



SAINT PAUL
MINNESOTA

4d Program

2019-
2023
Results

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Program Introduction

The 4d Affordable Housing Incentive Program (“4d”) was first administered in 2019 to preserve affordable rental units for the City's low-income residents. This is part of the City of Saint Paul’s Affordable Housing Strategy. The tax benefits for 4d are granted to property owners by the Low-Income Rental Classification (“LIRC”). This is the state tax classification. Following the 2023 enrollment cycle, concluded in April, Saint Paul has one of the largest 4d programs in the state of Minnesota with over 3,000 preserved units across 374 properties.

Overall Process

1. Property owners agreed to hold a portion of units at rent and income affordability, with at least 50% of units at 60% AMI or 20% of units at 50% AMI.
2. The City of St Paul records a Declaration of Covenants with the property owners' land. For the period of 10 years, these units that are declared remain affordable units.
3. During the enrollment process, the city of Saint Paul enters into a Participation Agreement with the owner of each property. In addition, each owner receives a small grant for each preserved unit which is to be reinvested in the property, as well as the payment of several administrative fees.
4. The proportion of affordable units reserved by each property owner are taxed at the low-income property tax threshold, lowering the class tax rate from 1.25% to 0.75%, and translating to an estimated 40% reduction in taxes. Beginning in 2024, the estimated tax reduction will be 80% with the class tax rate moving to .25%.
5. There is an annual compliance process to ensure the owners are upholding the restrictions and meeting all the requirements. If units are not in compliance, those units lose their LIRC status and thus lose the lower property tax rate.

*** See Diagram on Page 4**

4D PROCESS

Property owners agree to hold a portion of units at 50% AMI or 60% AMI

01

St Paul records a Declaration of Covenants with the land through Ramsey County

02

St Paul and the property owner enter into a Participation Agreement

03

Property Owners are granted a lower tax rate historically equal to 40% reduction

04

Annual Compliance is done to ensure owners are maintaining affordability standards

05



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MINNESOTA

4d Unit Characteristics

Hundreds of units have been added annually to the 4d Program since the first enrollment year in 2019. 3,004 units have enrolled in the program between 2019 and 2023 with an average of about 8 units per property. While it may seem 2023 had a slightly lower number of newly enrolled properties compared to 2020, the actual unit count of 758 exceeded 2020's 728 4d units.

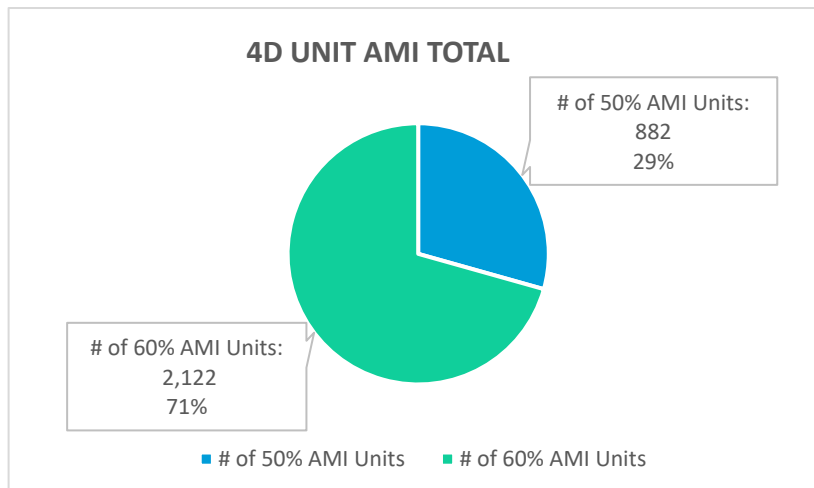
Table 1: 4d Unit Enrollment and Average Number of Units per Property

Enrollment Year	Total 4d Units Enrolled	Average # 4d Units per Property
2019	410	6
2020	728	8
2021	611	9
2022	497	8
2023	758	9
Total	3,004	8

Table 2: 4d Units Preserved by AMI Breakdown

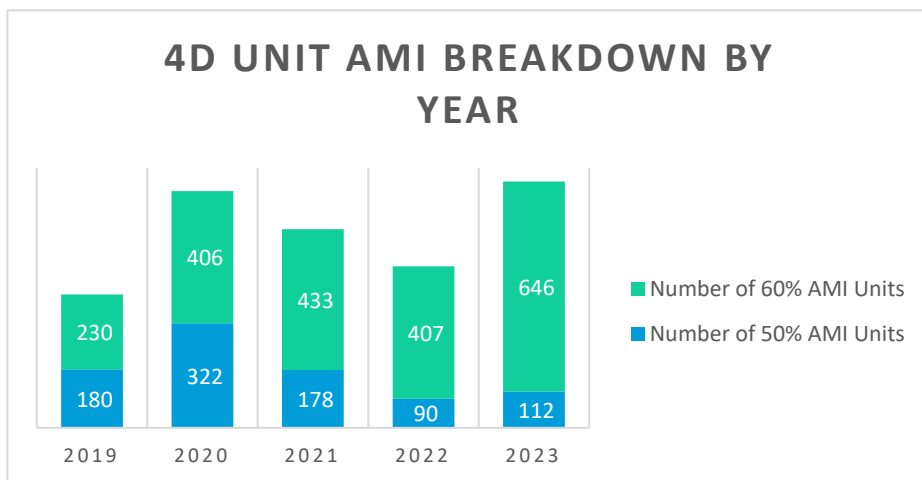
Enrollment Year	# of 50% AMI Units	# of 60% AMI Units
2019	180 (44%)	230 (56%)
2020	322 (44%)	406 (56%)
2021	178 (29%)	433 (71%)
2022	90 (18%)	407 (82%)
2023	112 (15%)	646 (85%)
Total	882 (29%)	2,122 (71%)

*Note that (%) represent the percentage of Total Units



4d Program Affordability Restriction

When initially enrolling in the program, 4d units are preserved for households with income up to 50% of Area Median Income (AMI) or 60% of AMI. If enrolling a single-family home, owners have been required to preserve the unit at 50% AMI. For duplexes, one of the two units must be preserved at 50% AMI (the other unit can be either 50% AMI or 60% AMI). Multifamily buildings with 3 or more units could opt to either preserve at least 20% of units at 50% AMI or preserve at least half of units at 60% AMI.



During the first enrollment period in 2019, the guidelines stated that “Selection preference will be given to proposals with at least 20% of the restricted units affordable to tenants at 50% or lower AMI.” In 2020, the guidelines were updated to require that 20% of units be restricted at 50% AMI or at least 50% of units restricted at 60% AMI. While analyzing the data, city staff could not find a clear answer as to why the share of 50% AMI units decreased after 2020.

4d Properties and Ownership

To date, 374 properties with at least 1 4d-designated unit are enrolled in the City of Saint Paul 4d program. While 2020 remains the year with the highest enrollment count, 2023 nearly matched it. It is worth noting that 2020 and 2023 were both years where there were updates made to digitizing the 4d process.

Table 5: 4d Property Count

Enrollment Year	Number of Properties
2019	64
2020	89
2021	71
2022	64
2023	86
Total	374

Table 6: Property Type of 4d Enrollees

Enrollment Year	SFH	2-4 Units	5+ Units	Total
2019	NA	40	24	64
2020	16	28	45	89
2021	8	35	28	71
2022	14	28	22	64
2023	24	33	29	86
Total	62	164	148	374

Table 7: # of Units in Each Property Type

	SFH		2-4 Units		5+ Units	
	# Total Units	# 4d Units	# Total Units	# 4d Units	# Total Units	# 4d Units
2019	NA	NA	99	82	712	328
2020	16	16	87	75	975	637
2021	8	8	85	81	618	522
2022	14	14	68	66	428	417
2023	24	24	77	73	899	661
Total	62	62	416	377	3,632	2,565

Most 4d properties are buildings with two to four rental units. Over the course of the program, the single-family home category has consistently been the property type with the fewest number of new enrollees. It is important to note, though, that single-family homes were not allowed to enroll in the program's first year. The Guidelines were updated in 2020 with the new option to enroll single-family

homes. The 2020 enrollment year saw an expansion to include single-family homes. The majority of 4d units (around 85%) are concentrated in multifamily buildings with at least five units.

Ownership Analysis

In terms of ownership type, business entities own nearly 64% of buildings while individuals or married persons own 35% of properties. If we look at these in terms of units, business entities own 86.5% of all units enrolled in 4d and individuals own just 13% of 4d units. Trusts own less than 1% of units in 4d.

Table 8: Type of 4d Property Owners

Enrollment Year	BUSINESS		INDIVIDUAL		TRUST	
	# Properties	# 4d Units	# Properties	# 4d Units	# Properties	# 4d Units
2019	34	332	30	78	0	0
2020	52	603	34	119	3	6
2021	45	539	24	62	2	10
2022	41	422	23	75	0	0
2023	66	703	20	55	0	0
Total	238	2,599	131	389	5	16

4d Units by Planning District

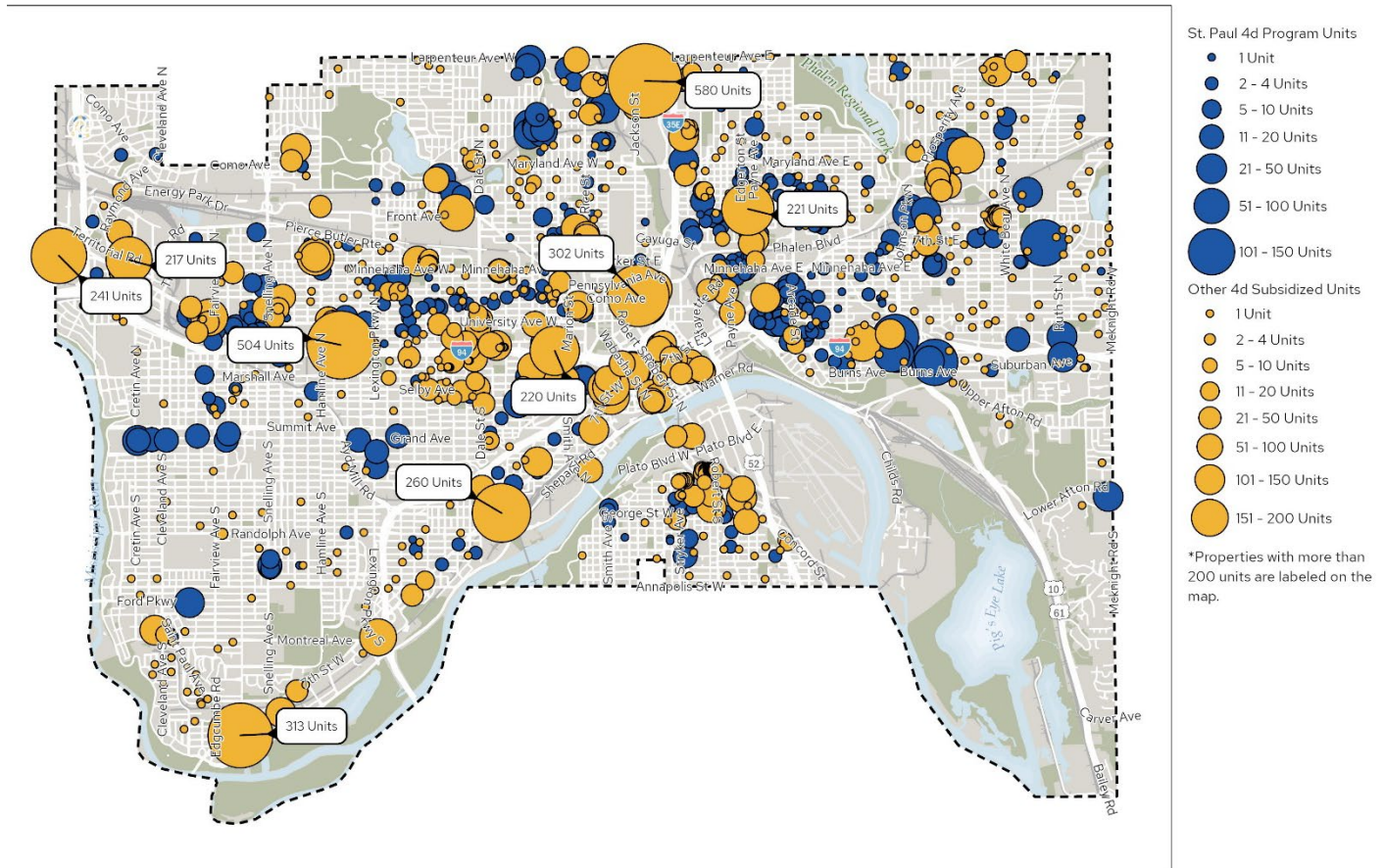
Table 9: 4d Properties and Units by Planning District

	# of 4d Properties	# of 4d Units	Average # 4d Units per Property
Battle Creek - Conway - Eastview - Highwood Hills	10	259	26
Como Park	6	55	9
Dayton's Bluff	59	486	8
Frogtown	40	135	3
Greater East Side	23	525	23
Hamline - Midway	18	119	7
Highland Park	10	87	9
Macalester - Groveland	8	132	17
North End	45	449	10
Payne - Phalen	76	258	3
Saint Anthony Park	4	10	3
Summit - University	15	97	6
Summit Hill	6	66	11
Union Park	18	151	8
West Seventh - Fort Road	13	40	3
West Side	21	74	4
Downtown	2	61	31
Grand Total	374	3,004	8

Map 1: Total Number of 4d Units by Planning District

All 4d Affordable Housing Units in St. Paul

Tuesday, August 22, 2023



GIS CREDITS: St. Paul Enterprise GIS; Parcel Polygons; current Ramsey County data via Minnesota spatial Comment; Road and Building Polygons; 2017 Impervious Surface Database; Ramsey County; Water data via Minnesota DNR; CITY OF SAINT PAUL. This document was prepared by the Saint Paul Planning and Economic Development Department and is intended to be used for reference and illustrative purposes only. This drawing is not a legally recorded plan, survey, official site map, or engineering schematic and is not intended to be used as such. DATE: 8/22/2023 8:06 AM DOCUMENT PATH: C:\Users\37669\City of Saint Paul\GIS\Drawings & Mapping\Documents\Projects\HRL Board\Reports\2023\2023-08-08-4d-report-for-Erick-Disselhorst\4 - 2023-08-08-4d-Report-10-10-23.aprx



The 4d program preserves affordable housing in all of Saint Paul’s Planning Districts. The highest concentrations of 4d units are located in the following Planning Districts: North End, Payne-Phalen, Greater East Side, Dayton’s Bluff, and Battle Creek-Conway.

2023 4d Compliance Results

4d property owners are required to submit annual compliance materials to City staff related to the rent and income restrictions required by the 4d program. Owners must submit a Saint Paul 4d Recertification form with information documenting any change in a unit’s monthly rent over a 12-month period, from Jan. 1 through December 31, as well as the household income information for any new tenants that move-in. The following data and analysis relates to properties that enrolled in the 4d program in the 4 years between 2019-2022. Properties that enrolled in the program in 2023 will be subject to compliance in 2024.

Table 9: Breakdown of 4d Properties that Submitted Compliance Materials

Total 4d Properties	Submitted Compliance Form	No Compliance Form Submitted
288	252 (87%)	36 (13%)

Table 10: Total Number of 4d Units in Compliance vs Out of Compliance

Total 4d Units	Units in Compliance	Units Out of Compliance
2,246	1,984 (88%)	262 (12%)

For properties in the program subject to compliance monitoring, 88% of 4d units were in compliance. This figure is comparable to compliance rates for other local communities with 4d programs.

4d units were deemed out of compliance for the following reasons:

- A rent increase of more than 3% during the 12-month compliance period, with prior approval for an allowable exception to the 4d rules.
- Rent or tenant household incomes were above 50% AMI, or 60% AMI, depending on the applicable restrictions for the unit.

- No recertification form was submitted.

In considering these figures, it's worth noting that 2023 compliance monitoring was more robust than in past years. In prior years, staff did not have sufficient time or resources to proactively monitor compliance, and many properties did not submit reports but were allowed to maintain 4d tax status. This year's more robust process created more accountability for owners, and some owners will lose 4d status on a portion of their rental units, or in some cases for their entire property, for taxes payable in 2024. Those owners will have the opportunity to correct issues over the course of the next year, and if issues are corrected during the next compliance round, they will receive full 4d tax benefits again in 2025.

In addition, staff are working to improve overall communication with 4d owners through clearer website materials and through additional communication with buyers of 4d properties that are sold. Staff expect that going forward, many owners with out of compliance properties or units will work to bring properties back into compliance, and that compliance rates in future years may further improve.

