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City of Maple Grove v. CSL Rose Arbor

Minnesota Tax Court, Regular Division, Hennepin County - May 28, 2026 - 2026 WL 1502321

In 1999, the City of Maple Grove and the Maple Grove Housing and Redevelopment Authority (HRA) entered into a Development Agreement (Agreement) to provide tax increment financing (TIF) for the development of two senior housing facilities (Rose Arbor).

Through the TIF Development Agreement, the parties agreed to be bound by not only the agreement, but Minnesota's TIF statutes generally.

Pursuant to the Agreement, Maple Grove issued a $5 million pay-as-you-go TIF Note to Rose Arbor. Payments were to be made semi-annually from 2001-2022 based on property tax revenues. Payments were calculated based on the "captured net tax capacity" (increase in property values due to development). Rose Arbor received 85% of actual tax increment revenue collected.

The Agreement contained a "True Up Provision," which required an annual reconciliation in which Rose Arbor was required to reimburse Maple Grove if it had received more than it was owed.

After the Agreement had expired and all TIF payments had been made, Rose Arbor challenged its property tax assessments for tax years 2019-2021. Rose Arbor and county assessor settled the property tax appeals, which reduced the property values for those years. The county then issued tax refunds to Rose Arbor in the amount of ~$300,000.

The City of Maple Grove sued Rose Arbor to recover the excess TIF payments that resulted from the retroactive decrease in the property assessments, alleging claims of Breach of Contract and Unjust Enrichment.

Rose Arbor argued that its property tax settlements were separately negotiated agreements made after the TIF Development Agreement ended.

The Minnesota Tax Court held that Rose Arbor breached the parties' contract by: 1) by failing to return TIF overpayments as outlined by statute (as incorporated by the parties' agreement); and 2) by failing to abide by the True Up Provision.

The court ordered the parties to calculate the new captured net tax capacity and compare it to the original net tax capacity, recalculate the property TIF levy for the years at issue and compare it to what was actually distributed, and then treat the difference as excess increment to be returned to Maple Grove.

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