HOUSING AND REDEVELOPMENT AUTHORITY

OF THE CITY OF SAINT PAUL, MINNESOTA

REPORT TO THE COMMISSIONERS DATE: MARCH 11, 2026

REGARDING: RESOLUTION APPROVING UPDATED GUIDELINES FOR THE HRA BUSINESS ASSISTANCE FUND

Requested Board Action

Approval of the resolution establishing updated guidelines for the existing HRA Business Assistance Fund including guidelines for the Downtown Vitality Fund

Background

As part of its 2026 adopted budget, the Housing and Redevelopment Authority (HRA)of the City of Saint Paul HRA allocated funding to the Downtown Vitality Fund (DTV Fund). The goal of the DTV Fund is to provide strategic investments to projects that enhance vibrancy and vitality in the City's downtown core. In order to most effectively administer DTV Fund, staff is recommending the HRA update the existing Business Assistance Fund (BAF) guidelines toincorporate DTV Fund guidelines and make additional guidelines updates with the goal of best meeting the needs of businesses throughout the City of Saint Paul.

In 2022, the HRA approved its Business Assistance Fund program to provide low-cost financing to small businesses for eligible projects in the City of Saint Paul. Since 2022, the HRA has approved 13 BAF loans to small businesses in the City for a total of $551,800.00 HRA investments which leveraged more than $10,000,000 in outside or private investment. The funds have primarily been used to assist with capital improvement projects including building out of business space and providing working capital to eligible businesses.

Since the establishment of the BAF program, business financing and resource needs have shifted, and staff have received feedback from businesses and lenders that BAF is a useful tool that could be updated to better meet the need of businesses and entrepreneurs.

The updated guidelines include the following changes:

- Addition of the Downtown Vitality Fund guidelines to be administered as part of the overall Business Assistance Fund program
- Adjust the equity requirement from least 10% to at least 5% of equity in a project to receive funding
- Removal of the requirement to be denied financing by an outside funder

- Removal of the cap for projects to receive less than 50% of funding from City sources
- Allowing for non-profits to access the dollars when they are completing an eligible project
- Addition eligible uses including allowing for smaller, forgivable loans that would allow businesses/organizations seeking an equity injection to access outside financing

Existing Guidelines:

Currently, BAF operates as a gap financing program which provides "last in dollars" to eligible projects. Applicants to the program need to demonstrate they have exhausted all available funding sources before BAF dollars can be considered for their projects. Additionally, the current guidelines require 50% or more of the project provide funding from a non-public funding source and that each project contribute at least 10% equity to the project. Approved projects receive low interest amortizing loans with an 8-year term at 3% interest. The HRA has approved projects with varying terms and rates on a case by case basis depending on the goals of the project.

Eligible uses for BAF dollars include:

- Building improvements
- Equipment purchase
- Building acquisition
- Working capital and inventory purchase
- Professional fees in conjunction with the completion of the project

Updated Guidelines:

Staff still recommend projects leverage as much non-public funding as possible including contributing personal equity to a project. However, these requirements can be difficult for smaller projects or newer business owners who might not have access to capital or equity. Further, only providing dollars to a project once they have exhausted all outside resources, and/or have been denied by an outside funder, means the HRA is being asked to fund projects that are at risk of non-repayments and removes the ability for a project to leverage HRA dollars to access additional funding.

The proposed changes to the BAF guidelines aim to make the program more suitable to a wider range of business needs and assist businesses in leveraging HRA dollars to access more private dollars.

Updated Financing Terms

Staff is recommending updating the financing terms for BAF to allow for more flexibility in financing structure with terms tailored to best meet the needs of the project and fortify business or organizational success, including the option to defer payments on a case by case basis Financing from the Business Assistance Fund when combined with any other City or HRA dollars including, but not limited to STAR and/or CDBG, is targeted to be less than 50% of the total project costs. The following financing terms would apply:

TIER 1: Forgivable loans up to $20,000 for Businesses with annual revenues under $500,000, and total project costs under $50,000:

- up to $10,000 is available as a 1:1 match with Community Development Financial Institution (CDFI) funding,
- 0% interest,
- forgiveness over a 4-year term (25% per year of operation),
- may be repayable if business ceases operation or relocates outside of Saint Paul.

TIER 2: Amortizing loans generally sized between $20,000-$150,000 for larger businesses locating or expanding in the City of Saint Paul standard terms apply:

- project financing must include no less than 5% owner equity.
- standard terms are 3% interest rate and a 8-year term
- security includes a promissory note and personal guaranty, and a subordinated mortgage (as applicable) and security agreement.

Staff is recommending the HRA update BAF guidelines in the following ways:

Original Guideline	**Proposed Revised Guideline**	**Rationale**
Borrower must show evidence that they cannot access additional funding	Remove requirement	This requirement slows projects down and does not allow the possibility for HRA dollars to be leveraged to access additional dollars from outside funders
City/HRA funds cannot be more than 50% of total project cost	Remove requirement. Keep a recommendation that projects utilize as much outside funding as possible to finance the project	This requirement adds an unnecessary barrier and often means the HRA receive projects that are over-leveraged which could increase the possibility a loan

		is not paid back
Eligible users “new and existing for-profits”	Allow non-profits as an eligible user	Nonprofits with eligible projects are job creators in the City of Saint Paul which fits the public purpose of these dollars
Project financing: must include no less than 10% owner equity	Update to: projects are encouraged to provide at least 5% owner equity if they are more than $20,000 Remove the equity requirement for projects under $20,000	10% owner equity is a barrier accessing capital, 5% lessens the barrier while still encouraging a personal investment from an interested applicant
	Include Downtown Vitality Fund requirements—more details below.	The funds are similar and this allows HRA staff to identify which funding source best fits projects based on project scope and geography

Staff is not recommending changes to the current BAF eligible uses. The allowed eligible uses include:

- Building improvements
- Equipment purchase
- Building acquisition
- Working capital and inventory purchase
- Professional fees in conjunction with the completion of the project

Downtown Vitality Fund

In late 2025, the Housing Redevelopment Authority approved new funding for the Downtown Vitality Fund (DTV Fund) as part of the broader Business Assistance Fund. DTV Fund is only available to businesses, non-profits, and development entities who are either currently located in downtown Saint Paul or are planning on locating to or funding a project located in downtown Saint Paul.

Eligible uses include:

- Building capital improvements – street level interior and/or exterior permanently affixed, physical enhancements which visible enhance the downtown experience.
- Equipment purchases with 5 or more years of useful life to update and/or expand business operations.
- Public realm improvements that are maintained by the private property owner and/or adjacent businesses, such as lighting, outdoor seating, or public art.

Staff is recommending the following financing structure:

Projects under $100,000:

- Funding will be a grant that is distributed as a reimbursement as the project incurs eligible costs.
- All projects will submit a program report and have a monitoring visit from PED staff within one year of project completion.
- 5% of the total grant will be held in retainage by the City until the project is complete and demonstrates that all grant funded costs have been fully paid.

Projects over $100,000:

- Funding will be a deferred forgivable loan with a four-year term that is forgiven annually if the borrower:
- Provides an annual report by year end of each year for the life of the loan.
- Maintains operations in downtown Saint Paul or has a space that is actively being leased to a business operating downtown Saint Paul for the term of the loan.
- A mortgage or other collateral placed on the subject property for the life of the loan.

Public Purpose Evaluation – In addition to considering viability and need, all approved projects will be evaluated on how they meet the following public purposes:

- Create new Jobs in Saint Paul, and/or
- Benefit the Community in at least ONE of the following ways:
    - Positive tax base impacts through capital investments to real property.
    - Renovation of vacant building/multi-tenanted space.
    - Investments in low-moderate income areas.
    - Investments to meet documented underserved or unserved community need.

Budget Action – N/A

Future Action

Non-DTV Fund Loan requests greater than or equal to $50,000 that are recommended by City staff, approved by the Resource Team, and assigned a risk rating by the Credit Committee, will be presented to the HRA Board for approval.

DTV Fund loan requests greater than $500,000 that are recommended by City staff, approved by Resource Team, and assigned a risk rating by the Credit Committee will be presented to the HRA Board for approval.

PED Credit Committee Review

N/A

Compliance

Individual projects funded through the HRA Business Assistance Fund will need to be reviewed for compliance requirements on a project-by-project basis.

Green/Sustainable Development

The maximum loan size is below the threshold for the City of Saint Paul Sustainability Building Policy. If an exemption is made and a larger loan is approved, individual projects funded through the HRA Business Assistance programs may have to comply with the requirements of the City of Saint Paul Sustainability Building Policy or the PED/HRA Sustainability Initiative.

Environmental Impact Disclosure – N/A

Historic Preservation – N/A

Public Purpose/Comprehensive Plan Conformance:

2040 Adopted Comprehensive Plan, Saint Paul for All includes the following strategies that support this resolution:

- LU-6. Foster equitable and sustainable economic growth by:
    - Facilitating business creation, attraction, retention and expansion;
    - Proactively directing new development to high-priority geographies, such as Neighborhood Notes, ACP50 Areas and Opportunity Sites;
    - Encouraging cultural and arts-based businesses and business districts, such as Little Mekong, Little Africa, Rondo and the Creative Enterprise Zone;

- Supporting business, real estate and financial models that keep more money locally, such as locally-owned business, local-prioritized employment, employee-owned businesses and commercial land trusts;
- Developing programs and funding sources for site acquisition and parcel assembly

Recommendation:

The Executive Director recommends approval of the resolution updating the HRA Business Assistance Fund guidelines.

Sponsored by: Rebecca Noecker

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Attachments:

- Updated Business Assistance Fund Guidelines