

HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 11, 2019

**REGARDING: APPROVAL OF GUIDELINES AND FUNDING OF THE 4(D)
AFFORDABLE HOUSING INCENTIVE PROGRAM FOR THE YEAR 2020**

Requested Board Action

1. Approval of the 4(d) Affordable Housing Incentive Program guidelines for the year 2020;
2. Approval of \$75,000.00 of the Housing Trust Fund to be allocated to the 4(d) Affordable Housing Incentive Program for the year 2020.

Background

The City of Saint Paul's Housing Trust Fund ("HTF") is capitalized with \$10,000,000 and supported with a \$2,000,000 ongoing annual investment. These resources, combined with existing city and federal resources, are anticipated to top \$71 million over three years. The HTF will support housing affordability and wealth building through various initiatives, including support for a 4(d) Tax Incentive Program to preserve Naturally Occurring Affordable Housing at ongoing affordable levels through a modest HRA investment and a provision in the state tax code.

Staff has developed the attached updated 4(d) Affordable Housing Incentive Program Guidelines with the purpose of preserving healthy, affordable housing for the well-being and stability of all our residents and our community. The program offers incentives that include reduced property tax liability as well as a small investment grant to rental property owners in Saint Paul.

Resolution 19-273 in February of 2019 approved the guidelines to the HRA's first 4(d) round in 2019, as well as \$60,000 in funding from the Affordable Housing Trust Fund resulting in 66 properties with a total of 415 units certified for the 4(d) tax incentive program. Of these units, 231 (56%) were restricted at rents affordable to households earning 60% Area Median Income

(AMI), and 184 (44%) were restricted for 50% AMI households. The 4(d) tax incentive is renewed annually by each applicant for a ten-year period, preserving affordable rental units for the next decade. The program offers incentives that include reduced property tax liability as well as a minimal property investment grant to rental property owners in Saint Paul. For the 2019 round, out of the allocated budget of \$60,000, HRA spent a total of \$35,001.70 leaving a program balance of \$24,998.30. Funds were spent to cover the cost of applications to Minnesota Housing, as well as program marketing expenses, and recording fees associated with declarations of restrictions. Funds were also used to provide a property investment grant of \$100 per certified 4(d) unit or up to \$1,000 per eligible building.

Having piloted the 4(d) program in 2019, staff recommends a few modifications to the program guidelines in 2020 to deepen the impact on affordability, including a larger per unit investment grant for units at 50% AMI, and expanding program eligibility to include single family rentals. The 2020 round Program Guidelines document is attached and includes proposed amendments to the year 2019 guidelines. The proposed changes are the following:

- Minimum set aside:
 - 20% of the units at 50% AMI or
 - 50% of the units at 60% AMI
- Single family rental units are eligible with a Declaration of Restriction allowing the sale at any time to an eligible homebuyer at 80% AMI or less
- The financial incentive provided by the HRA is limited to \$1,000 for multifamily buildings and owners of multiple single-family rental properties, with grants per unit in the amount of:
 - \$75 for units with rents and incomes restricted at 60% AMI
 - \$100 for units with rents and incomes restricted at 50% AMI

Staff anticipates an increase of applications due to the eligibility of single-family properties in 2020 and the request is for an allocation of \$75,000 to be added to the 2019 balance of \$24,998.30 for a total budget of \$99,998.30.

The Addendum to the Analysis of Impediments to Fair Housing in the metro area recommended that the City consider taking actions to address Fair Housing challenges. As the impact of the 2019 round demonstrates, and as the proposed modified guidelines address, the 4(d) Affordable Housing Incentive Program will address five of the ten identified Fair Housing goals:

- Reduce Resident Displacement
- Expand Funding for Affordable Housing
- Expand Locations of Affordable Housing
- Invest in Place-Based Community Improvements
- Support Residents' Fair Housing Rights

Funds allocated to the program will cover cost of applications to Minnesota Housing, recording fees, marketing expenses, and grants to eligible applicants as detailed above

Budget Action:

The Financial Analysis to amend the 2020 HRA budget will be brought to adoption before the HRA Board after the adoption of the City's final budget.

Future Action: N/A

PED Credit Committee Review: N/A

Compliance: N/A

Green/Sustainable Development: N/A

Environmental Impact Disclosure: N/A

Historic Preservation: N/A

Public Purpose/Comprehensive Plan Conformance

The program meets objectives of the Housing chapter of the City's 2030 Comprehensive Plan, Section 6.0, Strategy 3: Ensure Availability of Affordable Housing.

The program helps secure the affordability of Naturally Occurring Affordable Housing (NOAH) units for a 10-year period, with minimal upfront subsidy required.

Recommendation:

Staff recommends approval of the 4(d) Affordable Housing Incentive Program Guidelines as amended and allocation of \$75,000 (to be added to the current balance of \$24,998.30) of the Affordable Housing Trust Fund to the 4(d) Affordable Housing Incentive Program for the year 2020.

Sponsored by: Chair Tolbert

Staff: Jules Atangana 651-266-6552

Attachments

- 2020 Program Guidelines