

**HOUSING AND REDEVELOPMENT AUTHORITY
OF THE CITY OF SAINT PAUL, MINNESOTA**

REPORT TO THE COMMISSIONERS

DATE: JUNE 10, 2026

REGARDING: RESOLUTION APPROVING AND AUTHORIZING (I) THE ESTABLISHMENT OF THE GALTIER PLAZA TAX INCREMENT FINANCING DISTRICT (A REDEVELOPMENT DISTRICT) IN THE SEVENTH PLACE REDEVELOPMENT PROJECT AREA AND A TAX INCREMENT FINANCING PLAN THEREFOR, (II) AN AMENDMENT TO THE TAX INCREMENT FINANCING PLAN FOR THE MINNESOTA EVENT TAX INCREMENT FINANCING DISTRICT; (III) AN HRA BUDGET AMENDMENT, AND (IV) THE EXECUTION OF A TAX INCREMENT DEVELOPMENT AGREEMENT AND RELATED DOCUMENTS, INCLUDING THE ISSUANCE OF A TIF NOTE AND FORGIVABLE SPENDING PLAN TIF LOAN FOR THE PROJECT, DISTRICT 17, WARD 2

Requested HRA Board Action

Authorization to approve the establishment of the Galtier Plaza Redevelopment Tax Increment Financing District (the “Galtier Plaza TIF District”) and tax increment financing plan for the TIF District (the “Galtier Plaza TIF Plan”), amendment to the Minnesota Event District TIF Plan, execution of a TIF Development Agreement with Galtier-Bigos, LLC, including a forgivable Spending Plan TIF Loan and approval of an HRA budget amendment.

A City Council public hearing will be held on this same date considering a companion resolution approving the establishment of the Galtier Plaza TIF District by the HRA.

Background

Galtier-Bigos, LLC (the “Developer”) has acquired 175 East Fifth Street (the “Property”) and has applied to the HRA requesting the establishment of a new redevelopment TIF district to advance private redevelopment of the Property. The HRA retained the services of LHB, Inc. to complete an assessment of the proposed development site to determine if the statutory blight test has been met. LHB, Inc. 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 the Property meets

qualifications of a Redevelopment TIF District, including one substandard building with significant code deficiencies. LHB's assessment report is an exhibit to the Galtier Plaza TIF Plan.

The proposed TIF District is being created to facilitate the renovation and conversion of the existing, vacant seven-story office tower into 166 market rate rental apartments (29 studios, 82 one-bedrooms, and 55 two-bedrooms) (the "Development"). The Development will not be restricted by income, but initial rents will be affordable at 60-100% Area Median Income (AMI) with monthly rents ranging from \$1,125 (studio) to \$2,800 (two-bedroom).

Galtier Plaza is on the National Register of Historic Places, and the Development budget includes \$13.39 million in Historic Tax Credit Equity. The Development will follow the Secretary of the Interior's Standards in the renovation of the building. The Developer owns additional parcels within the same block as the Development, including an existing apartment tower, a parking ramp, and the former YMCA space, now the Skyrec amenity for the Developer's existing Lowertown residents and residents of the Development.

The Development is expected to achieve many of the objectives outlined in the Redevelopment Plan for the Redevelopment Project Area through the removal of blighting conditions, expanding the tax base, and creation of housing units.

The Development parcels are currently part of the Minnesota Event District TIF district. The action today will include the amendment of the Minnesota Event District TIF Plan to remove these parcels enabling the establishment of the new Galtier Plaza Redevelopment TIF district. A copy of the Amendment to the Minnesota Event District TIF Plan is **attached**.

The Property is in Planning District #17 (Capitol River Council). The neighborhood profile for Planning District #17 is **attached**. A map of the proposed TIF District and Project Area is also **attached**.

Related City Council Action

The City Council is required to hold a public hearing and adopt a resolution approving the Galtier Plaza TIF District and Galtier Plaza TIF Plan, on this same date.

Financing Structure

Due to the high costs associated with redeveloping and converting office space into residential units and reusing an historic building, coupled with the market rents that can be achieved and the higher costs associated with operating a residential rental project in this location, the project is feasible only through assistance from tax increment financing. Tax increment assistance is necessary to attract adequate equity and debt to complete the Development. As mentioned above, the Property has been surveyed, and conditions have been met to qualify the Property as a Redevelopment TIF District under Minnesota Statutes.

The tax increment revenue projections included in the Galtier Plaza TIF Plan were prepared by PED staff with input from Ramsey County based on the redevelopment plan detailed by the Developer. A copy of the Galtier Plaza TIF Plan is **attached**. The tax increment revenue projections utilize the following assumptions:

- Total taxable market value once constructed of \$28,552,000.
- The base value for the TIF District is \$1,786,420 as assessed in 2025, resulting in \$26,765,580 of increased market value.
- Delay first receipt of increment to Pay 2029, resulting in final collection year of Pay 2054.
- Total annual tax increment collected by the HRA when fully complete is estimated at \$484,930, in Pay 2029.
- Producing total tax increments collected from the tax parcels over the 26 years of \$12,609,000.

The budget included in the Galtier Plaza TIF Plan totals \$13,109,000 as follows:

Estimated Sources of Revenue	Amount
Tax Increment Revenues	\$12,609,000
Interest and Investment Earnings	<u>500,000</u>
Total Tax Increment Revenues	\$13,109,000
Estimated Project Costs	Amount
Qualifying Public Improvements	4,560,000
Construction of Affordable Housing (Pooling)	3,750,000
Administrative Expenses	1,260,900
Interest Expenses	<u>3,538,100</u>
Total Estimated Project Costs	\$13,109,000

TIF Development Agreement and TIF Sources

Bigos is an established real estate development and management firm in the Twin Cities with more than 50 multifamily properties and more than 10,000 units throughout the metro area. Bigos owns and operates 1,500 units in Downtown St. Paul including Kellogg Square, Galtier Towers, Mears Park Place, Lowertown Lofts, and the Cosmopolitan.

The City/HRA retained Ehlers as our Municipal Advisor to evaluate the 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 the \$4,560,000 TIF Pay-Go Note and \$650,000 Spending Plan TIF forgivable loan to complete the Development; and further that the Development is only feasible, in part, through public assistance.

The table below depicts the proposed sources and uses for the Development with a total cost of \$56,311,953 including a private construction loan, TIF Pay-Go Note in the principal amount of \$4,560,000 pledging tax increments from the TIF District, Developer equity, Historic Tax Credit Equity, and \$650,000 TIF Spending Plan Forgivable Loan.

SOURCES			
	Amount	Pct.	Per Unit
First Mortgage	19,843,000	35%	119,536
TIF Pay-Go Note	4,560,000	8%	27,470
Equity	17,867,635	32%	107,636
Historic Tax Credit Equity	13,391,318	24%	80,671
TIF Spending Plan Forgivable Loan	650,000	1%	3,916
TOTAL SOURCES	56,311,953	100%	339,229

USES			
	Amount	Pct.	Per Unit
Acquisition Costs	2,821,604	5%	16,998
Construction Costs	46,187,225	82%	278,236
Professional Fees	4,259,742	8%	25,661
Financing Costs	3,043,382	5%	18,334
Developer Fee	-	0%	-
TOTAL USES	56,311,953	100%	339,229

In accordance with the HRA’s financial application materials and criteria pertaining to TIF, it is recommended that the proposed TIF district pool a minimum of 25% of the TIF funds for affordable housing throughout the City. The recommended terms are:

- The HRA will issue a **Pay-As-You-Go Tax Increment Financing Note (the “TIF Pay-Go Note”)** up to the maximum principal amount of **\$4,560,000**, upon completion of the project and issuance of a certificate of occupancy and a Certificate of Completion, on or after September 1, 2029, with an interest rate equal to the lesser of 5.25% or the interest rate on the Developer’s permanent loan, supported by the pledged tax increments.
- The HRA **TIF Pay-Go Note will pledge 65% of the tax increments** collected by the HRA
- The Galtier Plaza TIF Plan will authorize 35% of the tax increments to be expended outside of the TIF district, enabling maximum pooling for affordable housing. **The TIF budget includes \$3.750 million for the construction of affordable housing located anywhere in the City.**

TIF Pay-Go Notes do not have scheduled payments, the HRA pledges tax increments as they are collected without any liability of the HRA or City for any other financial backing. The HRA makes no representations or promises that the pledged tax increments will be sufficient to reimburse the Developer for their upfront costs with interest. The Developer will be required to acknowledge receipt of risk factors that can limit the amount of available tax increment that can be used to make payments under the TIF Pay-Go Note. The determination of the principal amount will be limited to TIF eligible redevelopment costs of remediating the blighting conditions of the substandard building and expressly exclude acquisition.

Spending Plan TIF Loan:

The 2025 State Legislature amended the Temporary TIF Act authorizing TIF authorities to amend existing written spending plans to extend the date by which transferred increment may be used to December 31, 2026, and to authorize the use of interest earned on transferred increment. On December 3, 2025, the HRA Board adopted RES 25-1776, which authorized the adoption of an Amended and Restated Spending Plan (the “Spending Plan”), authorizing the HRA to spend interest earned on tax increments transferred under the Spending Plan authority for projects that commence construction by December 31, 2026.

The Project will also be financed with an HRA allocation of interest earnings from available tax increments authorized under the Spending Plan in the amount of up to \$650,000 (“Spending Plan TIF Loan”). Loan principal will be the lesser of \$650,000 or the total cost of fees paid to the city to obtain city permits to commence conversion and for costs incurred to improve public areas, including the skyway, public building access, and public sidewalks.

The Spending Plan TIF Loan will have a 42-month term (maturity), with an interest rate of 0%. The Spending Plan TIF Loan will be risk rated as “Forgivable,” with the following conditions required to fully forgive the principal amount upon maturity:

- 1) A preliminary jobs report is submitted by the developer to PED by December 31, 2026, and a final jobs report is submitted once construction is complete and the project is at full operational employment
- 2) All funds are disbursed by December 31, 2026
- 3) Improvements to the public areas as stated in the TIF Development Agreement are completed and approved by the HRA
- 4) A certificate of occupancy is delivered to the Developer, and
- 5) The HRA has issued a Certificate of Completion.

TIF Gap Analysis and Lookback provision:

As mentioned above, we have engaged Ehlers to advise the HRA to determine the appropriate amount of the TIF assistance and the Lookback provisions to ensure the Developer is not over-subsidized. Ehlers has recommended the following: *“Based on our review of the Developer’s Proforma and under current market conditions, the proposed Project isn’t feasible without the HRA Assistance outlined (\$4,560,000 plus \$650,000). Due to the costs associated with converting office space into residential units, the market rents that can be achieved and the higher costs associated with operating a residential rental project in this area, this Project is only feasible, in part, through public assistance. We recommend inclusion of a three-prong ‘lookback’ provision in the TIF agreement. This provision will allow for review of (i) actual project costs; (ii) project performance and returns on investment against initial projections at stabilization; and (iii) review at sale. If costs are lower and returns on investment exceed certain limitations, then the TIF*

assistance will be reduced, including down to \$0.” Ehlers recommendation memo to the HRA is an exhibit to the Galtier Plaza TIF Plan.

The Lookback will be designed to allow the HRA to confirm the “but for” test and ensure the Developer is not unduly enriched by the financial assistance from the HRA. The Lookback will include the following:

1. Prior to the issuance of the TIF Pay-Go Note, the Developer will certify the total development costs and if the costs are less than the total costs shown in the Sources and Uses Budget, the maximum amount of the TIF Pay-Go Note will be reduced dollar for dollar.
2. Upon stabilization of the Project, the Cash-on-Cash Return will be calculated by the HRA’s Municipal Advisor, and if the Cash-on-Cash Return exceeds a determined threshold, the TIF Pay-Go Note will be reduced by a determined amount.
3. If the TIF Pay-Go Note is still outstanding and the Project is sold to an unrelated party, the Developer will provide information regarding the sale and other background documentation to the HRA’s Municipal Advisor, and they will determine whether the Cash-on-Cash Return exceeds a determined threshold requiring a reduction in the principal amount payable under the TIF Pay-Go Note.

Budget Action

The HRA approves a budget amendment to align with the financing and spending included in the Galtier Plaza TIF Plan. The Spending Plan TIF Loan is funded with tax increments budgeted in the Amended and Restated Spending Plan. Both budget actions are as shown in the **attached** Financial Analysis.

PED Credit Committee Review

On May 19, 2026, the PED Credit Committee approved the following related to this project:

- 1) Reviewed the request for the \$4,560,000 TIF Note and determined it is consistent with HRA policies.
- 2) Reviewed the \$650,000 Spending Plan TIF Loan and approved the forgiveness under the conditions as stated above and risk rated it as “Forgivable”.

Compliance

The following compliance requirements will apply to this project: Vendor Outreach, Affirmative Action, City Labor Standards, Project Labor Agreement, Two-Bid Policy, and Living Wage Ordinance.

Green/Sustainable Development

The Development in the TIF district will comply with the Saint Paul Sustainable Building Ordinance.

Historic Preservation

The Galtier Plaza building and adjacent areas are listed on the National Register of Historic Places. To receive federal and state historic tax credits all improvements to the Galtier Plaza building will need to meet the Secretary of the Interior's (SOI) Standards for Rehabilitation and be reviewed by the State Historic Preservation Office (SHPO) and National Park Service. No federal funds are being provided to the Development; therefore, no Section 106 review process is required.

Public Purpose/Comprehensive Plan Conformance

The Development meets the public purpose objective of providing high density housing downtown. The Development is in conformance with the City of Saint Paul's Comprehensive Plan. The vacant office-to-residential conversion project supports strategies in the following plans:

The Downtown Development Strategy (2003) supports a growing downtown residential neighborhood. Policy 4.1 calls for increasing the number of housing units downtown.

2040 Comprehensive Plan

- LU-1: Encourage transit-supportive density and direct the majority of growth to areas with the highest existing or planned transit capacity.
- 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.

- HP-6. Maintain and preserve designated and determined eligible historic and cultural resources.
- HP-15. Utilize historic and cultural resources to support neighborhood revitalization and reinvestment, focusing increased density along transit corridors.

The Development will create construction jobs and create permanent jobs. The Developer estimates 276 construction jobs and 4 full-time permanent jobs upon full operation of the Development. Construction is anticipated to start in late June and be completed in the fall of 2027.

Recommendation:

The Executive Director recommends approval of the resolution authorizing the following:

1. Adoption of the Amendment to the Minnesota Event District TIF Plan.
2. Establishment of the Galtier Plaza Redevelopment TIF District and adoption of the Galtier Plaza TIF Plan.
3. Approval of a TIF Development Agreement with Bigos-Galtier, LLC, including the issuance of a TIF Pay-Go Note and Spending Plan TIF Loan.
4. Approval of an HRA Budget Amendment.

Sponsored by: Commissioner Rebecca Noecker

Staff: Laura Haynsen (266-6597) and Jenny Wolfe (266-6680)

Attachments

- Amendment to Minnesota Event District TIF Plan
- District 17 Profile
- Map of TIF District and Project Aea
- Galtier Plaza TIF Plan
- Financial Analysis