured and are paid to the appropriate taxing jurisdiction

** Tax increment provided to the HRA as the TIF Authority is generated by the base tax rate or current tax rate, whichever is less, base rate excess taxes are generated when the base tax rate is less than the current tax rate.*

Redevelopment TIF Districts

- Duration – 25 years after first collection (26 total years);
- Qualified by the conditions within the district prior to redevelopment
  - blighted structures on improved land, based on 3rd party study
- Eligible expenditures include removal of the blighting influences, including acquisition, demolition/renovation, site improvements, and pollution remediation, as well as parking improvements (public or private) and public improvements; and associated administrative expenditures;
- Tax increments may be pooled and spent outside the TIF district boundary and within the Project Area for TIF eligible expenditures, including affordable housing (qualifying affordable rental housing projects may be located anywhere within the City limits, and are not required to be located in the Project Area)

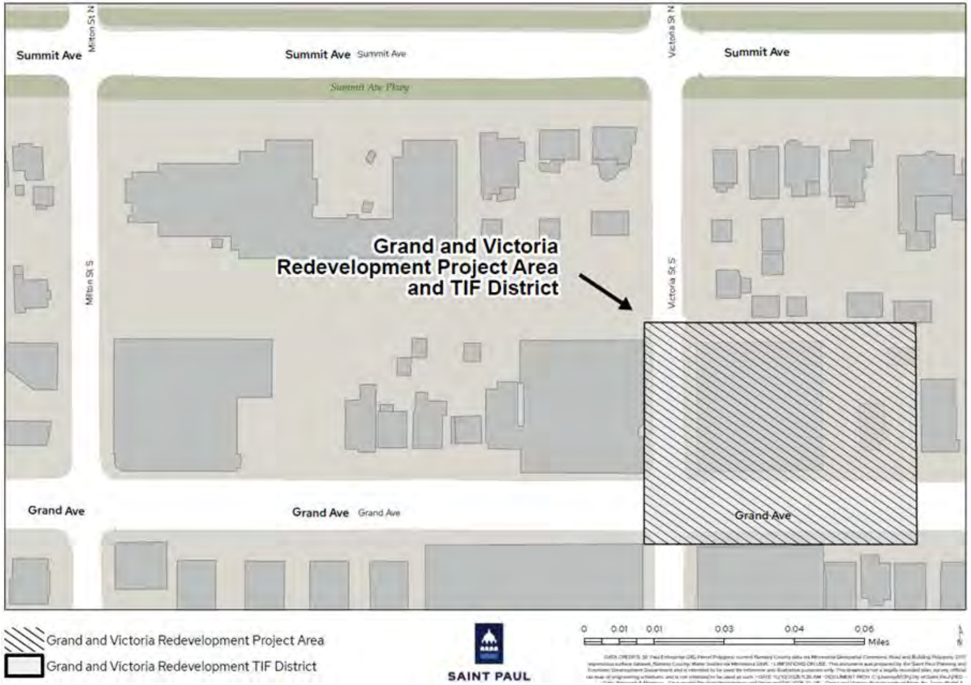
There is already $350,000 committed for demolition and site preparation.
Seems like he's advocating that TIF should be awarded here so it can generate tax revenue to support other failing districts. Is this give to the rich and it may trickle down to help build affordable housing elsewhere?

TIF District Geographies

TIF Districts include the specific parcels, within a Project Area, **from which tax increment will be generated and captured. The Project Area is the area where increments may be expended**, which area may be coterminous with the boundaries of the TIF District or larger.

Shown again here is the TIF District and Project Area boundaries for the Grand and Victoria TIF District which areas are coterminous.

The proposed TIF Plan will maximize the ability to pool for qualifying affordable rental housing located anywhere in the City.



Statutory Requirements

- Any proposed TIF district must meet the statutory requirements for creation
- Must demonstrate that the "But For" test is met, requiring a determination that the proposed project would not happen solely through private investment within the reasonably foreseeable future
- The developer must incur TIF eligible costs, in accordance with the adopted TIF Plan
- The adopted TIF Plan includes the maximum tax increments to be collected and spent
- Additionally, expenditures occurring outside of the TIF District boundary is limited (commonly known as Pooling)

TIF Review Process

- PED staff review all requests for TIF to make sure the " but-for" test can be met, including engaging an outside fiscal consultant The City has never turned down a private developer based on a 'but-for test'.
- PED staff evaluates the potential taxable value to be assessed once the project is constructed, including seeking input from Ramsey County. The TIF Plan utilizes the values from Ramsey County, without inflation, and current tax rates
- Projects must achieve City/HRA goals, including living wage jobs, elimination of blighting influences, and housing of all types, etc.
- **Development Agreement is approved by HRA Board providing form and maximum amount of tax increment for proposed development and specific requirements**
  - TIF-eligible expenses are financed on a Pay-As-You-Go basis
  - **Developer pays upfront for TIF eligible expenditures and is reimbursed over time from pledged tax increments, with interest** What are TIF eligible upfront expenditures?
  - Developer bears all the risk that the property value and resulting tax increments will be sufficient to reimburse them for their upfront costs
  - Language included to evaluate the construction and operation of the project throughout the term of the agreement to ensure the financial assistance was appropriate, and if certain metrics are exceeded, the TIF assistance will be reduced.

If the property does not generate enought tax to pay off the notes, ultimately the City bear the risk associated with paying them off,

Myths about Use of TIF in Saint Paul

- Property Taxpayers at risk for TIF district obligations
    - Proposed tax increment obligation is a pay as you go TIF note. The collected tax increments are the sole pledged revenue to repay the TIF note.
- TIF is a GIFT to the developer
    - The developer is required to secure all the funds to build the project
    - The developer must complete the development and incur the TIF eligible costs
    - The developer takes all risk to get repaid for their original investment
    - The city benefits from the removal of blight, including substandard buildings, and increased housing options for residents
    - The HRA prepares TIF projections conservatively

City Claims: That TIF is a Gift to the developer, is a Myth.
Real Truth: Each year in pay-as-you-go TIF agreements, developers receive a check from the City when they pay their taxes. This is a gift to the developer that any other property owner never receives.
The Real Myth is that TIF is a Loan that is paid back by the developer. The loan is actually paid back by all the taxpayers of Saint Paul. Developer takes the inital risk but ultimately the City bears the risk if the property isn't able to pay off the debt, the taxpayers are responsible.

Grand and Victoria Redevelopment TIF Plan

- 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** (26 total years)**.**
  - 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. This $9M does not go to the City's general operating fund over the 26 years. It is captured for TIF and TIF expenses. The rest of the property tax base pays for City services to this TIF district for those years.

Grand and Victoria Redevelopment TIF Plan

The budget included in the TIF plan totals $9,440,000* as shown here with 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 **$2,956,000 for Construction of Affordable Housing.**

What are Administrative Expenses? Are these only due because of TIF?

Estimated Sources of Revenue	Amount
Tax Increment Revenues	$9,080,000
Interest and Investment Earnings	360,000
Total Tax Increment Revenues	**$9,440,000**

Estimated Project Costs	Amount
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	2,620,000
Total Estimated Project Costs	**$9,440,000**

*The HRA Board action will include a budget amendment to align with the financing and spending included in the TIF Plan, as shown above

TIF Development Agreement (TIF Assistance)

- The City/HRA retained Ehlers as our Municipal Advisor to determine the need for financial assistance through the creation of the TIF District.
- Ehlers evaluated 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.
    - **Ehlers concluded the project requires a $2,956,000 TIF Note to attract adequate capital and debt financing**
- The table on the following slide 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 a $350,000 DEED grant awarded to the City for the project (City Council acceptance of DEED funds will be forthcoming).

Less than 7% of the total cost for TIF. How realistic is it to think that this project would not be built, in a reasonable time, without TIF? Does this mean that it is under water from day 1 with a cost of $44.6M and a value of $26.5M?

Project Sources and Uses

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
TOTAL SOURCES	**44,604,984**	**100%**	**495,611**

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
TOTAL USES	**44,604,984**	**100%**	**495,611**

Ehlers Funding Recommendation (But For Test)

- Ehlers 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."*

      Who gets to decide what is feasible or not? Is it not feasible because the profits would be somewhat less? Not feasible simple opens the door for those promoting this project to do whatever they want (e.g. TIF; setback variances, CUPs, etc.)

TIF Development Agreement

- 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**, pledging 85% of the tax increment in the first year (2028), stepping back 5% each year, to a fixed 60% in the 6th year (2033) and beyond.
  - Principal amount 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 cost of public parking spaces
  - TIF plan to authorize 35% of tax increments to be expended outside of the TIF district, enabling maximum pooling for affordable housing (budget includes up to $2.956 million for affordable housing).
- Language in Development Agreement will be included to allow HRA to confirm the "but for" test and ensure the Developer is not unduly enriched by the financial assistance from the HRA (commonly known as a "Lookback").
- Compliance will include Affirmative Action, Prevailing Wage, Vendor Outreach, Project Labor Agreement, HRA Two-Bid Policy, Sustainable Building Ordinance, Living Wage Ordinance

Government Approvals – Timeline

- The City Council and HRA Board will be considering resolutions on December 17 to authorize:
  - approval of the Redevelopment Project Area and Redevelopment Plan, and
  - establishment of the Redevelopment TIF District and TIF Plan
  - City Council will hold a public hearing prior to considering their resolution
- HRA Board resolution will include authorization to execute the Development Agreement providing the Tax Increment assistance to the Developer

- Construction is anticipated to start in February of 2026 and completed in summer of 2027

City/HRA Outside Team

Carla Pedersen with Barna Guzy, outside TIF counsel
Carla.Pederson@bgs.com

Stacie Kvilvang with Ehlers, municipal advisor
skvilvang@ehlers-inc.com

Developer Contact

Ari Paritz is the managing member of the Developer and is available for questions.

Ari Paritz, ari@aftonpark.com
612-743-9258

QUESTIONS