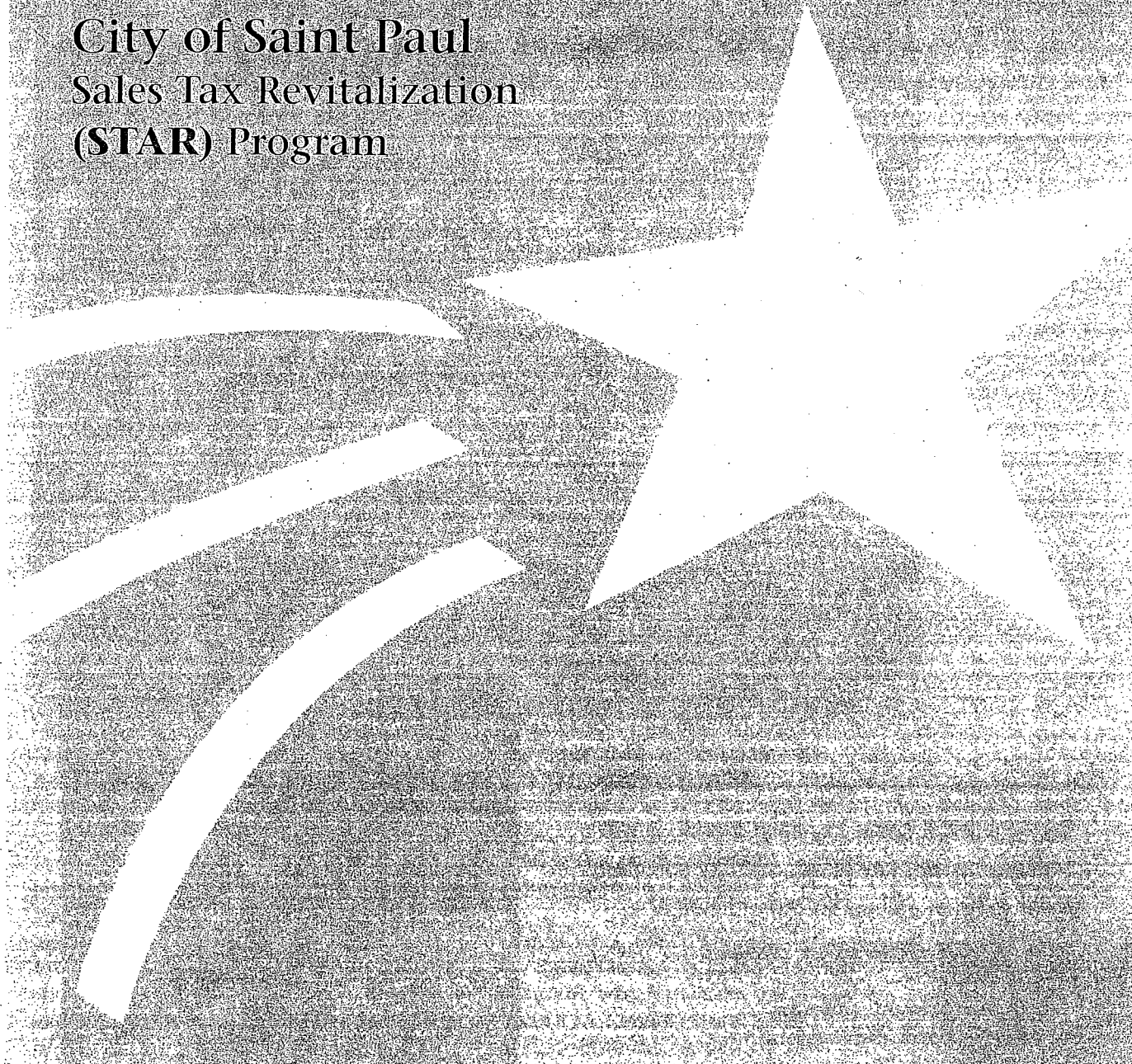


City of Saint Paul  
Sales Tax Revitalization  
(STAR) Program



*1996 Annual Report*



# City of Saint Paul Sales Tax Revitalization (STAR) Program

## 1996 Annual Report

### *This Report*

Saint Paul's Sales Tax Revitalization (STAR) Program has just completed its second year of awarding loans and grants for capital improvement projects in Saint Paul neighborhoods and the downtown cultural district. This annual report on the STAR Program includes:

- an overview of the STAR Program
- key program features
- application and project selection process
- estimated future sales tax collections
- STAR awards by project type and geographic area
- loan program features
- contracting process
- 1996 funded projects

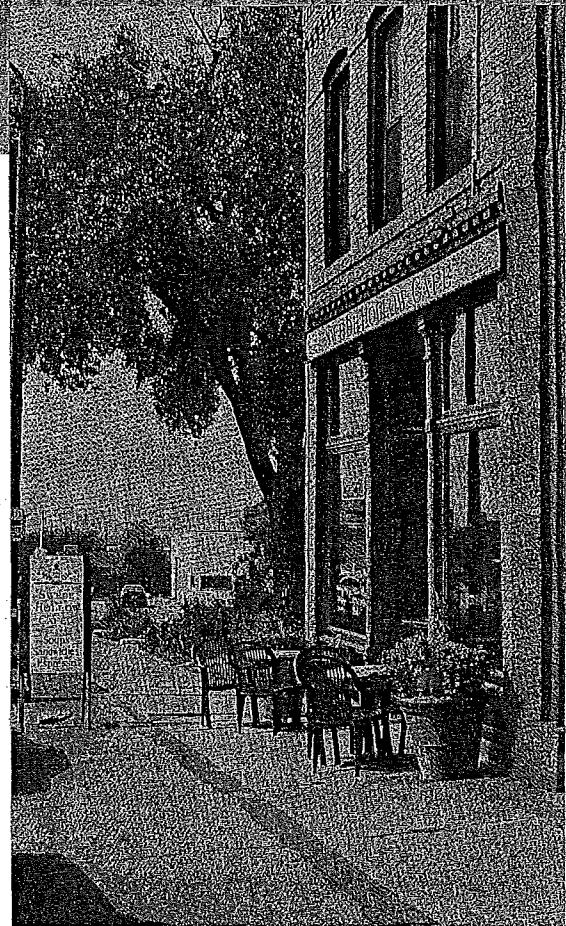
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"We expected a dollar for dollar match, however, business owners have responded by spending closer to three dollars for redevelopment for every dollar of STAR funds available....."

*Anne Briseno, Executive Director,  
Riverview Economic Development Assoc.*

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A Neighborhood STAR small grant helped the Upper Swede Hollow Neighborhoods Association renovate space in the Stutzman Building for the new Swede Hollow Cafe on E. 7th Street.



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## What is the STAR Program?



The owners of this house in the Macalester-Groveland neighborhood received a home improvement loan through the Macalester-Groveland Middle Income Fix-Up Program, operated by the Macalester-Groveland Community Council in conjunction with American Bank. A Neighborhood STAR loan made this program possible.

The Minnesota State Legislature provided legislative authority for the City of Saint Paul to levy an additional 1/2 cent sales tax in May, 1993. *The authorizing legislation states that revenues may be used to pay all or a portion of the capital expenses for expansion and remodeling of the Saint Paul Civic Center complex, and that "the remainder of the funds must be spent for capital projects to further residential, cultural, commercial and economic development in both downtown Saint Paul and Saint Paul neighborhoods".* In the resolution enacting the tax, the City determined that 40% of the sales tax proceeds would pay for 30 year bonds issued to finance the renovation and expansion of the Saint Paul Civic Center. Fifty percent of the remaining sales tax proceeds would be spent on other capital improvement projects in Saint Paul neighborhoods,

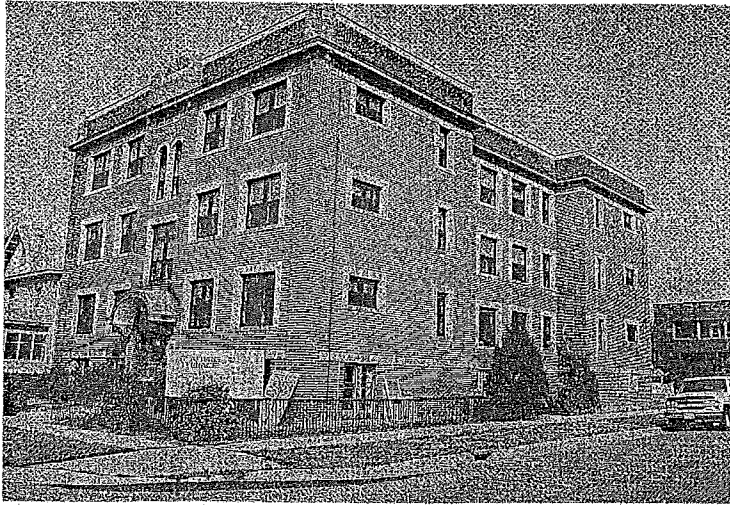
10% of the proceeds would support culturally related projects.

In mid-1994, the City Council established the Sales Tax Revitalization (STAR) Program, which includes the Neighborhood STAR and Cultural STAR Programs, to distribute the remaining sales tax proceeds. The Neighborhood STAR Program awards loans and grants for capital improvement projects in Saint Paul neighborhoods and the Cultural STAR Program awards loans and grants for capital improvement projects that support the cultural industry in Saint Paul.

Both the Neighborhood and Cultural STAR Programs have completed two annual funding cycles, which were administered by the City's Department of Planning and Economic Development (PED).

1/2 CENT SALES TAX DISTRIBUTION	
Civic Center Improvements	40%
Neighborhood STAR Program	50%
Cultural STAR Program	10%





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LEFT: A Neighborhood STAR loan helped Project for Pride in Living develop 12 two-bedroom apartments in this building at 683 Hague Ave., which had stood vacant for five years.

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### Key Features: Neighborhood STAR Program

The Neighborhood Sales Tax Revitalization (STAR) Program awards grants and loans for physical improvement projects in Saint Paul neighborhoods.

#### Key features include:

- ▲ Program funding: 50 percent of the proceeds of the City's half-cent sales tax.
- ▲ Funds are awarded annually through a competitive application process.
- ▲ STAR funds must be matched at least 1:1 with other resources.
- ▲ STAR funds must be spent on physical improvements that have an expected life of at least seven years.
- ▲ Eligible applicants include any public, private, or non-profit entity located in or doing business in Saint Paul.
- ▲ Proposals developed with neighborhood involvement and support will be favored.
- ▲ Program allocation goals: 60% for loans, 30% (or \$950,000 minimum) for grants, and 10% for seed capital loans.
- ▲ Small grants: a number of small grants will be awarded (awards of \$5,000 – \$20,000), using a streamlined application and approval process.
- ▲ Funding recommendations are made to the Mayor and City Council by the 15 member STAR Board.

#### Program priorities:

- community development
- business growth
- neighborhood polluted land clean-up

### Key Features: Cultural STAR Program

The Cultural STAR Program awards grants and loans for capital projects that further cultural activities in Saint Paul. For the first 5 years, at least 75% of program funding is to be invested in capital projects within the boundaries of the targeted geographical area known as the Cultural District (the downtown area west of Cedar Street). The remaining 25% of the funding may be allocated to capital projects located outside the Cultural District, provided these projects demonstrate a link to or support of activities within the District.

#### Key features include:

- ▲ Program funding: 10 percent of the proceeds of the City's half-cent sales tax.
- ▲ Funds are awarded annually through a competitive application process.
- ▲ Funds must be matched with other resources from 1:1 to 3:1 depending on the amount of the award.
- ▲ Funds must be spent on physical improvements that have an expected life of at least five years.
- ▲ Eligible applicants include any public, private, or non-profit entity located in or doing business in Saint Paul.
- ▲ Program allocation goals: a minimum of 25% loans, a maximum of 75% grants
- ▲ Funding recommendations are made to the Mayor and City Council by the nine member Saint Paul Cultural District, Inc. Board.

#### Program priorities:

- Projects which help stabilize the Cultural District and cultural institutions
- Projects which strengthen or emphasize relationships between attractions
- Projects which help generate financial return to the cultural fund
- Improved visitor services

## Application and Project Selection Process

Funds are awarded annually through a competitive application process. Applicants to both the Neighborhood and Cultural STAR Programs must submit a one page pre-application, followed by a detailed final application approximately six weeks later. Each applicant is assigned a contact person in the Department of Planning and Economic Development who will answer questions and review a draft final application upon request.

Funding recommendations for the Neighborhood STAR Program are made by a 15-member board of Saint Paul

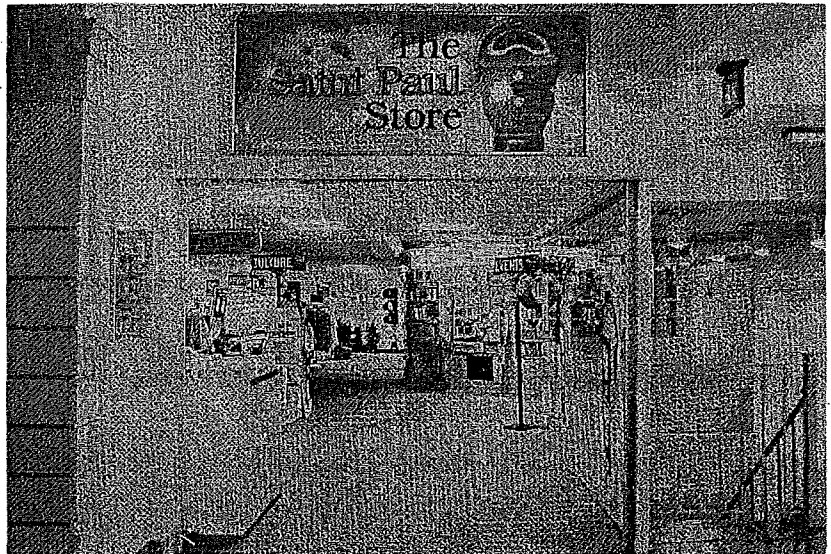
residents, appointed by the Mayor and approved by the City Council. Funding recommendations for the Cultural STAR Program are made by the nine-member Saint Paul Cultural District, Inc. Board, of which five members are appointed by the Mayor and approved by the City Council. Both boards review final applications and make funding recommendations using staff reports, credit risk assessments, a video tour of project sites, and applicant interviews. The timelines for the 1996 application and selection process are given below:

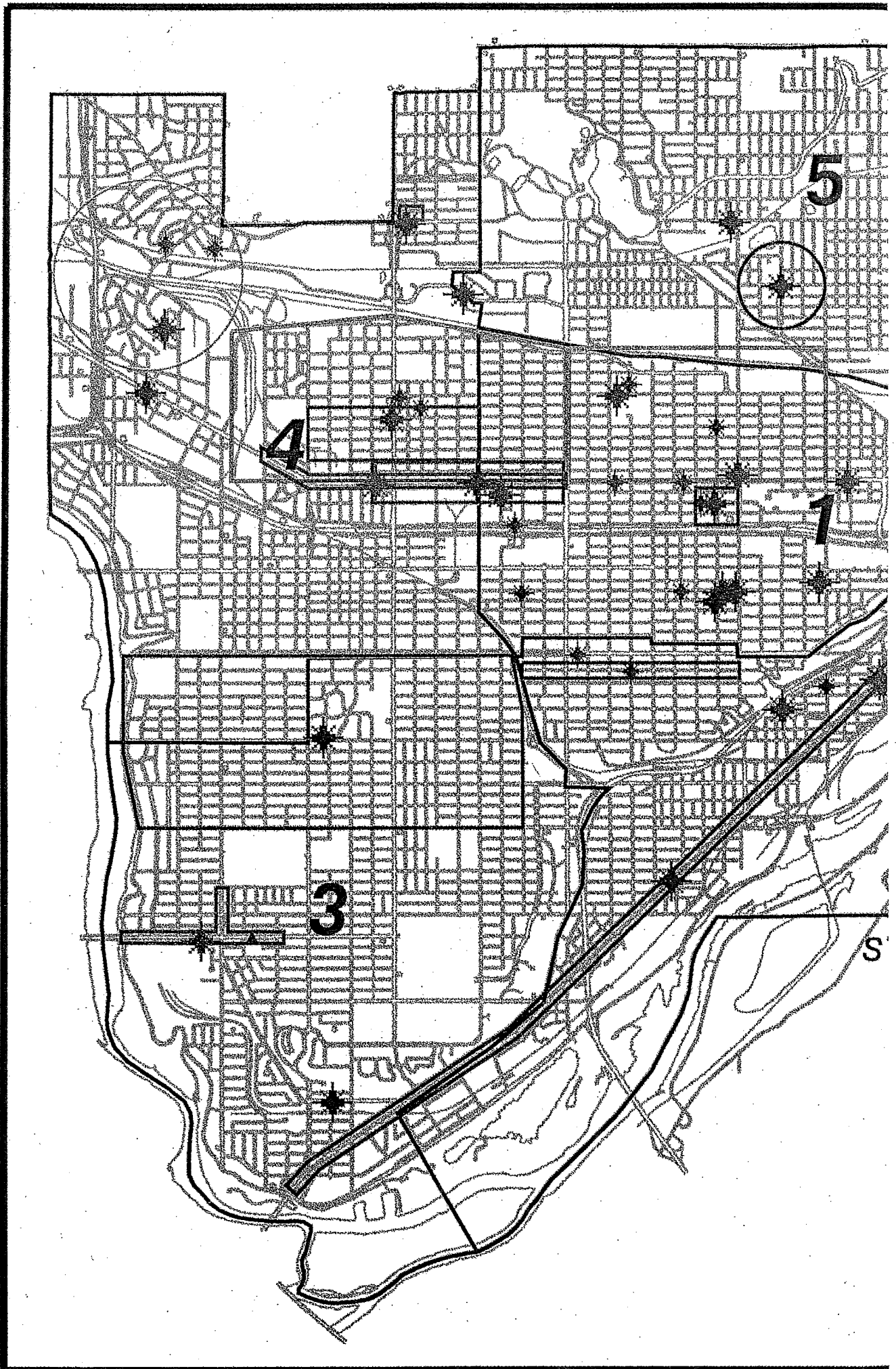
	Neighborhood STAR	Cultural STAR
Funding Cycle Announced	December 1995	November 1995
Application Workshop	Feb. 7, 1996	Jan. 17, 1996
Pre-applications Due	Mar. 1, 1996	Feb. 11, 1996
Neigh. Small Grant Applications Due	Mar. 11, 1996	
Final Applications Due	Apr. 15, 1996	Mar. 18, 1996
Board Funding Recommendations	Mar. 28, 1996 (small grant) June 21, 1996 (large grant)	May 27, 1996
City Council Funding Decisions	Apr. 24, 1996 (small grant) Aug. 7, 1996 (large grant)	May 29, 1996

## Sales Tax Collections

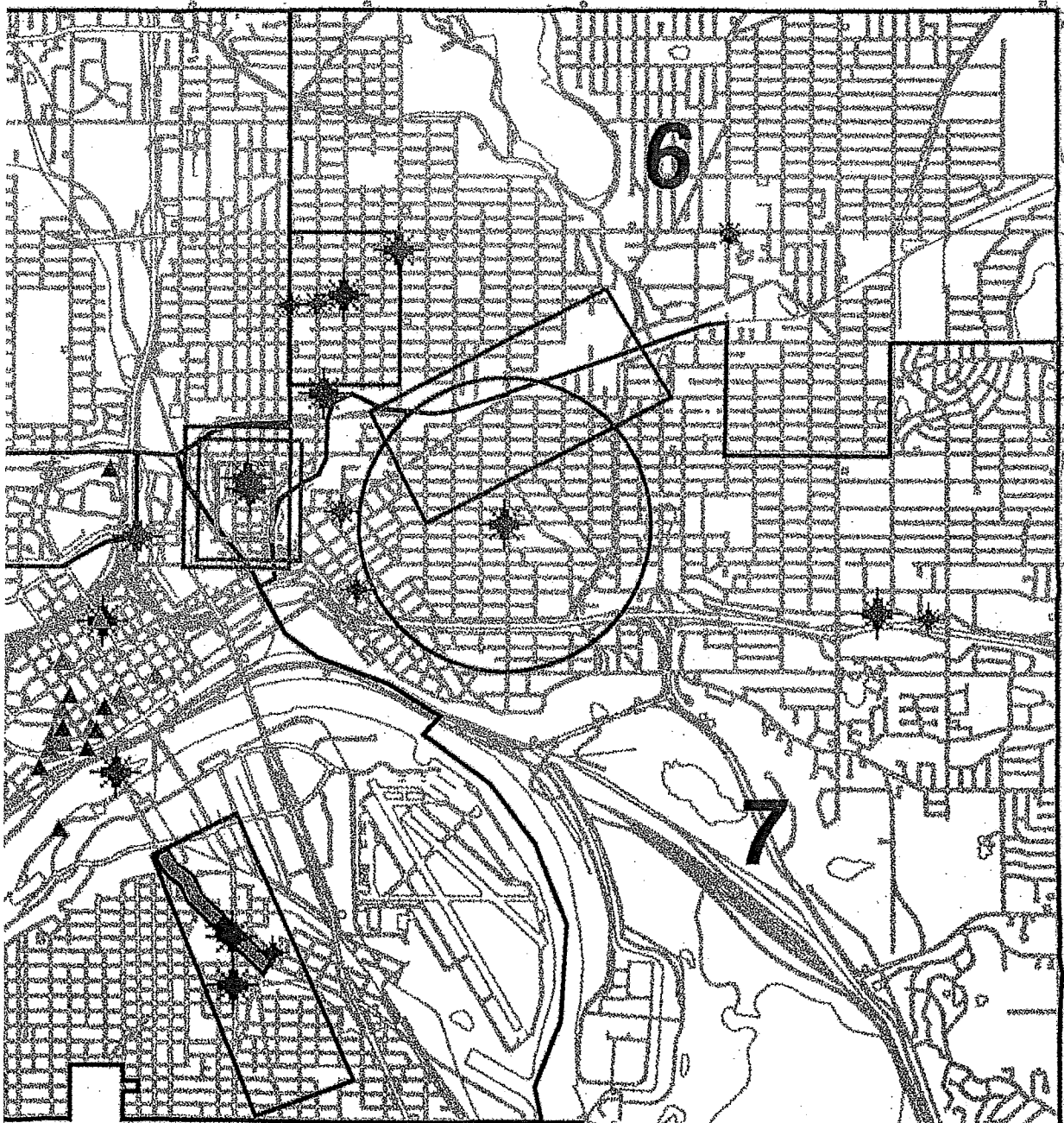
As of August 31, 1996, almost \$24 million has been collected through the 1/2 cent sales tax since collections began in August, 1993. The Neighborhood STAR Program portion of the sales tax revenue is expected to be approximately \$3.9 million for the 1997 cycle, and is projected to increase to \$5.7 million per year by 2006. The Cultural STAR Program portion is expected to increase from \$800,000 in 1997 to \$1.2 million in 2006.

**RIGHT:** The Saint Paul Store, selling everything from used library books and surplus traffic signals to City of Saint Paul sweatshirts and coffee mugs, opened in a downtown Saint Paul skyway with assistance from a Cultural STAR grant.









**Project Locations, 1995-1996**

- STAR Project Locations**
- ▲ Cycle 1 (1995) Cultural
  - ★ Cycle 1 (1995) Neighborhood
  - ★ Cycle 1 (1995) Small Grant
  - ▲ Cycle 2 (1996) Cultural
  - ★ Cycle 2 (1996) Neighborhood
  - ★ Cycle 2 (1996) Small Grant
- Star Program Areas**
- Cycle 1 (1995) Neighborhood
  - Cycle 1 (1995) Small Grant
  - Cycle 2 (1996) Neighborhood
  - Cycle 2 (1996) Small Grant
  - Wards
- ▽ Street Map

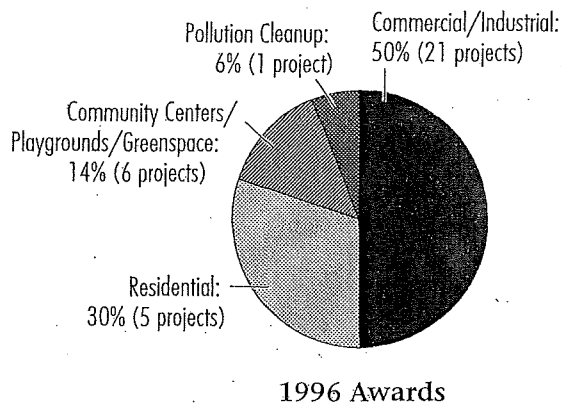
*Citywide STAR projects are not reflected on this map.*

## STAR Awards

In 1995, there were 98 final applications for STAR Program funding. Forty-seven of these applications received nearly \$4.4 million in STAR funding. In 1996, there were 83 final applications, of which 44 received over \$5.1 million in STAR funding. The total number of applications, awards, and funding by program component are:

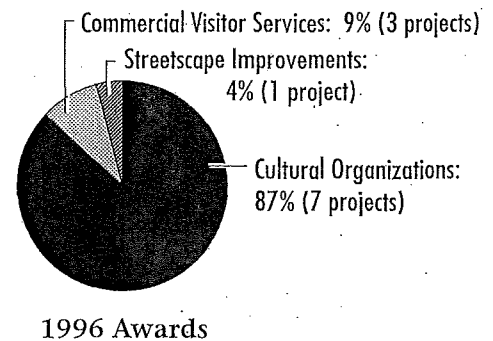
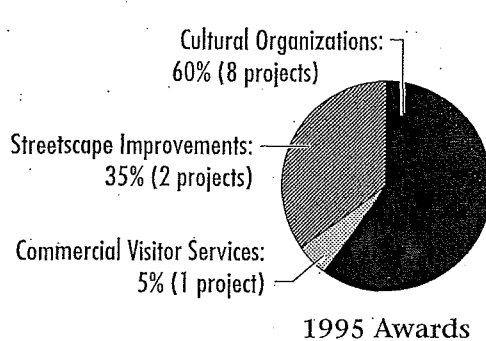
Program Component	Year	Total Final Applications	Total Awards	Total Funding Awarded
Neighborhood STAR Large Loans & Grants	1995	50	22	\$3,695,448
	1996	47	20	4,064,055
Neighborhood STAR Small Grants	1995	22	14	\$1,752,541
	1996	21	13	1,833,721
Cultural STAR	1995	26	11	\$1,044,600
	1996	15	11	7,827,000

### Neighborhood STAR Awards by Project Type



A comparison of 1995 and 1996 awards by project type shows an increase in funding for commercial/industrial projects from 41% to 50%, a decrease in funding for residential projects from 31% to 30%, a decrease in funding for community centers/playgrounds/green space from 25% to 14%, and an increase in funding for pollution cleanup from 4% to 6%.

### 1996 Cultural STAR Awards by Project Type



A comparison of 1995 and 1996 awards by project type is less useful for the Cultural STAR program, since the program is smaller and large projects can significantly affect the percentages. Given that qualification, Cultural STAR awards by project type show an increase in funding for cultural organizations from 60% to 87%, a decrease in funding for streetscape improvements from 35% to 4%, and an increase in commercial visitor services from 5% to 9%.



## Geographic Distribution of Awards

The map in the center of this report indicates the location of funded projects for both the 1995 and 1996 funding cycles. The map shows both project locations and the approximate boundaries for programs that have been funded through STAR. Further attempts to tally funding awards by ward or planning district are difficult, since some projects and programs straddle ward or planning district boundaries, while others have a citywide impact whose benefits cannot be attributed to a single area only.

## Outside Investment, Job Creation, and Tax Base Impact

Outside investment leveraged, job creation, and tax base impact have only been looked at in detail for the Neighborhood STAR large loans and grants.

In 1995, the \$3.7 million awarded in large Neighborhood loans and grants generated an additional \$4.9 million in outside investment (private, non-profit, or non-City public dollars). Although job creation is difficult to predict, these projects could create an estimated 194 full-time equivalent jobs.

*In 1996, the \$4.1 million awarded in large Neighborhood loans and grants will generate an additional \$23.7 million in outside investment and create an estimated 480 full-time equivalent jobs.* It is also estimated that these projects will generate an additional \$752,000 annually in property taxes (property tax impact was not calculated for 1995 projects).

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"Our Cultural STAR grant will provide a professional lighting and sound system for our recreation center theater. This means quality art performances and educational lectures can be presented at an affordable price for neighborhood youth and families....."

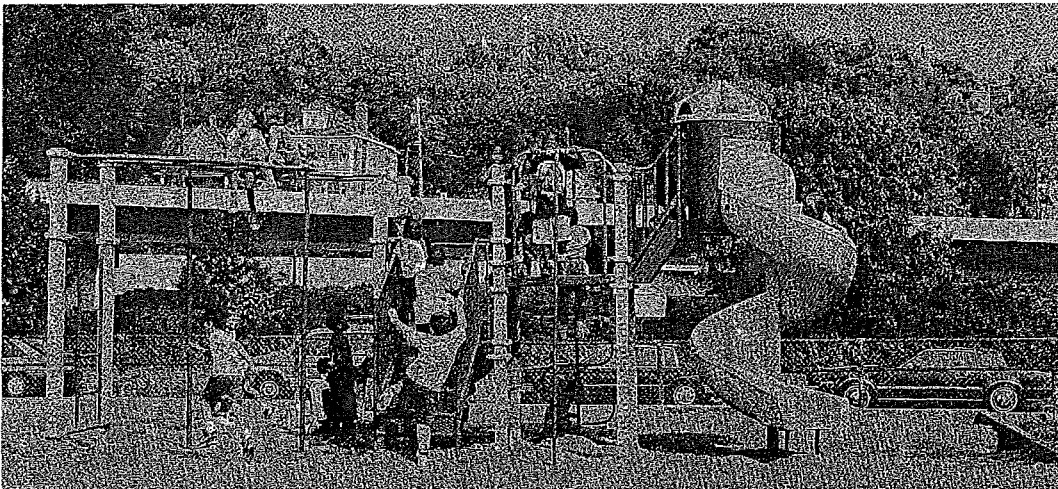
*Gayle Summers, Community Organizer,  
Highland Area Community Council*

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## Loan Program

The loan component is the heart of the STAR Program. Loans are made to projects and programs that may not qualify for traditional bank financing, but would result in desirable capital improvements. Seventy percent of Neighborhood STAR funds and 25% of Cultural STAR funds are awarded as loans. Loan repayments will allow the STAR Program to grow, creating a powerful engine for community economic development through recycling of STAR dollars.

The STAR Program starts reaping the benefits of loan repayments in 1997 with approximately \$160,000 in repayments to the Neighborhood fund. By 2006, annual loan repayments are projected to be approximately \$2.7 million. Add this to projected sales tax receipts of \$5.7 million, and *approximately \$8.4 million will be available for investment in neighborhood projects in 2006.* Loan repayment projections have not yet been completed for the Cultural program.



This new play equipment at the Saint Paul School District's Open School on Western Ave. was partially funded by a Neighborhood STAR small grant.

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" The STAR program support for the Phalen Corridor Initiative means new jobs and brownfield polluted land cleanup on Saint Paul's East Side. It shows the City's commitment to these goals and promotes community driven economic development....."

*Curt Milburn, staff to the Phalen Corridor Initiative*

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### Loan Portfolio

STAR loan applicants are allowed to propose interest rates and terms for their loans. Loan applications are analyzed by the PED Credit Committee, which recommends conditions of loan approval, changes in the interest rate or term if appropriate, and assigns a risk rating (chance of repayment) for each loan.

The STAR Program has a goal of no more than a 20% loan loss for the program, and an overall rate of return of 5% (this rate of return goal was added to the guidelines for 1996). In analyzing the loan portfolios for the first two cycles, using the risk ratings given each loan by the PED Credit Committee, the predicted loss for first cycle (1995) loans is 26.6%, and the predicted loss for second cycle (1996)

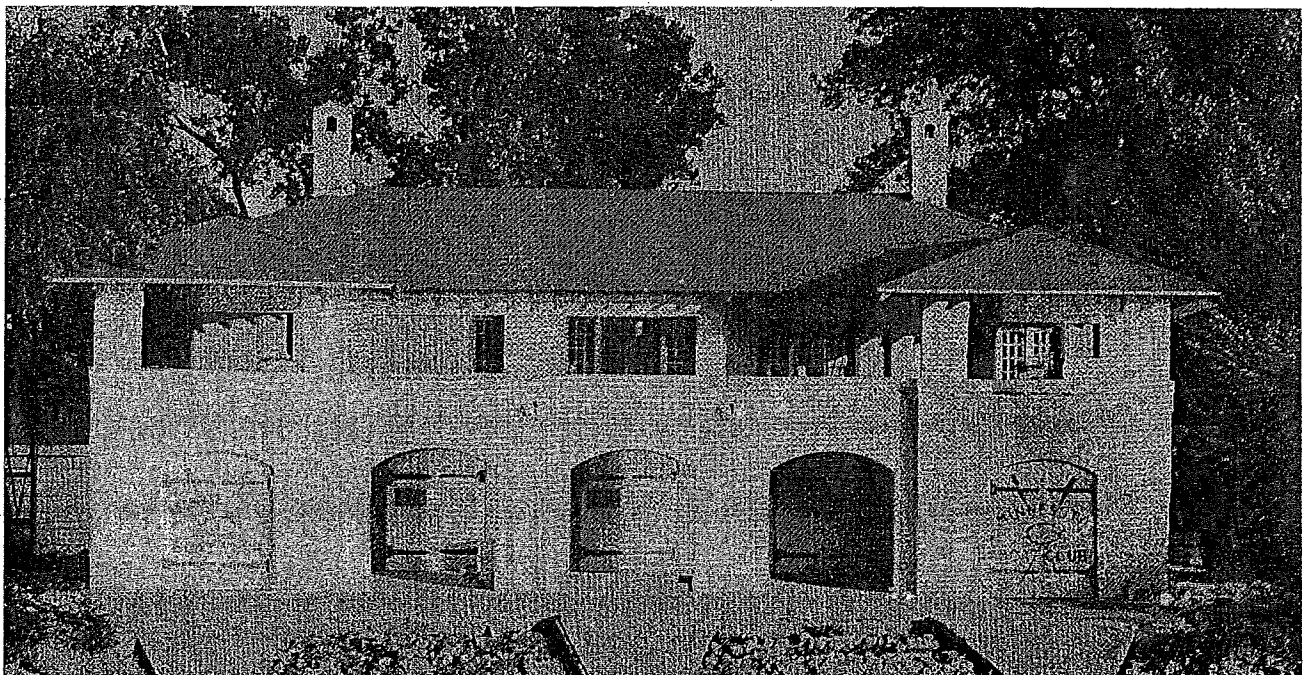
loans improved to 25.0%. The average interest rate for first cycle loans is 2.9%, while the average interest rate for second cycle loans is 3.8%. There is no historical data yet to determine whether the assigned risk ratings will be accurate.

### Contracting Process

Entities that receive a STAR award must enter into a contract with the City. The contract specifies exactly what will be accomplished with the STAR funds, including a detailed budget for both STAR funds and leveraged outside investment. If a contract is not signed within six months of City Council approval of funding, STAR funds are reallocated in the next funding cycle. This helps insure that STAR funds are invested in projects that are ready to be completed, rather than tying up STAR funds for several years. Typically, projects and programs must be completed within two years. STAR funds are released on a reimbursement basis, upon presentation of appropriate receipts, invoices, or other documentation that demonstrates that the work has been done.

### More Information?

For additional copies of this report, or more information on the STAR Program or individual projects, please call 266-STAR (7827).



The Minnesota Boat Club will renovate its historic building on Raspberry Island with help from a Neighborhood STAR grant.

# 1996 Funded Projects

**NEIGHBORHOOD STAR PROGRAM**

PROJ. #	PROJECT	APPLICANT	WARD	GRANT	LOAN	SEED CAP.
103-96	394 Dayton Ave. Rehab	College of Visual Arts	1	\$ 40,000	\$ 60,000	
105-96	Dale/Maryland Four Corner Re-Development	District 10 Como Comm. Council	5		90,692	
106-96	Gateway to Como Park Lighting	District 10 Como Comm. Council	4	41,207		
109-96	Arcade/Maryland Face to Face	Face to Face	6	9,050	39,370	
114-96	Minnehaha Mall Enhancement	Frogtown Area Merchant Assoc.	1	90,000		
115-96	Large-Format Printer	Giles Guggemos, Inc.	4	20,000	150,000	\$150,000
119-96	Highland Village Revitalization	Highland Area Comm. Cncl./Highland Bus. Assoc.	3	99,200	50,000	
122-96	Sel-Dale Laundromat	John K. Krebsbach, Jr.	1	30,000		20,000
123-96	Build Neighborhood/Community Capacity	Lao Family Community	1	25,000		
126-96	McLaren Hill Condo Reconstruction	McLaren Hill Condo Assoc.	5	0	331,200	
128-96	Minnesota Boat Club Restoration	Minnesota Boat Club	2	55,000		
133-96	Frogtown Entrepreneur Center	Nbrhd. Dev. Ctr./Frogtown A.A.	1	0	86,500	154,500
141-96	Phalen Corridor: Williams Hill	Phalen Corridor IPAG/ESABA/PED/Port Auth.	2	250,000		
145-96	RAP Midway-Area Multi-Service Cntr.	Ramsey Action Programs	1	100,000	100,000	
151-96	Coordinated Housing Investment Prog.	Local Initiatives Support Corp./Coalition	CW	200,000	300,000	
157-96	Salvation Army Community Center	Salvation Army	2	0	542,336	
163-96	Ramada Hotel	Starbound St. Paul Hotel/LLC/PED	7		350,000	
168-96	University-Midway Neon Sign Proj.	University UNITED	1,4	80,000		
169-96	West 7th Commercial Revitalization	West End Business/Prof. Assoc.	2,3	50,000	150,000	
170-96	Lyngblomsten-West 7th Senior Housing	West 7th/Fort Road Fed.	2		400,000	

**NEIGHBORHOOD SMALL GRANT PROGRAM**

017-96 SG	Salvation Army E. Side Parking Lot Improv.	Salvation Army of Saint Paul	6	20,000		
005-96 SG	Dayton's Bluff Youth Project	Dayton's Bluff Center for Civic Life	7	10,000		
013-96 SG	St. Paul Access Solution Project	Metropolitan Center for Independent Living	all	15,000		
011-96 SG	Skyline Towers Playground Project	Lexington-Hamline Community Council	1	20,000		
004-96 SG	Children's Center Playground	Children's Center	1	12,500		
009-96 SG	Hamline Branch Library Public Improvements	Hamline Branch Library Association	4	15,000		
007-96 SG	Old Hudson Road Sidewalk Project	District 1 Community Council	7	5,000		
016-96 SG	St. Anthony Park Facade Improvement Program	St. Anthony Park Business Association	4	20,000		
002-96 SG	Maintenance, Training, and Distribution Ctr	Aurora/Saint Anthony NDC	1	10,000		
014-96 SG	John Alden Square Gazebo	Neighbors of John Alden Square	4	8,420		
019-96 SG	Stutzman Block Facade	Upper Swede Hollow Neighborhoods Assoc.	7	20,000		
001-96 SG	962 University Avenue Facade Improvement	Asian Bus./Comm. Foundation/ABC Properties	1	15,000		
003-96 SG	Furniture Warehouse	Catholic Charities	2	12,454		

**CULTURAL STAR PROGRAM**

541-96CG	7th Place Plaza Improvements	Bruegger's Bagel Bakery	* in	\$14,000		
542-96CG	Science Museum of Minnesota Expansion	City of St. Paul/Science Museum of Minn.	out	\$300,000		
544-96CG	Commerce Building Buildout	Commerce Partnership, LLC	in		\$40,000	
545-96CG	Friends of Library Used Book Store	Friends of St. Paul Public Library	in	\$25,000		
546-96CG	Hillcrest Rec Center Theater	Highland Area Recreation Project	out	\$30,000		
549-96CG	Minnesota History Center Exterior Signage	Minnesota Historical Society	in	\$27,900		
550-96CG	Cultural Corridor Streetscape-Landmark Center	Minnesota Landmarks	in	\$35,000		
551-96CG	Jackson Street Roundhouse Museum Development	Minnesota Transportation Museum, Inc.	out	\$12,000		
552-96CG	Museum on Wheels/Storefront Gallery	North East Neighborhoods Development Corp.	out	\$10,000		
554-96CG	Minnesota Centennial Showboat Renovation	U of M College of Liberal Arts/-Dept. of Theatre	out	\$22,900		
	Neiman/Jemne Building Project	Museum Management Company	in		\$382,800	

\* Indicates whether project is located in Cultural District



## Credits

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### City of Saint Paul

Mayor Norm Coleman

City Council President David Thune

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Councilmember Dan Bostrom

Councilmember Dino Guerin

Councilmember Mike Harris

Councilmember Roberta Megard

Councilmember Janice Rettman

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Amy Filice, Joan Trulsen, Donna Drummond –  
STAR Program Coordinators

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