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BUSINESS

Foundation dedicates $15M to downtown St. Paul. Here's where it will go.

The St. Paul and Minnesota Foundation will gain seats on the Downtown Alliance and St. Paul Downtown Development Corporation

An Aerial view of downtown St. Paul on Wednesday, Sept., 13, 2023. (John Autey / Pioneer Press)

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Alarmed by the challenges facing downtown St. Paul, Minnesota's largest community foundation is putting $15 million toward improving its fortunes through a variety of means, from stabilizing buildings facing potential foreclosure to boosting individual businesses and nonprofits.

The $15 million will "move through several channels," according to a statement from the St. Paul and Minnesota Foundation, which has a longstanding presence downtown. Dollars will be put toward an existing Downtown Investment Fund maintained by the St. Paul Downtown Development Corporation and geared toward building acquisitions, as well as toward direct investment in specific downtown properties and the foundation's two new community investment portfolios.

The foundation's leaders have seen many of downtown's ups and downs up close. The organization relocated around January 2025 from the increasingly distressed U.S. Bank Center on Fifth Street to the Osborn 370 building at 370 Wabasha St., which has a higher occupancy rate and has been more well maintained.

"We are investing in downtown St. Paul because we believe in its future and in the role a strong capital city plays in the economic vitality of our state," said Chanda Smith Baker, president and chief executive officer of the St. Paul and Minnesota Foundation.

"This moment calls for both optimism and investment," she said. "By putting our capital alongside public, private and philanthropic partners, we are part of unlocking new possibilities for downtown — more people living here, inclusive economic development, people gathering here and a stronger economic engine for Minnesota."

The foundation seeds community and nonprofit efforts statewide related to housing, education, the arts and civic life, among other key areas, often by partnering with outside foundations and grant-givers such as the Bush Foundation, for which it administers the Bush Prize.

The latest wide-ranging effort is moving forward hand in hand with the St. Paul Downtown Alliance, a partnership between City Hall and major downtown employers, and the alliance's subsidiary, the Downtown Development Corporation. The corporation has recently acquired title to or purchased the distressed mortgages of five downtown properties, including the Alliance Bank Center and the U.S. Bank Center, where the foundation was previously located.

Foundation gains seats on the Alliance

To make those building acquisitions possible, Securian Financial and the Bush Foundation put $30 million toward the corporation's Downtown Investment Fund in November 2025. The additional $15 million from the St. Paul and Minnesota Foundation is intended to build off that work, while also funding a wider array of potential uses, said Baker, in an interview.

"It's always been our intention to grow that (Downtown Investment Fund)," said Joe Spencer, president of the Downtown Alliance, who called the foundation a key ally in moving downtown in the right direction. "Not only is the financial commitment really valuable, but at least as valuable is their partnership, and hopefully the influence they might have on other investors and their confidence in our ability to transform downtown."

Dave Higgins, president of the Downtown Development Corporation and managing director of the Downtown Investment Fund, said the money will help steer or redevelop existing properties, rather than acquire additional buildings, at least for now.

"We're thrilled with their partnership and support and stepping up to help with the efforts of many to turn around downtown," Higgins said. "I see us continuing to work on the properties that we have, and continuing to be a catalyst on those. We'll take things as they come, but right now we've got some good and exciting properties. At this point, that's where we're focused."

Baker already holds a seat on the board of the Downtown Alliance. As part of the arrangement, the St. Paul and Minnesota Foundation will gain additional seats on the boards of the Downtown Alliance, the Downtown Development Corporation and the committee that directs the corporation's investment decisions.

Among its small business efforts, the Downtown Alliance maintains a "Grow Downtown" program that connects budding entrepreneurs to property managers and helps negotiate low rents for the first six months or so. The four-year-old initiative has been one of several efforts that have helped open some 21 new businesses downtown in the last year alone.

'Future Ready'

Baker noted that some of the $15 million will be placed in the foundation's "Future Ready" and "Momentum Minnesota" portfolios, which are managed by the foundation's investments team and back a wide range of community-facing initiatives.

"It's not a grant," Baker said.

The two investment portfolios are geared toward donors and charitable organizations who want their charitable contributions to work locally toward long-term community benefits, in what's dubbed a "place-based investing strategy."

The “Future Ready” portfolio seeds community impact and capital preservation projects, aiming for modest financial returns of about 1%. The “Momentum Minnesota” portfolio is focused on “values-aligned investments,” according to the foundation, while seeking long-term financial returns of around 8% to 12%.

She noted the investment funds recently supported Claros Technologies in Minneapolis, which is using a UV-based process to destroy PFAS “forever chemicals” at the source, and the Green Acres Oat Mill in Albert Lea, which is building a regenerative chain of oat supply that will support southern Minnesota farmers and create rural jobs.

The St. Paul Foundation has actively sought a role in steering downtown’s fortunes since its founding in 1940. The Minnesota Foundation, which grew out of the St. Paul Foundation, was established in 1949, and the two later merged.