

Meeting With

Mayor Kaohly Vang Her

January 13, 2026



Insightstpaul.org

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Meeting Agenda

1. Introduction – Jane Prince (3 minutes)

- **We came together in mid-2024 united by our concern about the fiscal challenges threatening the City’s financial future. We are non-partisan and have no desire to cast blame on current or past City leaders. Our goal has been to understand the current financial realities and to offer recommendations for ways to improve the financial structure and processes of our City. Our intention is to work closely with City leaders in sharing what we learn. We are acutely aware of the high level of taxation borne by the citizens of St. Paul. We hope that our efforts will result in financial policies that both support the financial health of the City and reduce the tax burden on its citizens.**
- **In the course of our work during the past year we have learned about the:**
 - **Hundreds of millions of dollars of deferred maintenance in City departments.**
 - **The overuse of Tax Increment Financing (TIF) and its impact on taxpayers.**
 - **The City’s practice of funding huge capital projects without providing financial resources for operation and maintenance.**
 - **The City’s failure to follow through with the 2017 Citizen’s League Study that encouraged payment in lieu of taxes (PILOT) for tax exempt properties.**

- We are gratified that City leaders and policy makers trust our data and analyses and CALL US for information and advice.
- The presentations that follow provide brief summaries of our various reports. We hope that they encourage you to organize future conversations about these issues with you and/or your staff.

2. *In\$ight St. Paul's High Fiscal Stress 2024 Report* – Greg Blees (6 minutes)

- Greg Blees presents highlights from our October 2024 Report (PAGE 8) (Full 19 page report plus 24 graphs available upon request)

3. *Protect Our Parks and Recreation Facilities & Watchdog Group Offers Plan to Decrease City's Proposed 5.3% Tax Levy Increase* – Carl Michaud (PAGE12) – (5 minutes)

- Prioritize maintenance of existing parks before developing any new parks. Use the 1% Sales Tax revenue solely to reduce the deferred maintenance backlog. Present all capital improvement projects using the 1% Sales Tax to the Capital Improvement Budget Committee for its review and recommendation to the mayor and city council which is not currently required.
- Currently there are insufficient property tax dollars to operate and maintain the existing Parks system. Pause major new parks projects currently in design (Mississippi River Learning Center, River Balcony, Regional Athletic Complex, and Como Park Pavilion)

until the mayor and city council determine how it will fund construction and operations.

- **The current capital improvement budget document is woefully inadequate because it lacks sufficient detail about projects, sources of funding and spending to date, and essential information or projects are missing. There is little detail about what improvements are being made, why they are being made, when they will be made, nor any mention of the impact upon the property tax in the future. We recommend the budget document be organized to show budget and projects by park and recreation center so that a resident can easily learn what improvements are scheduled at their parks.**
- **Expand the current Capital Improvement Budget committee to include at least one person from each neighborhood planning district and create three teams to review and recommend projects, one for Public Works, another for Parks and Recreation, and a third for all other city facilities. The current committee does not have the capacity to adequately review all projects nor provide adequate public engagement. Require departments receiving capital dollars to provide progress reports as required by the city charter.**

- Request the legislature to fully fund the city's regional parks in accordance with Minnesota Statute 473.351, subd. 3, that requires that the city to receive no less than 40 percent of its actual operation and maintenance expenses. Last year the city received about \$1.5M of the \$7M due.

4. *In\$ight St. Paul's Analysis of Tax Increment Financing (TIF) & In\$ight Questions Use of Tax Increment Financing on 845 Grand Avenue*– John Mannillo (PAGE17) (4 minutes)

- During 2024 and 2025 the TIF Subcommittee of In\$ight St. Paul focused on understanding how TIF has been used in St. Paul.
- This was a challenge given St. Paul has not been forthcoming in its extensive use of TIF. There are currently 68 TIF districts in St. Paul. Unlike Minneapolis, Saint Paul does not publish information about its TIF Districts on an annual basis.
- Based on the data we have been able to gather, our impression is that it has been overused at considerable expense to taxpayers and has not accomplished its objectives. Currently, 8% of each taxpayer's property taxes are devoted to covering the costs of TIF.
- We understand that TIF is a complicated tool and sense that many City leaders do not understand its key features such as:
 - TIF is a public subsidy - a gift to a developer, it is not a loan.

- **The use of TIF on a development project does not increase the tax base for a period of 25 years or more.**
 - **The increased taxes following the completion of a project are devoted to reducing the debt incurred in awarding TIF to a developer.**
 - **City services - fire, police, public works, schools, etc. - are not paid for by the project property taxes. They are paid for by other taxpayers.**
- **Yes, we believe TIF has been overused. In fact, we have data suggesting that its overuse has contributed to the problems we currently see in downtown St. Paul and opened the door for Madison Equities to purchase multiple buildings at a very low cost. The City focused on providing supply rather than responding to demand. Doing that lowered, not only competing property values, but all property values.**
- **Despite the challenges we have faced in obtaining about how the City uses TIF, we have learned a great deal.**
- **We would like to share that information with you and welcome the opportunity for future meetings to discuss what we have learned.**

**5. *Early Decertification of St. Paul TIF Districts* – Greg Blees
(PAGE 27) (5 minutes)**

- Greg Blees will present highlights of In\$ight St. Paul's recommendations to decertify 8 existing tax increment districts.

6. *Critique of St. Paul HRA Process for Creating and Approving Tax Increment (TIF) Districts* – Bob Muschewske (PAGE 28) (2 minutes)

- We are aware that a priority for Mayor Her is to improve City processes.
- We recommend that the City process for creating and approving TIF Districts be improved.
- The current process is not transparent and does not permit taxpayer comment based on factual information.

7. *Wrap-up* (6 minutes)

- Thank you for the opportunity to meet with you today.
- We would welcome the opportunity to meet with you and your staff to discuss these issues in greater depth.
- What can we do to help you?

Report Highlights for Honorable Mayor Kaohly Her

InSight St. Paul's High Fiscal Stress 2024 Report

We are stakeholders and constituents who are concerned with St. Paul's extremely high taxation and want a financially stable and affordable future for our City. Thus, we want to:

- 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 Mayor and City Council and other elected officials to secure a sustainable financial future.

Growth of St. Paul's Taxbase and Population are both lagging. Deferred maintenance of basic infrastructure, rising property taxes, the highest sales tax, citywide crime and challenging social issues create an environment that some people want to leave.

InSight's reports are "**Fact Based**". We use data prepared by: Mn. Revenue Dept., House Research, State Demographer, Metropolitan Council and Ramsey Co.

The 2022 Median Value St. Paul Homestead of \$236,000 had 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). For all homesteads in Minnesota for taxes payable 2022, the median value homestead was \$257,400, with an Effective Tax Rate of 1.08%. **St. Paul's 2022 Effective Tax Rate 1.39% was the highest identified in the 2024 Voss report.**

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. 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 net tax burden of 3.0% was the second highest in the 2024 Voss report.**

For property taxes payable 2022, St. Paul had 17.1% of its homestead owners paying Net Property Taxes (after Homestead Credit) 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.

PROPERTY TAX LEVIES: TEN YEAR GROWTH

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

Total Levies: St. Paul rose 62.8%, while Minneapolis rose **44.6%**

TAX INCREMENT FINANCING (TIF)

From 2015 to 2024, St. Paul's tax levies for TIF districts INCREASED 40.1%. During that same period, Minneapolis's tax levies for TIF districts **DECREASED 52.1%.**

For Property Taxes Payable 2024, 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.**

Minneapolis was the second largest user of TIF in Minnesota, with **\$21,471,921** captured value. (Mn. Revenue Dept.)

For Property Taxes Payable 2025, approximately 8% of the property taxes a St. Paul property owner paid is for government services provided to properties inside TIF Districts. The property taxes paid by properties located inside a TIF District are captured to pay for development subsidies.

FISCAL DISPARITIES METROPOLITAN TAX BASE SHARING POOL For Property Taxes Payable 2024, **St. Paul is the BIGGEST WINNER of this commercial and industrial tax base sharing program for the metropolitan area.** The fact that St. Paul was the **Biggest Winner** (taxbase sharing from the pool to St. Paul were greater than St. Paul's contributions to the pool) **means that St. Paul has the Highest Stressed Property Tax Base in the metro area.** About 7% of St. Paul's property tax levies were actually paid for by business properties located in other cities.

Currently, plunging office valuations throughout metropolitan cities will be producing less contribution values for the Fiscal Disparities Program. There is no assurance that St. Paul will benefit from the taxbase sharing program as much as they did in past years. **Thus, if the Fiscal Disparities Pool pays less St. Paul property taxes, St. Paul property owners will see larger tax bills.**

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 Co. Assessor's 2023 total estimated market value for all property in St. Paul is **\$43,391,00,000**, with **\$8,102,000,000 (18.7%)** being tax-exempt EMV.

When evaluating the property taxpayers' burden for supporting tax-exempt properties, it is not enough to look at property valuations. 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) **State of Minnesota: 33 major buildings for state operations.**
- 2) **Metro Government: 9 buildings for planning, transit, mosquito, and wastewater.**
- 3) Regional hospitals: 10 buildings,
- 4) Major colleges: 10 campuses, private & public.
- 5) **Regional transportation: Downtown Airport, Train Depot, & Bus Depot.**
- 6) Metro regional parks: Como Zoo & Conservatory and 8 other popular sites.
- 7) Historic museums: 10 major attractions that draw people daily.
- 8) Major sports facilities: Wild Hockey, Mn. United Soccer, and St. Paul Saints.

CITY SALES TAX ANALYSIS

The City of St. Paul's 9.875% sales tax rate is the highest in Minnesota.

POPULATION ANALYSIS

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

Minneapolis' population **increased by 0.9%**, to 433,633.

St. Paul's population DECREASED 0.2%, to 310,997.

Rochester's population **increased by 1.3%**, to 122,969.

Bloomington's population **increased by 1.7%**, to 91,537.

Duluth's population **increased by 0.1%**, to 86,788.

St. Paul was the only large Minnesota city to have a population decrease between 2020 and 2023, while the population for the state increased **1.6%**.

HOUSEHOLD ANALYSIS

The total number of households in the state increased 3.3% between 2020 and 2023.

St. Paul's household count increased only 2.4% to 123,504, while Minneapolis's households 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 property in St. Paul. It makes people want to leave our city.

In conclusion, In\$ight St. Paul declares:

St. Paul property and sales taxpayers pay excessively high taxes. Our City is fiscally stressed. We are not growing.

We need to address the complex challenges now before us. Our focus must be on long-term financial affordability and stability as we further develop our city.

Taxation constraint is a must requirement if Minnesota's State Capitol is to be considered a desirable place to live and work.

Mayor Her, In\$ight St. Paul wants to be a valuable resource for you and your team of directors. Thank You For Meeting Today To Get An Overview Of Our Perspectives. If you, or your leadership team members, desire more detailed info, we would be happy to meet again.

Respectfully, In\$ight St. Paul

Protect our parks and recreation facilities

In\$ight St. Paul
October 2025



BACKGROUND

We are proud that our Saint Paul parks have been consistently rated in the top five nationally based on their accessibility, equity, acreage, investment, and amenities. It includes 26 neighborhood recreation centers, a zoo and conservatory, 180 parks, 3 public swimming pools, and 120 miles of trails. However, there is a \$230 million backlog of deferred maintenance on our existing parks. Developing new major park projects and facilities now threatens the quality of our existing parks and places an enormous tax burden on citizens and businesses.

ACTION REQUESTS

For Elected City Officials, District Councils, City Staff

1. Prioritize the maintenance of existing parks and recreation facilities before spending money to design and develop any new ones.

Saint Paul Parks and Recreation Department noted that the backlog of deferred maintenance on the city's existing parks has ballooned to \$230 million from \$100 million despite spending nearly \$60M on maintenance projects since the inception of the 1% sales tax. The city's park system is rated in the top five nationally, so there is no real need to design and develop any new facilities at this time. All park funding should be directed to reducing the deferred maintenance backlog, and spending on any new facilities (the River Balcony, Mississippi River Learning Center, Regional Athletic Complex, and Como Pavilion) should be paused until the deferred maintenance backlog is reduced by 90 percent. Prioritizing maintenance of existing park facilities is consistent with the Capital Improvement Budget (CIB) Committee's criteria for reviewing capital projects.

2. Use the 1% Sales Tax revenue designated for parks and recreation solely to reduce the deferred maintenance backlog at this time.

The sales tax should be used to pay for needed park maintenance without the sale and use of bonds. All maintenance should be prioritized, so that park facilities and amenities most in need of repair or replacement are taken care of first. Data supporting the Department's request for sales tax funding for projects must be provided to the CIB Committee and included in the capital budget document. Currently, we do not know if sales tax revenue is being spent on parks in accordance with the CIB Committee's adopted criteria.

3. Present all capital improvement projects using the 1% Sales Tax to the CIB Committee for their review and recommendation to the mayor and city council.

Currently, park projects using sales tax funding are not adequately vetted by the CIB Committee, which leaves the city council lacking essential information about how sales tax revenue is being spent and prioritized on parks and facilities across the city. To improve vetting, the city should establish a Parks and Recreation Task Force to review and propose capital improvement projects for submittal to the full CIB Committee. The task force should include a representative from each of the city's neighborhood planning districts and two representatives from the existing CIB Committee.

4. Pause major new projects currently in design until the mayor and city council can identify how they will find funding to construct and operate them.

The River Balcony (\$114 million), Mississippi River Learning Center (\$65 million), Regional Athletic Complex (\$30 million), and Como Pavilion (\$30 million) require more than \$239 million to complete construction. The city had requested significant funding from the State of Minnesota to develop these projects. In addition, the city was relying on the National Park Service to rent office space at the River Learning Center for its regional office. Based on the current financial uncertainty of state and federal government support for new park projects, the city should suspend any further spending, currently \$10 million, to develop these projects. If these projects were to move forward, it is unclear how the city would be able to fund their operation, maintenance, and programming.

5. Request full funding for the city's regional parks to meet the state's statutory obligations to regional parks.

Minnesota Statute 473.351, subd. 3 requires that "each implementing agency must receive no less than 40 percent of its actual operation and maintenance expenses." The concept behind this law is that approximately 40 percent of visitation to regional parks is assumed to come from outside the park operator's boundaries. If the state does not cover this cost, local taxpayers are paying for visitation (wear and tear) by non-taxpayers. This has been the law since 1985.

Currently, the city receives only about \$1.5 million of the \$7 million it is due for operating regional park facilities, which include Como Park, Hidden Falls, Phelan, Battle Creek, Crosby Farm, Cherokee, Lilydale, Harriet Island, and Wicahapi.

Furthermore, the city's legislative platform should prioritize its request for fully funding the city's regional parks as required by state law, and the state should meet its statutory obligation to fund regional parks.

The city should not request any funding for new parks until the state meets its obligation to fund operation and maintenance costs for existing regional parks.

ACTION REQUESTS

For Concerned Community Members

Contact your district council and find out when your local park will receive funding from the sales tax to take care of all its maintenance needs.

Share this Protect Our Parks proposal and its action requests with friends, neighbors and your contacts on social media.

Contact your council member and demand a moratorium on spending any money for new park development until the maintenance backlog on existing parks is completed.

Ask your state legislators to meet the state's statutory obligation to provide sufficient funding for the city's regional parks.

Write a letter to the editor to your local newspaper to state your priorities for our park system.

LEARN MORE

insightstpaul.org

insight.st.paul@gmail.com



Watchdog Group Offers Plan To Decrease City's Proposed 5.3% Tax Levy Increase

SAINT PAUL, MN — Challenging the City of St. Paul's proposed 5.3% tax levy increase, fiscal watchdog group **In\$ight** today unveiled a strategic five-point plan that aims to help the city limit the hike to a more fiscally responsible 2%. With the currently proposed increase pacing at nearly double the current rate of inflation, In\$ight is urging city leaders to consider their alternative roadmap before locking in the final budget. The full proposal, available at www.insightstpaul.org outlines the following measures:

1

Decertify 8 Tax Increment Financing Districts

If the city were to decertify eight TIF projects that are eligible for decertification, it could return just over \$1 million each back to the city, the county and the school district.

Potential Savings: \$1.03 million each to the city, county and school district.

2

Stop Subsidizing Commercial to Residential Conversions

While conversion may one day be necessary, in our current budget situation, we should focus on attracting office users for our existing office vacancies.

Potential Savings: \$5 million on the tax levy

3

Fix The Parks We Have Before Making New Ones

With a new pool of sales tax revenue dedicated to parks, we should first focus on erasing the existing deferred park maintenance before we start making new parks that expand our annual park budget.

Potential Savings: \$10 million in annual maintenance spending and new park budgeting.

4

Ask The State To Do Its Part

The state of Minnesota promised to chip in for regional parks around the state, but currently is not paying its part. It's time we change this. **Potential Savings:** \$5 million a year

5

Reassess Covid-Era Spending

A number of new positions were created with one time federal funding during the Covid pandemic.

We should now go over the city budget and make sure that all positions are supporting core municipal services, and eliminate any that do not.

Potential Savings: \$1 million to \$2 million annually

QUOTE: “St. Paul residents are facing genuine financial headwinds, and the city has an opportunity to provide relief rather than adding to the burden,” said In\$ight member Gerry McNerney, a longtime city resident, business owner and former council aide. “We are not asking for drastic cuts; we are asking for the same fiscal discipline a lot of us are embracing in our own budget decisions. With smart, manageable adjustments, the city can align this levy closer to the current inflation rate without sacrificing the core services our community relies on.”

ABOUT US: *In\$ight St. Paul is a nonpartisan fiscal watchdog group made up largely of St. Paul residents and businesses concerned about the need for stronger financial management of St. Paul. The city is facing significant financial challenges that cannot be ignored. In\$ight’s goal is to unpack, understand and explain the serious tax, spending and debt problems confronting St. Paul and work with policymakers and the community to develop sound solutions that ensure a strong financial future for the City.*

MORE INFO: The details of this report are available on our website at www.insight.org. For more information, or to set up an interview with McNerney or another member of In\$ight, please feel free to contact Nate Dybvig at 651.230.3018 or nate@spifirm.com.



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 costs. And if tax increments collected are greater than debt issued and associated 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 efficient 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 suboptimal 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 FINANCIALLY 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.

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

Downtown St. Paul Competitive Annual Office Report Re-Cap

4/22/2025

Year	Total Competitive Vacancy % of all Building Downtown sq. ft.	Classes	Range of All Building Competitive Gross Rental Rates	Average Class B Rental Rates	Class B Building Vacancy Rates
1995	8.6 million	17.00%	\$4.50-\$22.45	\$14.88	10%
1996	8.5 million	14%	\$5.00-\$23.62	\$15.59	9%
1997	8.5 million	9%	\$5.50-\$27.59	\$16.33	5%
1998	8.4 million	7%	\$5.50-\$27.57	\$18.09	4%
1999	8.4 million	8%	\$5.50-\$28.49	\$18.21	6%
2000	9.4 million	9%	\$7.02-\$26.92	\$18.76	9%
2001	9.6 million	14%	\$7.59-\$27.31	\$18.33	12%
2002	9.7 million	18%	\$7.09-\$25.65	\$18.71	16%
2003	9.3 million	19%	\$8.00-\$23.17	\$17.20	19%
2004	9.2 million	25%	\$6.00-\$23.25	\$16.64	30%

Notes for the Downtown St. Paul Competitive Annual Office Report

Total Competitive Downtown Square Feet reflect the for-lease commercial space in Class A, B and C buildings within the Central Business District of St. Paul.

The range of all building competitive gross rental rates include net rates, operating expenses, and property taxes.

Class B buildings comprise the majority of commercial buildings in Downtown. This category of vacancy accurately reflects vacancy trends. There are no Class A buildings in Downtown Saint Paul.

1995 was the first year of the BOMA Market Report. 1998 had the highest level of occupancy. The 10-year period from 1995 to 2004 covered the time with the greatest Tax Increment Financing (TIF) used to incentivize Downtown Development. This also reflected a time period without recession, pandemics or any unusual outside occurrences impacting development.

The Market Reports began providing data on sub-lease space in yr. 2000, which is not reflected in the vacancy data. This space, also referred to as shadow space, is unused space that is still under lease. Once leased or expired, it will transfer to vacant or occupied.

The average Class B gross rental rate of \$14.88/sq. ft. in 2004, it would be \$18.55/sq. ft., after inflation. Today with inflation, it would be a gross rate of \$31.66. Rates have never recovered to even inflationary rates since 1999. Property tax valuations for commercial properties are primarily based on Net Operating Income (NOI) which have reflected the same reduced property values.

This lower value of competitive commercial properties impact all commercial valuations in Downtown, which has experienced higher vacancy rates from TIF incentivized development, without adequate demand to occupy new commercial buildings. Some TIF districts don't cover their own debt service, and none pay for city service expenses.

John Mannillo



In\$ight Questions Use Of Tax Increment Financing On 845 Grand Avenue

SAINT PAUL (DEC. 3, 2025) -- In a city already struggling with a shrinking tax base, local fiscal watchdog group **In\$ight** is questioning the need to add 845 Grand Avenue to the list of properties not being asked to pay its fair share.

Seen by many as one of the most desirable development opportunities available in the city, the project immediately fails the primary litmus test for the use of Tax Increment Financing. The project seems quite capable of attracting development partners who could take on the project without the city's help. The project also lacks any compelling public need that would necessitate immediate city intervention and is in an area that no one would deem blighted.

With these thoughts in mind, In\$ight encourages the city to take a deep breath before deciding to approve yet another TIF project that will see the city forgo tax collections for what could be more than several decades.

Currently, nearly eight percent of the city's taxable properties reside in tax increment finance districts, making St. Paul the state's largest user of the economic crutch. St. Paul taxpayers have spent \$946 mil. since 1982 for TIF grants to developers.

"While there should be developers who could develop a project at this attractive site without the use of TIF, the city has earned a reputation that it is reluctant to say no to any developer who asks for it," said John Mannillo. "The residents of this city just got their proposed property tax bills for next year, and so now would be an ideal time for the council to show through action that they hear the residents' concerns about how our shrinking tax base is impacting their annual tax bills."

If approved, **In\$ight** believes this project will send a clear message to the residents of St. Paul that the council fears disappointing developers requesting unnecessary handouts more than it worries about the rising tax burden being shouldered by residential taxpayers.

ABOUT US: *In\$ight is a nonpartisan fiscal watchdog group made up largely of St. Paul residents and businesses urging for stronger financial management of St. Paul. The city faces significant financial challenges that can't be ignored. In\$ight's goal is to unpack, understand and explain the serious tax, spending and debt problems confronting St. Paul and work with policymakers and the community to develop sound solutions that ensure a strong financial future for the City.*

MORE INFO: More information about the city's use of TIF is available on our website at www.insightstpaul.org. For more information or to set up an interview with a member of In\$ight, please feel free to contact Nate Dybvig at 651.230.3018 or nate@spifirm.com

EARLY DECERTIFICATION OF ST. PAUL TIF DISTRICTS

Last November **In\$ight St. Paul** recommended that the St. Paul City Council consider **Early Decertification** of up to 8 existing **H.R.A. Tax Increment Financing Districts**. Early Decertification means closing the TIF District down before the closure date anticipated when the TIF District was originally approved by the City Council.

Successful **Early Decertification** can provide property tax relief in two ways:

- 1) **The captured taxbase inside a TIF district can now be used to help pay for the services provided by the 10 units of government that tax St. Paul**, instead of paying for the Public Subsidy that was used to create the TIF district. **This lowers the tax burden on all properties located outside the TIF District, as those non-TIF properties will no longer be paying for the governmental services provided free to properties inside a TIF district.**
- 2) Accumulated excess tax increments available after a TIF District is decertified, are distributed to City of St. Paul, Ramsey County, and I.S.D. 625. The distributions are deposited in each government's General Fund. The money can be used for operations & maintenance, capital projects, development projects, debt service; **and most important, the money can be used as one-time revenue source to help lower certified property tax levies.** **In\$ight St. Paul** recommends any excess tax increments deposited into the City's General Fund be used to reduce tax levies.

Property tax relief is extremely important for St. Paul property owners living outside a TIF District. For Pay 2025 taxes, 8% of a tax bill was to pay for all governmental services provided free to the property owners inside St. Paul's 48 TIF Districts.

St. Paul's Median Value Residential Homestead had an Est. Mkt Val. of \$275,300, with a property tax bill of \$4,158. **Of that total, the 8% TIF subsidy was \$332.**

Please know **In\$ight St. Paul** appreciates the fact that the **St. Paul Port Authority** recently acted to **Early Decertify the Westminster TIF District #249 and the Williams Hill TIF District 198**. Their responsible actions ended up releasing excess tax increments of \$1 to the City, \$851,000 to Ramsey

County and \$673,000 to I.S.D. 625. And \$1 in Capture TIF Net Tax Capacity valuation was released and added to the St. Paul Taxable Taxbase. **Good Property Tax Relief! Thank You Port Authority.**

Critique of St. Paul HRA Process for Creating and Approving Tax Increment Financing (TIF) Districts

Critique Summary: The current process is not transparent and does not enable citizens to provide informed public comment prior to HRA approval.

The comments that follow are based on our understanding of how The Grand and Victoria Redevelopment Project was created and approved.

- **Late 2024/ Early 2025** – 845 Grand L.L.C. (the “Developer”) acquired the property and applied to the HRA staff requesting the establishment of a new redevelopment TIF district to advance private development of the Property at 841 Grand Avenue and 857 Grand Avenue.
- **Early 2025** – The HRA staff retained the services of LHB, Inc. to complete an assessment of the proposed development site to determine if the statutory blight test had been met. The report stating the blight test had been met was delivered to the HRA staff October 15, 2025.
- **November 4, 2025** – I sent the following request thru the **Data Practices Act**: *Please provide me with a description of the proposed redevelopment project on the corner of Victoria and Grand submitted by developer Ari Parritz. Please include financial information showing the need for Tax Increment Financing (TIF) to complete the project.*
 - I did not receive a copy of the LHB, Ehlers, and HRA report until December 30, 2025.
- **November 14, 2025** – The Saint Paul Planning Commission reviewed the Redevelopment Plan to ensure it was consistent with the St. Paul 2040 Comprehensive Plan. It passed with a 6-5 vote.
 - The Commission members were told by HRA staff that they were to vote only on whether the Redevelopment Plan was consistent

with the 2040 Comprehensive Plan. They were not to base their vote on any financial or TIF aspect of the Redevelopment Plan. Despite the injunction not to address TIF, several members in comments during the discussion voiced disagreement with the expected use of TIF on the project. The 6-5 vote seemed to reflect those concerns.

- According to Jenny Wolfe, the vote gave approval for the HRA staff to continue to formalize the financial and TIF aspects of the Redevelopment Plan.
- **Date Unclear** - The City/HRA staff retained Ehlers, a Municipal Advisor – to evaluate the Developer’s current pro forma based on industry standards. Ehlers, in a report delivered December 4, 2025, concluded the project required \$2,956,000 of TIF to attract adequate capital and debt financing.
 - The Ehler Report was not available to the public.
- **Week of December 2, 2025** – The public was invited on the HRA website to submit written comments concerning the Project to the HRA website prior to the meeting of the HRA on December 10.
 - Except for a newspaper article describing aspects of the proposed Project, financial aspects of the Project were not available to the public making it impossible to provide informed public comment about the use of TIF.
- **December 10, 2025** – Jenny Wolfe presented a description of the Grand and Victoria Redevelopment Project to members of the HRA.
 - The developer, Ari Parritz, was allowed to speak in defense of the Project. In person public comment was prohibited.
- **Week of December 9, 2025** - The public was invited on the HRA and City Council websites to submit written comments concerning the Project to the HRA and City Council websites prior to the meeting of the HRA and City Council on December 17.
 - Except for a newspaper article noted above describing aspects of the proposed Project, financial aspects of the Project were not

available to the public making it impossible to provide informed public comment about the use of TIF.

- **December 17, 2025** – The HRA and City Council voted to approve the Redevelopment Project.
 - Citizens were able to make two-minute comments about the project prior to the vote but since financial aspects of the Project had not been made available to the public, it was impossible to provide informed public comment about the use of TIF.
- **December 30, 2025** – As noted above, I finally received the LHB, Ehlers, and HRA Reports.

Conclusion:

- 1. The current process is not transparent. The steps involved in creating a Redevelopment Project utilizing TIF are not available to the public; and**
- 2. Key documents enabling citizens to understand fundamental financial provisions of a proposed project are not available making it impossible for citizens to provide informed public comment prior to HRA approval.**

Recommendation:

- **Provide key documents to the public at the same time the HRA staff submits its report to the HRA.**

Bob Muschewske
January 2026

In\$ight St. Paul Steering Committee
Co-Chairs – Jane Prince and Gary Todd

Members

Greg Blees – Retired City employee with 37 years of experience in financial functions of the City including the following: Executive Secretary to the Long-Range Capital Improvement Budget Committee, Budget Director, and Fiscal Policy Director for the City Council.
(grb1948cell@gmail.com)

Joe Errigo – Retired President and CEO, CommonBond Communities (1971-2006); Board Member, Western Bank (1981-91); current Board Member, Greater Minnesota Housing Fund.
(errigo5@gmail.com)

Julian Loscalzo – Owns and operates Ballpark Tours – a seasonal travel company. A registered lobbyist, he represents small non-profits and businesses. Has served as an aide to a St. Paul Mayor and Council Members.
(julian@ballparktours.net)

John Mannillo – Retired St. Paul property owner and manager. Member of In\$ight St. Paul and Lowertown Future Fund, Inc. Organizer of the Friday Lunch Forum and Saint Paul STRONG.
(john@mannillowomack.com)

Gerry McInerney – A longtime resident of St. Paul and a former legislative aide to the City Council, he is a Lowertown business owner and current business owner with his wife on the east side of town.
(gpmac6559@gmail.com)

Carl Michaud – A retired Hennepin County employee who was Assistant County Administrator for Public Works (2016-2019) and Director of the Department of Environment and Energy (2008-2016). A St. Paul resident since 1980.

(michaudmoose@aol.com)

Bob Muschewske – Retired management consultant. Concerned citizen and Board Member of Summit Avenue Residential Preservation Association (SARPA) and Save Our Street (SOS).

(rmuschewske@comcast.net)

Jane Prince – Served as Ward 7 Council Member for two terms and 10 years as Council Member Benanav's Ward 4 Legislative Assistant. Began St. Paul career in PED in 1984 under George Latimer. St. Paul DFL Party Chair 1995-97. Currently East Side community advocate.

(jane.prince@gmail.com)

Donna Swanson – A former educator, non-profit executive director, Saint Paul legislative assistant, and outreach director who is committed to inspiring our community. I see myself as a lifelong leader both within government and outside of our public institutions. Currently Public Affairs Consultant with TDS Public Strategies in St. Paul.

(dm1swanson@gmail.com)

Gary Todd – Saint Paul resident for 31 years. Retired Senior Project Manager for Thomson Reuters (formerly West Publishing) and the Chairperson of Save Our Street (SOS).

(grtodd@comcast.net)