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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)



Illustrative Rendering

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



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**



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.



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

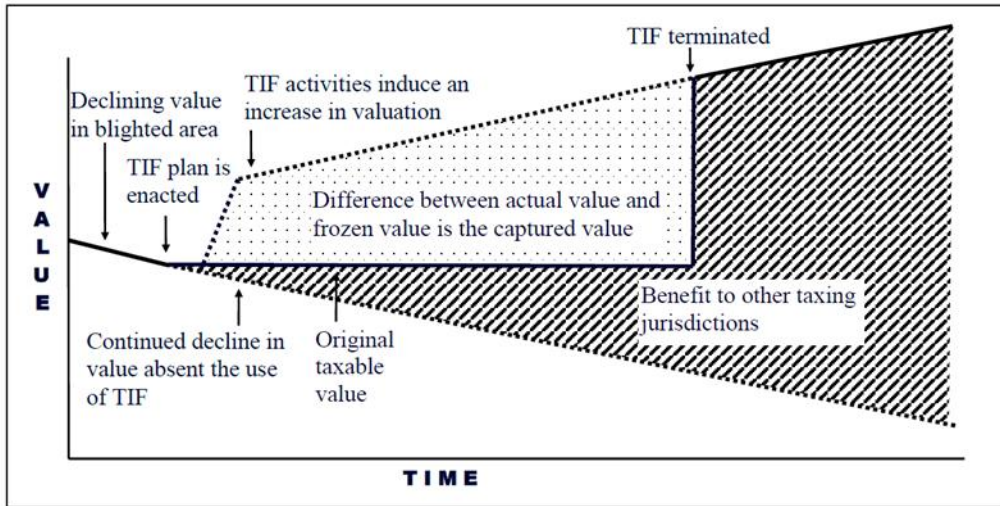
- On November 14, 2025, the Saint Paul Planning Commission reviewed the Redevelopment Plan and adopted a resolution (file number 25-47) determining the Redevelopment Plan is consistent with the 2040 Comprehensive Plan. Specifically including the following policies:
 - *LU-1: Encourage transit-supportive 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





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.*



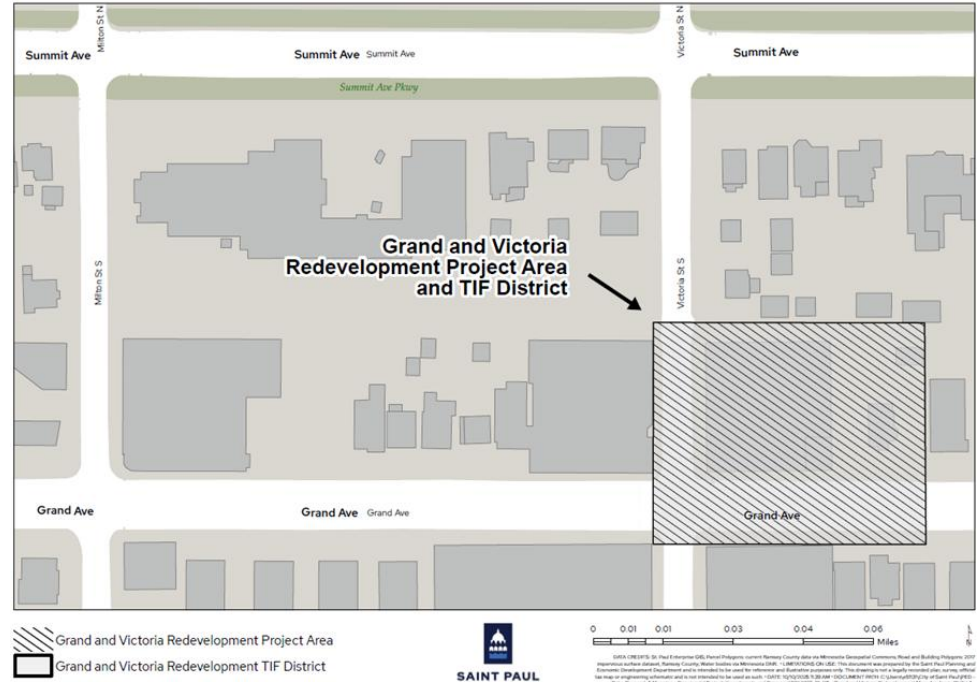
Redevelopment TIF Districts

- 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)



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.

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
- 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**
 - 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.



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



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.



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.**

Estimated Sources of Revenue	Amount
Tax Increment Revenues	\$9,080,000
Interest and Investment Earnings	<u>360,000</u>
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	<u>2,620,000</u>
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).



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.”*



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
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Stacie Kvilvang with Ehlers, municipal advisor
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Developer Contact

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

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QUESTIONS