PLANNING AND ECONOMIC DEVELOPMENT
CITY OF SAINT PAUL 4(D) AFFORDABLE HOUSING INCENTIVE PROGRAM

Purpose

Due to current market trends, rents are increasing in many places throughout the City, and renters are having increased difficulty making ends meet. The City of Saint Paul is dedicated to preserving healthy, affordable housing for the well-being and stability of all our residents and our community.

Through the Saint Paul 4(d) Affordable Housing Incentive Program, the City of Saint Paul offers a valuable package of incentives for rental property owners to reduce property tax liability and address conditions of aging buildings with the goal of preserving affordability, enhancing the physical condition of rental units, and providing stable, healthier and safer homes to tenants.

What are the benefits to participants?

Qualified building owners that agree to keep a minimum of 20% of units per building affordable to households making 60% (or lower) of Area Median Income (AMI) for ten years, will receive: 10-year eligibility for the 4(d) property tax rate, which provides a 40% tax rate reduction on qualifying units.[1]

Additional benefits include:

- City payment of first year application fee to the State of Minnesota for certification of the 4(d) property tax classification ($10/unit)
- City Payment of the recording fee of the Declaration of the restrictive covenants
- Grant to each 4(d) property
- Reduced renter turnover due to tenant stability

Who is eligible?

Owners of market-rate multifamily properties that meet the following criteria:

- At least 20% of the rental units in a building are occupied by and affordable to households whose family income is at or below 60% of the Area Median Income (Selection preference will be given to lower income proposals with at least 20% of the restricted units affordable to tenants at 50% or lower AMI. For 2-unit buildings, preference will be given to proposals with at least a unit affordable to tenants at 50% AMI or lower).
- The building or tax parcel must have at least 2 units.
- Income qualification is determined upon initial occupancy. Thereafter, increased incomes of tenants in affordable units will not violate the program requirements.

[1] Minnesota Statute 273.128 provides that qualifying low-income rental properties, including those enrolled in the Saint Paul 4(d) incentive program, are eligible for 4(d) tax classification. According to state statue, the first tier of valuation ($139,000/unit in 2018) on 4(d) rental properties is taxed at a rate 40% less than 4a and 4b rental property. The actual reduction in property taxes may be slightly higher or lower than 40%.

- Existing tenants in units that have program compliant rents at or below 60% of the Area Median Income do not need to be income qualified.
- Buildings can include units with owner occupants, but only rental units are eligible for 4(d) tax status.
- Rental units graded A and B by the City Department of Safety and Inspection (DSI) with no rental housing license revocations or outstanding citations.

The City will receive and review applications on an annual basis. Properties will be selected based on City goals of preserving housing affordability in neighborhoods throughout the City as well as affordability level proposed, subject to the availability of City grant funds.

Note: The City reserves the right to deny applications for the 4(d) Incentive Program if the owner or property manager applying owns or manages other properties graded C or D by DSI, or if other properties have rental housing license revocations or outstanding citations.

Process and program requirements:

- Property Owners will submit a 4(d) program application and rent roll, and sign a Participation Agreement with the City. The Participation Agreement includes a commitment to accept tenant-based assistance and affirmative fair marketing, and prohibits involuntary displacement of existing tenants.
- The City will draft and record a declaration against the property that limits the rents and incomes on the qualified units for 10 years (a recorded document is required for 4(d) tax classification status). The declaration also limits rent increases for tenants in affordable units to 3% or less annually, unless the unit is turning over to a new tenant or the owner provides evidence that a larger rent increase is needed to address deferred maintenance or unanticipated operating cost increases.
- The City will provide a grant to each 4(d) property, in the amount of $100 per affordable unit, capped at $1,000 per property. This funding is intended to help property owners cover the cost of 4(d) administrative and reporting requirements associated with the program, as well as to help owners make health, safety and energy efficiency improvements to properties.
- Property Owners will select the percentage of their building to restrict, with a minimum of 20%. If they select more than 20%, after 5 years and upon request, the City will approve a reduction of the percentage of restricted units to the minimum level of 20% of the units per building.
- Property owners will sign a 4(d) application once declaration is filed.
- The City will submit a signed 4(d) application, application fee and declaration to Minnesota Housing on behalf of the property owner for their first year only. Owners are responsible for submitting annual applications to Minnesota Housing to renew 4(d) tax status. See “Annual Owner Compliance” for additional information.

Modifications to declarations during the 10-year term

- The declaration for the 4(d) program commitments runs with the property for 10 years. Anyone buying and selling 4(d) property should contact City staff to complete an Assignment, Assumption and Consent form transferring the declaration to the new owner.
- Any other changes to the declaration, such as revisions to the Exhibit B document specifying which units in the building are restricted, should contact City staff

What does annual compliance involve?

To continue to receive 4(d) status Property Owners are required to submit:

- An annual 4(d) application to Minnesota Housing
- An annual report to the City. An annual compliance form can be at stpaul.gov/4D

2019 Rent and Income Restrictions, Saint Paul 4(d) Affordable Housing Incentive Program
*Rent and income limits based on 60% of the Twin Cities Area Median Income (AMI).

Maximum Rent Limits, 2019 Program

	*60% AMI		*50% AMI
Studio/Efficiency	$991		$826
1 Bedroom	$1,062		$885
2 Bedrooms	$1,273		$1,061
3 Bedrooms	$1,471		$1,226
4 Bedrooms	$1,641		$1,367
5 Bedrooms	$1,811		$1,509

Maximum Income Limits, 2019 Program

	*60% AMI		*50% AMI
1 person	$39,660		$33,050
2 people	$45,300		$37,750
3 people	$50,940		$42,450
4 people	$56,580		$47,150
5 people	$61,140		$50,950
6 people	$65,640		$54,700
7 people	$70,200		$58,500
8 people	$74,700		$62,250

Note: Building owners do not need to verify incomes of existing tenants. If units turn over and new tenants move in, owners must verify tenant incomes and report them to the City on an annual basis.

Notes on Area Median Income and annual updates to rent and income restrictions

- The City of Saint Paul will publish an annual rent and income schedule, based on the regional 60% and 50% AMI standards, that owners can reference to stay in compliance with the program over the 10-year commitment
- Rent and income restrictions will be updated annually based on AMI levels set by HUD. For more information on Area Median Income and rent limits, please visit the Metropolitan Council website.

Questions?
For questions or more information about the 4(d) Affordable Housing Incentive Program, contact Jules Atangana at jules.atangana@ci.stpaul.mn.us

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