



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

## 2021 Application Round

Due to current market trends, rents are increasing in many places throughout the City of St. Paul, and renters are having increased difficulties making ends meet. The City of Saint Paul is dedicated to preserving and providing safe, affordable housing for the well-being and stability of all its residents and communities.

Through the City of Saint Paul 4(d) Affordable Housing Incentive Program (“4(d) 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. Find more info at [www.stpaul.gov/4d](http://www.stpaul.gov/4d).

### A. How does it work?

Properties are normally taxed according to their value and property type. State law allows properties that supply affordable housing to be classified differently and taxed at a lower rate. Participating in the 4(d) Program changes how your property is classified, thereby reducing your tax rate in exchange for committing to provide affordable housing.

Owners of properties in the City of Saint Paul may apply for the classification through the City’s 4(d) Program. If approved, the City submits your application to the State of Minnesota through the Minnesota Housing Financing Agency (“Minnesota Housing”) Low Income Rental Classification (“LIRC”) Program. Once you are approved through both City and State programs, the 4(d) tax rate is assessed by Ramsey County to your property beginning the year following final approval.

### B. What are the benefits to participants?

Qualified building owners that agree to keep a minimum percentage of units per building affordable to low- and moderate-income households for a consecutive 10-year period, will receive:

- 10-year eligibility for the 4(d) property tax rate, which provides a 40% tax rate reduction on qualifying units.<sup>1</sup>
- A grant for each 4(d) unit, up to a maximum of \$1,200 per property:

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<sup>1</sup> Minnesota Statute 273.128 provides that qualifying low-income rental properties, including those enrolled in the Saint Paul 4(d) Affordable Housing Incentive program, are eligible for 4(d) tax classification. According to state statute, 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%.

- \$200 for each unit affordable at 50% of Area Median Income (AMI)
- \$75 for each unit affordable at 60% AMI

Additional benefits include:

- The first-year application fee to the State of Minnesota for certification of the 4(d) classification (\$10 per unit) is paid on owner's behalf;
- The recording fee of the Declaration of Restrictive Covenants ("Declaration") is paid on behalf of owner; and
- Increased tenant stability and possible benefits including reduced renter turnover

### C. Who is eligible?

Eligible properties meet the following criteria:

- Owners of multifamily properties must be willing to sign a 10-year Declaration on the property, designating a certain number of committed units to the committed affordability levels (see **Section D. - Minimum Restrictions on Affordability** below);
- Owners of single-family properties must sign a 10-year Declaration on the property, including a commitment to the committed affordability levels for single family properties (see **Section D. – Minimum Restrictions on Affordability** below) but which does allow an owner to sell at any time to a household earning no more than 80% AMI;
- Owners must be willing to accept rental applicants with tenant-based assistance, should the applicant(s) otherwise meet owner's rental screening guidelines, and are required to comply with affirmative fair housing marketing practices;
- A Certificate of Occupancy for the property must be valid at the time an owner is applying for the 4(d) Program, unless the City of Saint Paul's Department of Safety and Inspections (DSI) guidelines do not require one;
- Only rental units are eligible. If an owner occupies a unit, that unit cannot be certified with the 4(d) classification; and
- The property must be graded A or B by DSI, with no rental license revocations or outstanding citations.
  - Note: The City reserves the right to deny an application if any owner or property manager applying (or any entity that the owner or property manager has an ownership interest in) owns or manages any other properties within the City of Saint Paul that: (i) are graded C or D by DSI; (ii) have rental housing license revocations; or (ii) have outstanding citations.

You may check on the status of your Fire Certificate of Occupancy and DSI Inspection Grade at the following webpages:

- Fire Certificate of Occupancies: <https://www.stpaul.gov/departments/safety-inspections/fire-inspections>

- DSI Grades Interactive Map: <https://www.stpaul.gov/departments/safety-inspections/certificate-occupancy-map#iframe>

#### D. Minimum Restrictions on Affordability

To participate in the 4(d) Program, properties must follow the applicable requirements below during the entire 10-year time period:

- Single-Family (1 unit) properties must be kept affordable to households earning 50% AMI.
- 2-unit properties must keep at least 1 unit affordable to a household earning no more than 50% AMI.
- Properties with 3 or more units must follow one of these two options:
  - 1) Option 1: At least **20% of the rental units** in a building are occupied by and affordable to households whose **income is at or below 50% AMI**; or
  - 2) Option 2: At least **50% of the rental units** in a building are occupied by and affordable to households whose **income is at or below 60% AMI**.

#### E. 2021 Maximum Rent Affordability Limits<sup>2</sup>

Rents on 4(d) units may be raised by **no more** than 3% annually, unless leasing to a new tenant or with evidence of necessity and prior written approval by the City. The table below shows the maximum rents limits based on the number of bedrooms for the 2021 application round:

	<b>Eff/SRO</b>	<b>1 BR</b>	<b>2BR</b>	<b>3BR</b>	<b>4BR</b>
60% AMI	\$ 1,086	\$ 1,164	\$ 1,396	\$ 1,613	\$ 1,800
50% AMI	\$ 905	\$ 970	\$ 1,163	\$ 1,344	\$ 1,500

Source: [Metro Council](#)

Rents may never be raised above the maximum rent limits for the applicable year.

#### 2021 Utilities Allowance

The “Maximum Rent Affordability Limits” above apply to the combined base rent plus a tenant’s costs of utilities. This is based on the following Utilities Allowance Chart:

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<sup>2</sup> 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 4(d) 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](#).

UTILITY/ APPLIANCE	0-BR	1-BR			2-BR			3-BR			4-BR			5-BR	6-BR
		M	T/D	SF	M	T/D	SF	M	T/D	SF	M	T/D	SF		
HEATING Gas District Energy Electric	33	35	47	64	59	69	90	67	86	100	94	101	114	138	152
	23	42	42	53	61	61	72	66	66	82	84	84	100	89	93
	24	31	63	79	42	72	123	58	80	119	67	91	130	140	144
COOKING Gas Electric	5	6			11			13			14			15	16
	7	8			13			15			17			19	21
OTHER ELECTRIC	14	22			35			45			50			52	58
WATER HEATING Gas District Energy Electric	8	9			17			21			25			27	31
	7	14			21			21			30			30	33
	11	13			21			25			32			42	45
WATER & SEWER	25	35	49	49	40	53	53	45	62	62	50	75	75	83	97
TRASH COLLECTION	10	10	25	25	10	34	34	10	36	36	10	36	36	36	36
RANGE	4	4			4			4			4			4	4
REFRIGERATOR	5	5			5			5			5			5	5

### F. 2021 Maximum Income Limits per Household Size (Number of persons)

There is no income requirement for tenants who are already renting the unit(s) at the time that an owner applies for the 4(d) Program. However, any new tenant moving in once a unit has been 4(d) certified must income-qualify at or below the maximum household income, adjusted for household size, as shown below:

	1	2	3	4	5	6	7	8
60% AMI	\$43,440	\$49,680	\$55,860	\$ 62,040	\$ 67,020	\$ 72,000	\$ 76,980	\$ 81,900
50% AMI	\$36,200	\$41,400	\$46,550	\$ 51,700	\$ 55,850	\$ 60,000	\$ 64,150	\$ 68,250

### G. Application Process – (APPLICATIONS WILL BE ACCEPTED THROUGH DECEMBER 31, 2020)

- Application Package
  - Property owners must submit a complete 4(d) Program application package to the City of Saint Paul by December 31st, which includes the following:
    - City 4(d) Affordable Housing Incentive Program Application; and
    - Rent Roll.
  - Visit the webpage at [www.stpaul.gov/4d](http://www.stpaul.gov/4d) to download these documents.
- **Application packages that are timely submitted will be reviewed in the order they are received, and approval decisions made on a rolling basis. Properties will be selected subject to the availability of 4(d) Program funds. Any application packages that are incomplete or received after the deadline will not be considered. The City’s receipt of an application will be based on the date and time the application is received by email or the post mark date of any application received by mail.**
- If an owner’s application package is approved, the owner must sign the following closing documents:

- Participation Agreement;
- Declaration that limits the rents and household income on qualifying units for 10 years. The City will record the Declaration against the property;
- Minnesota Housing “LIRC” Application; and
- Compliance Errors and Omissions Agreement.
- The City submits the Participation Agreement, Declaration and Minnesota Housing “LIRC” Application (including payment of the associated application fee) to Minnesota Housing by March 31, 2021 for final approval.
- Upon receiving Minnesota Housing final approval, the City will mail checks to owners covering the full grant amount per owner based on the following:
  - \$75 for each unit with rents and incomes restricted at 60% AMI;
  - \$200 for each unit with rents and incomes restricted at 50% AMI; and
  - The total grant is capped at \$1,200 per multifamily property and for each owner of multiple single-family rental properties.
- Owners are responsible for recertifying their compliance on an annual basis to both Minnesota Housing and the City, separately, and responsible for paying the Minnesota Housing reapplication fee annually.

## **H. Closing Requirements**

City staff will contact you to schedule a closing date to sign the Participation Agreement, the Declaration, the Minnesota Housing “LIRC” application and Compliance Errors and Omissions Agreement. Anyone who has an ownership interest in the property must attend closing, including any spouse of individual owners. All parties must bring a government issued form of picture identification to closing.

## **I. 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 a property in the 4(d) Program should contact City staff at least two (2) weeks before closing. All buyers and sellers will need to sign an Assignment and Assumption Agreement (“Assignment and Assumption”) assigning the obligations under the Participation Agreement and Declaration to the new property owner(s). The sale of any property in the 4(d) Program is void (i.e. not valid) without first obtaining written approval from the City of Saint Paul and the City of Saint Paul’s Housing and Redevelopment Authority (“HRA”) and all parties to the sale transaction executing the Assignment and Assumption.
- Note: Single-family homes may be sold at any time to qualifying owner-occupants earning a maximum of 80% of AMI, as allowed in the Declaration. The City of Saint Paul will provide written approval of the sale upon review of the buyer’s income documentation and verification that the buyer meets such income requirements.
- Anyone seeking other changes to the Declaration (after a minimum of 5 years in the 4(d) Program), such as revisions to Attachment B of the document specifying

which units in the building are restricted, should contact City staff.

- In an effort to avoid delays, Owners should contact City staff as soon as they have decided to sell their property or seek a change related to the number of restricted units.

## **J. Failure to Comply**

Any owner that is in default of the Participation Agreement and/or Declaration or who chooses to drop out of the 4(d) Program without first obtaining written approval from the City and HRA (which approval shall be in the City's and HRA's sole discretion) will be subject to losing the tax benefits associated with participation in the 4(d) Program. The City and/or HRA may also, upon a failure to comply with any of the 4(d) Program requirements, elect to enforce any other remedy described in the terms of the Participation Agreement or Declaration or that is now or hereafter available to the City or HRA at law, by statute or in equity.

## **K. Questions?**

For questions or more information, visit the 4(d) Affordable Housing Incentive Program webpage at [www.stpaul.gov/4d](http://www.stpaul.gov/4d) or contact:

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