

The Creation and Approval of TIF Districts

A Critique of the Current Process

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Recommendations For Improving the Process

I. St. Paul Taxpayers Deserve a Transparent Process

Mayor Kaohly Her has stated that one of the goals of her new administration is to improve city processes and to make them more transparent.

The current process of creating and approving TIF Districts in St. Paul is not transparent. The process does not provide any opportunity for informed public comment on key financial features of a TIF District prior to its approval by the City Council, the Housing and Redevelopment Authority (HRA), and/or the Port Authority.

The fiscal impact of TIF Districts on St. Paul taxpayers is significant as demonstrated by the following facts:

- Saint Paul is now the largest user of TIF in Minnesota with 69 TIF districts.
- Saint Paul has over 7% of taxable property captured in TIF projects.
- Approximately 7% of current property taxes paid by each taxpayer go to support the costs of city services (e.g., fire, police, public works) provided to TIF Districts.
- Saint Paul's tax levies to service the debt for TIF projects INCREASED 40.1% by approximately \$13M from 2015-2024.
- TIF debt service in 2025 was approximately \$41,000,000 and did not appear on the proposed budget.
- Saint Paul's net property tax burden rate of 17.1% is almost double the State average of 9.2%.

It is imperative that City taxpayers be given the opportunity to provide informed public comment before a TIF District is approved. A transparent process will ensure that taxpayers are able to understand and weigh in on the rationale for decisions that affect a significant amount of their property tax burden each year.

II. Case Study Demonstrating Lack of Transparency

To demonstrate the lack of transparency in St. Paul processes leading to the creation and development of a TIF District, following is a description of the steps taken by the HRA in a TIF District referred to as 845 Grand L.L.C:

- **Late 2024/ Early 2025** – 845 Grand L.L.C. (the “Developer”) acquired property located at 841 Grand Avenue and 857 Grand Avenue. The developer applied to the Housing and Redevelopment Authority (HRA) staff located in the City’s Planning and Economic Development Department (PED) and requested the establishment of a new redevelopment TIF district to advance private development of the property.
- **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. (A historic rationale for employing TIF has been to remedy blighted properties.)
- **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 – 13 days after approval of the 845 Grand L.L.C. TIF District by the City Council and HRA.

- **November 14, 2025** – The Saint Paul Planning Commission reviewed the Grand and Victoria Redevelopment Plan to ensure it was consistent with the St. Paul 2040 Comprehensive Plan. It was approved 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. Given that there was no dispute that the Redevelopment Plan was consistent with the City of St. Paul 2040 Comprehensive Plan, the plan should have been approved with a unanimous vote. Despite the injunction not to address TIF aspects of the plan, several members in comments during the discussion voiced disagreement with the expected use of TIF on the project. The 6-5 vote appeared to reflect those concerns.
 - According to Jenny Wolfe, (PED staff member) 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 financial pro forma based on industry standards. This step is often referred to as ensuring the project meets the “But for” test. Ehlers, in a report delivered to City staff December 4, 2025, concluded that the project met the “But for” test and required \$9.4 million of TIF to attract adequate capital and debt financing.
 - The Ehler Report was not made available to the public.
- **Week of December 2, 2025** – The public was invited on the City Council and HRA websites to submit written comments concerning the Project to the websites prior to the meeting of the City Council and 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.

- The announcement on the City Council and HRA websites did not meet the notification requirements specified in Minnesota Statute 469.175 subdivision 3.
- **December 10, 2025** – Jenny Wolfe presented a description of the Grand and Victoria Redevelopment Project to members of the City Council and HRA.
 - The developer, Ari Parritz, was allowed to speak in defense of the Project. I requested permission to make a comment about the project but my request was denied because public comment was not allowed at this meeting.
- **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 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 only 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.

Observation:

- The current process is not transparent. Key documents enabling citizens to understand fundamental financial provisions of a proposed

project are not available to the public making it impossible for citizens to provide informed public comment prior to City Council and HRA approval.

III. Financial Implications of This Project for St. Paul Taxpayers

Approval of the 845 Grand L.L.C. TIF District resulted in the following costs to taxpayers:

- A public subsidy of \$9.4 million with a \$2.96 million pay-as-you-go subsidy and including a \$1.75 million developer fee.
- The duration of the TIF District is 26 years which means the increased property taxes generated by the project over the next 26 years will not go to the City's general fund but will be used to retire the debt required to fund the public subsidy.
- Public services, (e.g., police, fire, and public works) that cost over \$200,000 per year (the amount of property taxes currently paid by the property) will be funded not by the property but by other City taxpayers.

Comment:

- Many citizens believed the project would be a net benefit to the neighborhood. The project was controversial, however, because questions were raised about the need for a public subsidy to fund a project in one of the best development locations in the City. The property did not appear to be "blighted" as determined by the HRA's consultant, LHB. The analysis of the "But for" test performed by Ehlers, the HRA's financial consultant concluded that the interest rate environment made it impossible for the developer to complete the project and meet financial return objectives desired by the developer. That conclusion begs the question: At what point are taxpayers expected to provide public subsidies to developers to help them meet personal financial objectives?

IV. Recommendations to Improve the Process and Increase Transparency

The key to improving the process and transparency in the creation and approval of TIF Districts will be for City/HRA staff and elected officials to follow the provisions found in Sections of Minnesota State Statute 469.

Statute 469.175 subdivision 2, for example, states: "*Before formation of a tax increment financing district, the authority shall provide the county auditor and clerk of the school board with the proposed tax increment financing plan for the district and the authority's estimate of the fiscal and economic implications of the proposed tax increment financing district.*"

- If the information is available to the county and the school board, the information has entered the public domain and should be available to all St. Paul citizens.

The Statute also states: "*The authority must provide the proposed tax increment financing plan and the information on the fiscal and economic implications of the plan to the county auditor and the clerk of the school district board 30 days before the public hearing required by subdivision 3.*"

- If the information is available to the county and the school board, the information has entered the public domain and should be available to all St. Paul citizens 30 days before the public hearing.

Statute 469.175 subdivision 3 further states: "*The municipality shall approve the tax increment financing plan only after a public hearing thereon after published notice in a newspaper of general circulation in the municipality at least once not less than ten days nor more than 30 days prior to the date of the hearing.*"

- The City of St. Paul does not adhere to this provision in the Statute.

One further step is recommended to improve the process and transparency of creating and approving TIF Districts.

- Currently the St. Paul Planning Commission is asked to decide if a proposed Redevelopment Plan is consistent with provisions of the St. Paul 2040 Comprehensive Plan. They are not authorized to vote on TIF aspects of a proposed plan – only whether it is consistent with the Comprehensive Plan. The St. Paul Planning Commission is comprised of St. Paul citizens and allowing them to vote on all aspects of a proposed TIF District would be one vehicle for obtaining taxpayer input into the evaluation of a proposed TIF District.

V. Greater Transparency in the Process May Curb Overuse of TIF

There is a growing sense in St. Paul that TIF has been overused at considerable expense to taxpayers. Following are concerns that have been raised supporting the view that TIF has not achieved the objectives it was designed to accomplish:

- **Structural and Fiscal Concerns in Saint Paul**
 - TIF has diverted tax revenue away from general funds (schools, public safety, libraries, parks) for decades.
 - TIF has shifted costs onto taxpayers not in the TIF District who must cover rising service demands without benefiting from the increment.
 - TIF creates long-term fiscal opacity making it difficult for the public to understand how much revenue is being captured and for how long.
 - TIF processes encourage overuse, because TIF can appear to be “free money” even when it reduces future tax capacity.
- **Accountability and Oversight Issues**
 - Weak statutory oversight has allowed districts to remain active longer than necessary and has prevented them from being decertified.
 - There is limited transparency in how increments are calculated, spent, or justified.

- There is the potential for mission drift, where funds are used for purposes only loosely connected to the original redevelopment goals.
- Complex financial structures make it difficult for residents and even elected officials to evaluate performance or accurate long-term predicted return on investment (ROI).
- **Economic and Development Risks**
 - TIF has subsidized projects that could have occurred anyway, meaning public dollars support private development without producing true public benefit.
 - TIF in Saint Paul has distorted market behavior, favoring subsidized developers over unsubsidized competitors.
 - TIF has incentivized Saint Paul to chase growth rather than invest in existing neighborhoods or infrastructure.

As noted earlier, the current process for creating and approving TIF Districts is not transparent. Taxpayers have no opportunity to weigh in on the financial merits of a particular TIF proposal. Discussions between a developer and staff are conducted without public oversight. Consultant reports concerning the degree of blight existing in a project are not made public. Consultant financial reports detailing the developers claim that “But for” the provision of a public subsidy they would not undertake the project are not made public. It is no wonder that the lack of transparency can lead to overuse.

The solution is to enable greater taxpayer input into the creation and approval of TIF Districts by adopting the recommendations contained in Section IV of this report.

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