

**Updated January 2024**

# **Neighborhood Sales Tax Revitalization**

## **Program Guidelines**



**SAINT PAUL  
MINNESOTA**

# Neighborhood Sales Tax Revitalization (STAR) Program

Thank you for your interest in the Neighborhood STAR Program.

Whether you are an active citizen, a program applicant or a successful Neighborhood STAR partner, your input and participation are critical to the program.

For more information on Neighborhood STAR, as well as application information, please visit [stpaul.gov/nstar](http://stpaul.gov/nstar).

If you have any questions or comments, please do not hesitate to reach out to City staff:

**Erin Lewis**

651-266-6634

[erin.lewis@stpaul.gov](mailto:erin.lewis@stpaul.gov)

Nancy Vang

651-266-6474

[nancy.vang@stpaul.gov](mailto:nancy.vang@stpaul.gov)

**Written comments or questions can be sent to:**

Neighborhood STAR Program

25 West Fourth Street

Suite 1300

Saint Paul, Minnesota 55102

**Or by email to:**

[PED-NeighborhoodStar@stpaul.gov](mailto:PED-NeighborhoodStar@stpaul.gov)

## **TABLE OF CONTENTS**

<b>PART 1:</b>	<b>Program Description</b>	<b>Pages 4-5</b>
<b>PART 2:</b>	<b>Eligibility</b>	<b>Pages 5-6</b>
<b>PART 3:</b>	<b>Application</b>	<b>Page 7</b>
<b>PART 4:</b>	<b>Evaluation and Selection</b>	<b>Pages 8-9</b>
<b>PART 5:</b>	<b>Match Fund Requirements</b>	<b>Pages 9-10</b>
<b>PART 6:</b>	<b>Awards and Implementation</b>	<b>Pages 10-11</b>
<b>PART 7:</b>	<b>Year-Round STAR Program</b>	<b>Page 11</b>
<b>PART 8:</b>	<b>Project Monitoring and Reporting</b>	<b>Page 12</b>
<b>APPENDIX:</b>	<b>Acronyms and Definitions</b>	<b>Pages 13-14</b>

# PART 1: Program Description

## Purpose

State and local legislation was enacted in 1993 to allocate revenue from the city's half-cent sales tax to the Neighborhood Sales Tax Revitalization (STAR) Program. Administered by the City's Department of Planning and Economic Development (PED), Neighborhood STAR provides reimbursement grants of \$5,000 or more for capital improvement projects which strengthen the vitality of our city's neighborhoods. Public, private, non-profit, or for-profit entities located in or doing business in Saint Paul may apply for STAR funds. If you choose to apply and require translation services for the application process, please contact STAR staff for assistance.

## Funding

Available funding for the program varies each year and is determined by the annual STAR budget, which is proposed by the Mayor as part of the City's budget process and is approved by the City Council. The appropriation is based on a combination of sales tax revenue projections, loan repayments, closed out projects and investment earnings. The total amount available will be shared when program applications open.

## Applying for STAR funds

Neighborhood STAR funds are awarded through a competitive application process once per year. When funding is available, the STAR Year-Round Program provides funding opportunities for initiatives which have a particular urgency and cannot meet the general program cycle. For details, please review the STAR website: [www.stpaul.gov/star](http://www.stpaul.gov/star).

## General Policies and Expectations

- STAR proposals must be for capital improvement projects or programs located within Saint Paul city limits. STAR funding may only be used for permanently affixed, physical ("bricks and mortar") enhancements which strengthen and/or improve the neighborhoods of Saint Paul. Projects may include commercial and/or housing rehabilitation, parks projects, streetscape projects, creative placemaking/placekeeping, and economic development activities with an expected life of seven or more years.
- Projects and programs financed with STAR funds are expected to be used for their funded purpose for seven (7) or more years. If for any reason the STAR-funded initiative is discontinued or property sold prior to seven years, the STAR award may be required to be returned to the city.
- To maximize the use of STAR funds, requests over \$50,000 must be matched on a minimum dollar for dollar basis with non-city resources. Awarded funds are disbursed upon completion and approval of capital activities.
- STAR projects should support a public purpose by maintaining or increasing the tax base; creating and/or retaining jobs; revitalizing vacant commercial space; advancing climate action, sustainability, or resiliency per the Saint Paul Climate Action and Resilience Plan; celebrating and/or strengthening the city's cultural diversity; or advancing equity in Saint Paul, defined as ensuring that opportunities in education, employment, housing, health, and safety are equitably distributed; that all residents have timely and relevant access to services, resources, support, and opportunity, and that race, gender identity, sexual orientation, language, ethnicity, national origin, disability status, age, or zip code should neither determine nor deny or limit any person the opportunity to achieve their full potential.
- Proposed activities should be consistent with approved neighborhood plans or initiatives.
- Your proposal may be subject to compliance requirements depending upon the total amount of your award, total project amount, and/or type of project. The following italicized compliance requirements can be viewed on the City of Saint Paul's website at [stpaul.gov/index.aspx?NID=3710](http://stpaul.gov/index.aspx?NID=3710) to help you determine whether they apply to

your project, and all compliance requirements will be discussed with each awardee if funds are awarded to your project. If you do not have internet access, please contact the staff listed above to request compliance information:

- *Affirmative Action*
- *Business Subsidy*
- *Prevailing Wage/Federal Davis Bacon Requirements*
- *Living Wage*
- *Project Labor Agreement*
- *Section 3*
- *PED/HRA Sustainability Initiative*
- *Saint Paul Sustainable Building Policy*
- *Two Bid Policy*
- *Vendor Outreach Program*

## **PART 2: Eligibility**

### **Eligible Applicants**

- Public, non-profit, and for-profit entities located in or doing business within the City of Saint Paul
- City departments and quasi-governmental entities are an eligible applicant when in partnership with a neighborhood and/or community group.
- Churches and religious organizations are eligible to apply when in partnership with a neighborhood and/or community group and only with respect to a project that: (i) is non- sectarian and whose primary effect neither advances nor inhibits religion; (ii) will make capital improvements for functions not associated with church sponsored or religious type activities; and (iii) is open and available to the public at large on a regular basis.

### **Ineligible Applicants**

- Political parties and political action groups.
- Federal, state and county agencies and departments.
- Individual homeowners, condominium, or townhome owners and/or the association representing them.

### **Eligible STAR-Funded Projects and Activities**

STAR funding may only be used for permanently affixed, physical (“bricks and mortar”) enhancements which strengthen and/or improve the neighborhoods of Saint Paul. Projects may include commercial and/or housing rehabilitation, parks projects, streetscape projects, creative placemaking/placekeeping, and economic development activities with an expected life of seven or more years.

#### **Eligible activities include:**

- Renovation, rehabilitation and/or construction of commercial, residential, or industrial property.
- Most fixed interior and exterior improvements to commercial or residential structures including walls, ceilings, floors, lighting, windows, doors, entrances, electrical, plumbing.
- HVAC, energy and security improvements, handicap accessibility, and building code corrections.

- Minor public improvements (*major public improvements should be referred to the city's Capital Improvement Budget (CIB) process*).
- Beautification of public or private open space, including trees and shrubs, rain gardens, benches, play equipment, bicycle parking, and lighting that are site-specific and have a life expectancy of 7+ years. Creative placemaking / placekeeping capital improvement activities, including public art and creative public infrastructure improvements, especially those that contribute to cultural diversity.
- Non-profit neighborhood organizations providing a funding program to local businesses, homeowners, or condominium/townhome owners for capital improvement activities.

### **Ineligible Activities:**

In general, any activity not of a physical, “bricks and mortar” nature, is ineligible for Neighborhood STAR funding. The following is a list of examples that do not meet the definition of a capital improvement:

- Planning or study activities.
- Costs associated with the preparation of a STAR proposal.
- Home-based businesses (i.e., in-home child-care, home offices)
- Public service programs (i.e., crime prevention, block nursing programs, childcare, etc.).
- Refinancing existing debt.
- Improvements that are not permanently affixed (i.e., office equipment, computers, furniture, appliances, vehicles, telephone systems, flags, and banners, etc.)
- Trees, plants, shrubs, or other landscaping that is not intended to remain on a particular site for 7+ years (i.e., annual plants, tree distribution programs).
- Improvements that will not be used for their funded purpose for seven or more years.
- General administrative expenses, including staff management, working capital, and general maintenance costs.
- Projects/programs located outside of the city limits.
- Major public improvement projects (extensive public improvement projects should be referred to the city's Capital Improvement Budget (CIB) process).
- Payment for the applicant's own labor and performance for construction improvements.
- Duplication of an existing city program.
- Developer fees to persons receiving the benefit of the project/program.

### **STAR Direct Project Costs**

Up to twenty percent (20%) of STAR funds may be used for reasonable costs which are necessary to carry out the construction and completion of a capital project, including: acquisition, environmental testing, legal fees, building permits, licensing and inspection fees, or project management fees that are directly related to the STAR activity.

# PART 3: Application

## Proposal Development

When preparing a STAR proposal, applicants should consider the following:

- The Neighborhood STAR Program is designed to fund capital projects of \$5,000 or more that could not generally be accomplished solely through non-city funding sources. Potential applicants are encouraged to meet with city staff, neighborhood organizations and community groups to identify needs, and explore opportunities to share capacity and expertise.
- To ensure that funding is widely distributed throughout the city, it is unlikely that STAR awards will be more than \$50,000.
- Applicants should seek out opportunities to implement existing neighborhood plans and strategies, such as small area plans.
- Applicants will need to be able to demonstrate that they have, or will be able to get, site control over the project property.
- City staff will provide technical assistance to applicants, if requested, to help ensure a complete and viable application.

## Pre-Proposal Workshop

A STAR workshop will be held at the beginning of each annual funding cycle to provide program information to prospective applicants. Please check the STAR website to confirm specific workshop and application dates for each cycle.

## Application Requirements

- All applications must be submitted online in ZoomGrants and be complete and on time to be considered for funding. A link to the Neighborhood STAR application form will be available on the Neighborhood STAR Program website [www.stpaul.gov/nstar](http://www.stpaul.gov/nstar) following the annual STAR workshop. If you require translation services for the application process, please contact STAR staff for assistance.
- STAR applications require the following financial information: a project proforma; project budget; sources of private funding and other additional funding; and financial documents such as tax returns, audited financials, or a business plan.
- Proposals requesting STAR funding for a sub-loan/sub-grant program must include detailed sub-program guidelines.
- A fee of \$75.00 is required for each application of \$5,000 to \$25,000, and a \$125.00 fee is required for each application more than \$25,000. All fees are non-refundable. Upon request, copies of past STAR applications are available to interested parties.

# PART 4: Evaluation and Selection

The Neighborhood STAR Board serves as the formal review body for proposals requesting Neighborhood STAR funds. Saint Paul citizens from all areas of the city who were recommended by the Mayor and approved by City Council comprise the Neighborhood STAR Board.

## Evaluation

Proposals will be screened for eligibility by STAR program staff. The Neighborhood STAR Board will then review each eligible proposal against the following set of criteria. Each project may earn a maximum of 50 points. It is unlikely that any one project will score all 50 points:

Priority	Supporting documentation	Points	Percentage
<b>Public Purpose</b>		<b>30</b>	<b>60%</b>
Project contributes to Saint Paul’s tax base (retail or property tax)	Application question 8	5	
Project will create or retain jobs	Application question 9	5	
Project revitalizes a vacant storefront	Application question 10	5	
Project advances climate action, sustainability and/or resilience goals*	Application question 11	5	
Project contributes to, celebrates, or strengthens cultural diversity in Saint Paul	Application question 12	5	
Project advances equity**	Application question 13	5	
<b>Community Need</b>		<b>10</b>	<b>20%</b>
Proposal addresses an identified neighborhood need or goal	Letters of support Application question 14	5	
Proposal is neighborhood-based and includes community input in its development	Letters of support Application question 15	5	
<b>Capacity</b>		<b>10</b>	<b>20%</b>
Application materials demonstrate that the proposal is financially feasible if awarded the requested funds	All attachments submitted/application complete Comments from internal review Application Questions 16 & 17 Budget form Contractor estimates	5	
Organization/entity has the capacity to successfully implement and administer their project or program and participates in the interview process	All attachments submitted/application complete Comments from internal review Application Questions 16 & 17	5	
<b>Total</b>		<b>50</b>	<b>100%</b>

\* as set forth in the Saint Paul Climate Action and Resilience Plan

\*\* defined as ensuring that opportunities in education, employment, housing, health, and safety are equitably distributed; that all residents have timely and relevant access to services, resources, support, and opportunity, and that race, gender identity, sexual orientation, language, ethnicity, national origin, disability status, age, or zip code should neither determine nor deny or limit any person the opportunity to achieve their full potential

## Selection Process

There are three steps in the application review process:

1. The Neighborhood STAR Board will review, rate, and rank each proposal on its merit, and provide a list of recommended proposals in ranked order to the Mayor and City Council. The Neighborhood STAR Board may take into consideration comments from additional interested parties and groups as needed such as neighborhood organizations, PED staff, Planning Commission, CIB Committee and City Departments as appropriate. During this process, applicants may be asked to provide additional information to the STAR Board and may be asked to consider a modification to their proposal. As a part of their proposal, eligible applicants will be asked to attend an interview with the Neighborhood STAR board. All Neighborhood STAR Board meetings, including any interviews required as a part of this process, are open to the public. Unless specified on the agenda, no public comments are allowed at these meetings.
2. The Mayor will review the recommendations of the Neighborhood STAR Board and forward his/her recommendations to the City Council.
3. The City Council, in turn, will review the Mayor's recommendations and adopt by resolution a final list of funded Neighborhood STAR proposals.

## **PART 5: Matching Fund Requirements**

Any STAR request over \$50,000 requires a minimum \$1 for \$1 match for the entire amount of the grant with non-city resources. Grant requests up to \$50,000 do not require a match.

### **Eligible Match Contributions**

Matching funds must be directly related to the applicant's proposal. Although Federal, State, or County funds may be used, priority will be given to projects matched with private funds. Applicants are encouraged to finance direct project management expenses with outside private resources (i.e., foundation grants, cash donations) and identify these funds as part of the match.

Eligible matching contributions include:

- Private funds
- Foundation and corporate grants
- Local contributions, sweat equity, and/or volunteer labor. Contributions from residents and businesses may include in-kind project-specific services such as: professional services, office space, supplies, volunteer labor, and sweat equity for physical improvements equaling up to 30% of the match amount. Sweat equity and volunteer labor is valued at \$15.00 per hour.
- Operating assessments estimated over the life of the improvements. If match is in the form of an operating assessment, no funding will be disbursed until after final ratification of the assessment.
- Project costs incurred after submission of a completed application form to STAR staff may be considered as matching dollars.

The STAR Board may, at their discretion, recommend approval of other matching contributions on a case-by-case basis.

### **Ineligible Matching Contributions**

Ineligible matching contributions include:

- Volunteer meeting time;
- In-kind service donations from the STAR applicant;

- Volunteer labor, sweat equity or in-kind contributions *exceeding* 30% of the total match amount;
- General operating expenses of an organization;
- Donations/expenditures not directly related to the STAR project;
- City forgivable loans and/or grants;
- Unrelated improvements in the general area of the project;
- Costs incurred for improvements made prior to submission of a STAR application.

## **PART 6: Awards and Implementation**

### **Program/Project Implementation**

Upon selection by the Mayor and City Council, the STAR applicant will be notified in writing of their funding commitment. City staff will hold a post-award meeting to provide a general review of city regulations applicable to all Neighborhood STAR activities. Proposals are selected based upon the information contained in the application and may not be significantly changed during project implementation. STAR recipients are cautioned not to make any financial commitments until the compliance and funding requirements are fully understood and agreed to by all parties.

Awardees have until the end of the calendar year following the year funding was approved to close on their STAR funding and begin construction on their STAR activity. At least some amount of STAR project funds must be used by the end of the second calendar year following the year funding was approved, and full expenditure of funds is expected within the timeframe stipulated in the funding contract (see below for contract details). Failure to execute an agreement in the allowed timeframe may result in a cancellation of the city's funding commitment.

### **Contract Execution**

Prior to entering into a formal agreement with the City of Saint Paul, an individual pre- construction compliance meeting will be held with the STAR recipient, their contractor and key city staff to review project-specific compliance issues which may include Affirmative Action; Business Subsidy; Sustainability Policy; Two-Bid Policy; Labor Standards; Living Wage; Section 3; and the Vendor Outreach Program. Relevant requirements will then be included in the formal agreement. Items contained in the Neighborhood STAR grant agreement include:

- Statement of Work form detailing the work to be performed, the source of match (if over \$50,000), total project budget, and implementation timeline;
- Valid insurance certificate with appropriate liability coverage with the City of Saint Paul listed as an additional insured;
- Public purpose statement;
- Conflict-of-interest statement; and
- Appropriate attachments pertaining to the use of funds to adhere to applicable federal, state, and local regulations.
- A closing fee equal to 1% of the amount of STAR grant dollars will be collected prior to any fund distribution.

### **STAR Fund Distribution**

Individualized STAR forms will be generated by city staff for each project after the execution of a contract. These forms will then be used for disbursing funds throughout the project. STAR funds can be disbursed for eligible activities that:

1. Were started after STAR funding was approved by the Mayor and City Council;
2. have been properly invoiced;
3. include documentation of matching dollars spent on the project (if required); and
4. receive approval by Human Rights & Equal Economic Opportunity (HREEO) staff as meeting compliance requirements.
5. For final draws, include evidence of project completion, including lien waivers and any inspection reports.

## **Non-Profit Sub-Loan/Sub-Grant Programs**

The following applies to non-profit entities that are seeking STAR grant funding to operate a sub- loan and/or sub-grant program:

- Non-profit entities will be allowed up to three years to disburse STAR funds;
- Non-profit organizations are not eligible to apply to their own sub-loan/sub-grant program;
- A non-profit entity applying for additional dollars for an established or duplicate program must spend the balance of existing program funds completely before newly awarded STAR funds can be disbursed;
- Applicants must demonstrate their ability to administer the program, including loan underwriting and loan servicing, if applicable;
- Detailed sub-loan/sub-grant guidelines must be included in the STAR application and agreement.

## **PART 7: Year-Round STAR Program**

Applications from eligible applicants for STAR grant funds will be accepted throughout the year, when funding is available, under the following conditions:

- The applicant demonstrates a definite need to apply outside of the annual Neighborhood STAR application process;
- All applications are submitted on the STAR Year-Round Program application form;
- Year-Round applications must be supported by the City Council Member.
- A minimum of one non-city (private) dollar to match every STAR dollar is required for all grant requests over \$50,000;
- Matching funds must be directly related to the applicant's proposal.
- An application fee of \$75 is required for proposals requesting \$25,000 or less and a \$125.00 fee is required for each application requesting more than \$25,000. All fees are non-refundable.

## **Application and Evaluation Process**

Review and ranking of Neighborhood STAR Year-Round proposals is performed by the Neighborhood STAR Board with input (upon request) from neighborhood organizations, PED staff, Planning Commission, CIB Committee and City Departments as appropriate. STAR Board funding recommendations and rankings are submitted to the Mayor and City Council for final approval. **Please contact the staff listed in these guidelines or your local Ward office if you are interested in applying for Year-Round STAR funding.**

## PART 8: Project Monitoring and Reporting

STAR awardees will provide documentation of project expenditures and progress toward meeting expected project outcomes. Project Managers within the department of Planning and Economic Development will monitor STAR disbursements and required match activity for both progress and contract compliance.

A final evaluation of each project to determine the extent to which the project has been successful should be submitted prior to final disbursement of STAR funds. Project success will be measured against expected project outcomes and the overall objectives of the Neighborhood STAR Program.

At the completion of all agreement activities, or upon expiration of the agreement, remaining project fund balances will be returned to the Neighborhood STAR fund.

**Annual Report to the Mayor and City Council:** City staff shall provide an annual report on the program and financial activities of the STAR Program to the Mayor and City Council.

**Annual Review of Priorities:** Priorities for the use of sales tax funds are reviewed on an annual basis. The STAR Board and/or city staff will review and forward comments and recommendations to interested parties.

**Audits and Quality Control:** It will be the responsibility of funded entities to provide all necessary documentation, as determined by the city, for purposes of determining program eligibility and ongoing program compliance.

# APPENDIX: Acronyms and Definitions

## Acronyms

**CIB:** Capital Improvement Budget, the city's bi-annual budget for capital improvements.

**HRA:** Housing and Redevelopment Authority, the legal entity that undertakes redevelopment activities on behalf of the City of Saint Paul. The HRA Board members are also members of the City Council.

**PED:** Planning and Economic Development Department is the city department responsible for housing and economic development initiatives. PED staff administers the STAR program.

**STAR:** Sales Tax Revitalization Program.

## Definitions

**Administrative Expenses:** General overhead costs necessary to run an organization, including payroll, office space, supplies, rent, utilities, etc.

**Annual Report:** A written document completed once a year on activities and accomplishments of the Neighborhood STAR and Year Round STAR Programs.

**Applicant:** An entity applying for a loan and/or grant from the STAR program.

**Audit:** An examination of an organization's financial and administrative records to ensure compliance with financial and program standards.

**Business Subsidy:** A state law requiring that certain businesses receiving state or local government assistance must have a defined public purpose and recipients must set goals for job creation, wages, and benefits to be achieved within two years of receiving the assistance.

**Capital Improvement:** A physical improvement of property.

**Contract/Agreement:** A legally binding agreement between the city and a STAR recipient which specifies the terms, conditions, duties, and responsibilities of all participants.

**Creative Placemaking:** An economic development approach using arts and culture inspired by public, private, nonprofit, and community partners to shape the physical and social character of a place to spur further economic investment, encourage social change, and improve the built environment.

**Creative Placekeeping:** An economic development strategy that supports a community's ability to maintain a place and its social fabric through active care via arts, culture, and other creative and economic mechanisms. This strategy doesn't solely focus on shaping and changing physical and social spaces but preserving and keeping the cultural memories associated with the locale in the area.

**Cultural Corridor:** A stretch of blocks that have a concentrated presence of culturally themed physical, business, and other assets.

**Cultural Diversity:** The existence of a variety of cultural or ethnic groups within a society, in this case the City of Saint Paul.

**Direct Project Costs:** Reasonable costs which are necessary to carry out the construction and completion of a capital project.

**Final Evaluation:** A written assessment of the accomplishments and value of the completed program or project.

**Funding Cycle:** The annual time-period required to notify the public, solicit, and review proposals, and award STAR Program funds.

**Grant:** An award of funds for a project or program which does not require repayment if certain conditions are met.

**Job Creation:** Jobs that are pledged to be created because of a STAR activity.

**Labor Standards:** A schedule of wages defined as fair for construction workers.

**Leverage:** Money or other resources committed to a STAR project or program.

**Lien Waiver:** A document from a contractor, subcontractor, materials supplier, equipment lessor or other party stating they have received payment.

**Match:** Money or other resources pledged to a STAR project or program. STAR grants over \$50,000 require a minimum \$1 for \$1 match with non-city resources in the full amount of the grant.

**Neighborhood STAR Board:** 21 Saint Paul residents, appointed by the Mayor and approved by City Council, responsible for reviewing applications and making funding recommendations for the award of STAR funds.

**Neighborhood STAR Program:** The city program that awards grants for capital neighborhood improvement projects. The STAR program is financed through the city's half-cent sales tax.

**Origination Fee:** A fee charged by the city at the time of finance closing equal to 1% of the amount of STAR grant dollars awarded.

**Planning Commission:** Saint Paul residents, appointed by the Mayor and City Council, charged with making recommendations regarding planning for the city's redevelopment and improvement.

**Pre-Construction Compliance Meeting:** A meeting held between city staff and the entities that have been awarded STAR funds to discuss city requirements that must be met as a condition of city funding.

**Program:** An activity by which funds are passed through an organization to an end user.

**Project:** A one-time capital improvement to a specific property.

**Project Management:** The activity of coordinating and overseeing the development and completion of a funded project or program.

**Project Manager:** A PED staff person assigned to work with persons in the development, oversight, and management of activities financed in whole or part with city funds.

**Project Proforma:** A realistic projection of income and expenses for a typical year of operation

**Proposal:** An application to fund a project or program.

**Site Control:** Authority to perform capital improvements to a site through ownership, long-term lease or signed purchase agreement.

**Small Business:** An entity with under \$1 million in gross sales or fewer than 20 Full-Time Employees.

**Small Area Plan:** A plan adopted by City Council for the redevelopment or improvement of a defined geographic area within the city.

**Statement of Work/Scope of Services:** A description of the activities that will be performed in the implementation of a project or program, including person(s) responsible, a timeline, and detailed budget.

**Sweat Equity:** Work a property owner performs to complete a capital improvement on their own property. The value of this work may be used as a partial match for STAR funds.