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# Introduction to Galtier Plaza TIF City of Saint Paul

June 3, 2026



## Introduction

- Overview of Galtier Plaza office to housing renovation
- Background on TIF
- Proposed TIF financing





## Project Overview

### Redevelopment of 175 5th St. E.

- Conversion of office into 166 units market rate housing
  - 29 studios
  - 82 1-bedrooms
  - 55 2-bedrooms
- Initial rents affordable at 60-100% AMI
- Historic renovation
- Improvements to skyway and sidewalks





## Current Conditions

- Former office building, largely vacant
- Bigos-Galtier LLC purchased in 2019, development plans stalled due to Covid
- HRA retained LHB, Inc to determine if the statutory blight test has been met.
  - Property qualifies as Redevelopment TIF district, determining the property is structurally substandard with significant code deficiencies







## Background/Developer

### Bigos

- Established real estate development and management firm in the Twin Cities
- Owns >50 multifamily properties, 10,000 units in the metro area.
- Owns and operates 1,500 units in downtown St. Paul including Kellogg Square, Galtier Towers, Mears Park Place, Lowertown Lofts, the Cosmopolitan
- Operates Skyrec (former YMCA) amenity for existing Bigos' Lowertown residents and new residents in Galtier Plaza



## Rent and Income Information

Galtier Plaza will not be restricted by income, but initial rents will be affordable to households with incomes from 60% to 100% of Area Median Income (AMI)

### **Galtier Initial Monthly Rents:**

Studio \$1,125 - \$1,369

1BR \$1,433 - \$1,704

2BR \$1,913 - \$2,800

### **Incomes:**

60% AMI: \$55,260 (1 Person HH)

70% AMI: \$73,640 (2 Person HH)

100% AMI: \$105,200 (2 Person HH)

Source: 2026 HUD Income Limits



## Unit Mix

Unit Type	No. of Units	% of Unit Mix	% By Unit Type	60% AMI	70% AMI	100% AMI	
Studio	6	4%	17%	6			
Studio - Interior	23	14%		23			
1 Bdm	50	30%	49%		50		
1Bdm Interior	32	19%		32			
2 Bdm	25	15%	33%			25	
2 Bdm	2	1%					2
2 Bdm Interior	28	17%				28	
<b>Total</b>	<b>166</b>	<b>100%</b>	<b>100%</b>	<b>61</b>	<b>78</b>	<b>27</b>	
				<b>37%</b>	<b>47%</b>	<b>16%</b>	



## Project Sources and Uses

<b>SOURCES</b>			
	<b>Amount</b>	<b>Pct.</b>	<b>Per Unit</b>
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
<b>TOTAL SOURCES</b>	<b>56,311,953</b>	<b>100%</b>	<b>339,229</b>

<b>USES</b>			
	<b>Amount</b>	<b>Pct.</b>	<b>Per Unit</b>
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%	-
<b>TOTAL USES</b>	<b>56,311,953</b>	<b>100%</b>	<b>339,229</b>



## Proposed HRA Assistance

### New Redevelopment TIF District

- TIF PayGo Note pledges 65% of tax increment, estimated principal amount is \$4.56M
- 26 years of collections with estimated \$315,204 total annual payments to reimburse Developer for principal and interest

### Temporary TIF Spending Plan Loan

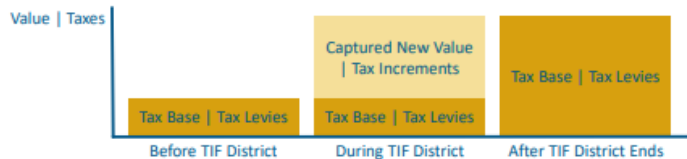
- Lesser of \$650,000 or total cost of City permit fees plus public improvements
- 0% interest, 42-month term
- Funds must be disbursed by 12/31/26
- Forgivable upon project completion



## TIF and How It Works

### WHAT IS TIF?

Tax Increment Financing (TIF) is a financing tool where **new value** from a development is **captured** from the **tax base** so that the **property taxes** on the new captured value (i.e. the **tax increments**) can instead pay **qualifying costs** that **enable** the development to occur.



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### TIF FINANCING

TIF is a **financing tool** where **new value** is **captured** so that the **property taxes** on this captured value are segregated as **tax increments** that are used to pay **qualifying costs** that **enable** the development to occur.

- TIF is **NOT** a tax ...



- Taxpayer pays full tax but incremental taxes finance costs

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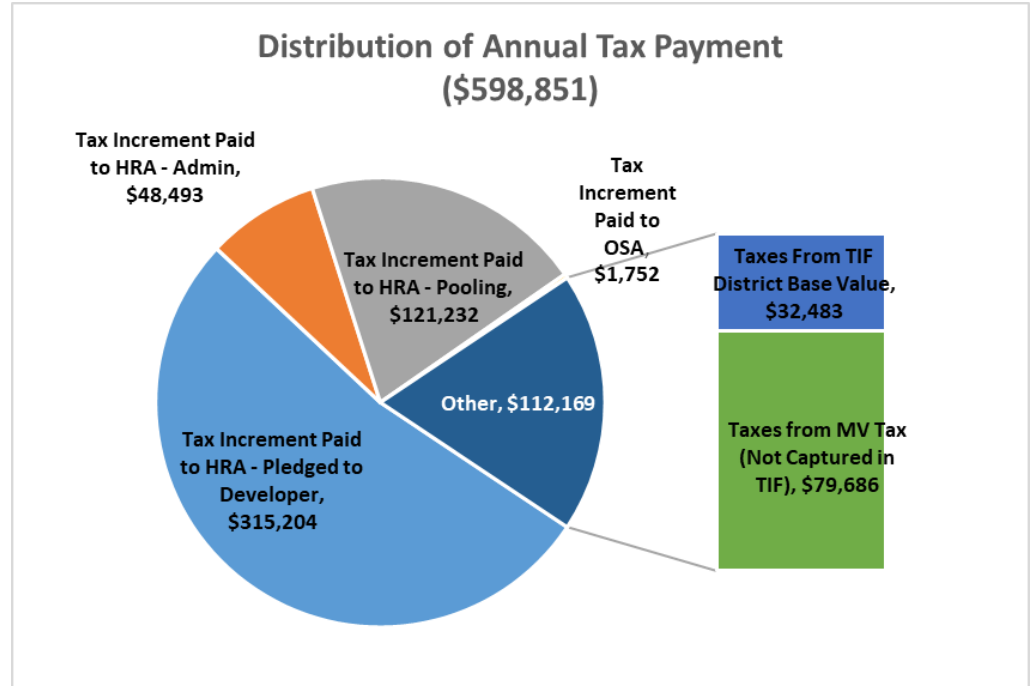
## TIF and How It Works (cont'd)

- TIF captures the difference between the current tax value of a site and the future, redeveloped value, and uses that INCREMENT to reimburse a developer for a portion of the costs of the development
- **Property owners within a TIF district still pay their full amount of property taxes due**, and those property taxes are then divided in the following manner:
  - Local property taxes from taxable value in place prior (BASE VALUE) to the development are still paid to the taxing jurisdictions, including the City, County and School District;
  - Local property taxes from increased value of the development are captured by the TIF Authority as derived from the applicable tax rate (TAX INCREMENT);
  - All non-local property taxes, taxes from market value (MV)-based taxes, and taxes from EXCESS TAX RATE are not captured and are paid to the appropriate taxing jurisdiction



## TIF and How It Works (cont'd)

- As mentioned on the prior slide, all properties in a TIF district continue to pay their full taxes.
- The pie chart on the right shows the breakdown of the TIF district's distribution of their property taxes once paid
- \$112,169 of taxes continue to flow to the taxing jurisdictions either through the base value or through market value taxes, not captured in TIF
- HRA captures \$484,930 of taxes paid as tax increment, to be spent in accordance with adopted TIF Plan, with \$315,204 pledged to the Developer, \$48,483 available for admin, and at least \$121,232 for pooling





## TIF and How It Works (cont'd)

- Any proposed TIF district must meet the statutory requirements for creation (e.g. substandard buildings on improved land)
- Must demonstrate that the “But For” test is met, requiring a determination that the proposed project would not happen solely through private investment within the reasonably foreseeable future
- The developer must incur TIF eligible costs, in accordance with the adopted TIF Plan and executed development agreement
  - Additionally, the developer must complete the project to qualify for reimbursement (principal amount), per the terms of the development agreement
  - The reimbursement occurs semi-annually when property tax payments are made with “Pledged Tax Increments” until the full principal amount is reimbursed or the TIF district expires or is terminated
  - Interest accrues on the unreimbursed principal amount and is paid before principal is reduced
  - **The developer takes all the risk that the Pledged Tax Increments will be sufficient to reimburse the full amount of the qualifying project**
- The adopted TIF Plan includes the maximum tax increments to be collected and spent
- Additionally, expenditures occurring outside of the TIF District boundary is limited (commonly known as Pooling)



## Minnesota Event TIF District Amendment

- The proposed TIF parcel(s) are currently part of the Minnesota Event TIF District. The HRA Board's action will include the amendment of the Minnesota Event District TIF Plan to remove these parcel(s) enabling the establishment of the new Galtier Plaza Redevelopment TIF district.
- The impact to the Minnesota Event TIF District is minimal, as the captured tax capacity that will be removed is only 0.32%, approximately \$14,532 of HRA collected tax increment.



## Galtier Plaza TIF Plan

- The tax increment revenue projections utilize the following assumptions:
  - Total taxable market value upon completion is \$28,552,000 (\$172,000 per unit)
  - Base value for the TIF District is \$1,786,420 resulting in \$26,765,580 of increased market value.
  - First year of increment will be Pay 2029, with final collection year Pay 2054 (26 total years)
- Total annual increment collected by the HRA when fully complete is estimated as \$484,930 in Pay 2029
  - Producing total tax increments collected from the TIF district over the 26 years of \$12,609,000
  - At least 25% of tax increment will be pooled for qualifying affordable housing projects, estimated as \$3,750,000
  - Up to 10% of tax increment will be used for administrative costs, up to \$1,260,900

Budget in TIF Plan shown on following slide



# Galtier Plaza TIF

## TIF Plan Budget

	Estimated Amount
<b>Estimated Tax Increment Revenue</b>	
Tax Increment Revenue (collections)	\$12,609,000
Interest Earnings	\$500,000
<b>Total Tax Increment Revenues</b>	<b>\$13,109,000</b>
<b>Estimated Project/Financing Costs</b>	
Qualifying Project Costs (Pay-Go Note Principal)	\$4,560,000
Construction of Affordable Housing (Pooling)	\$3,750,000
Administrative Costs	\$1,260,900
Estimated Financing Costs – Interest Expense	\$3,538,100
<b>Total Project/Financing Costs</b>	<b>\$13,109,000</b>



## “But-For” Test Confirmation

- The City/HRA retained Ehlers as our Municipal Advisor to determine the need for financial assistance through the creation of the Galtier Plaza Redevelopment TIF District.
- Ehler's evaluated the Developer's proforma 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 project due to high costs of office conversion, meeting the "But for Test."**
  - Ehlers Recommendation: *"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. 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."*



## TIF Development Agreement

- Issue **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**, pledging 65% of the tax increments collected by the HRA.
- Execution of a **Temporary TIF Spending Plan Loan** up to the maximum principal amount of **\$650,000**
- A lookback provision will be included in the Development agreement 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.
- Compliance will include Affirmative Action, City Prevailing Wage, Vendor Outreach, Project Labor Agreement, HRA Two-Bid Policy, Sustainable Building Ordinance, Living Wage Ordinance



# Galtier Plaza TIF

## Approval, Next Steps – Action June 10, 2026

- The City Council and HRA Board will consider resolutions to authorize:
  - Amendment to the MN Event TIF District Plan (HRA Board only)
  - Establishment of the Galtier Plaza Redevelopment TIF District and adoption of the TIF Plan
  - Execution of the Development Agreement providing the Tax Increment assistance, including the Spending Plan TIF Loan (HRA Board only)
- **City Council will hold a public hearing prior to considering all resolutions, including the HRA Board, resulting in the HRA Board convening for this item during the City Council meeting (beginning at 3:30)**
- Construction is anticipated to start later in June and completed in fall 2027.





## Contact information

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