

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 10, 2021

**REGARDING: APPROVAL OF AMENDED GUIDELINES AND OF FUNDING FOR THE 4D
AFFORDABLE HOUSING INCENTIVE PROGRAM FOR THE YEAR 2022**

Requested Board Action

1. Approval of the 4d Affordable Housing Incentive Program Guidelines for the year 2022, as amended from those for the year 2021; and
2. Approval of **\$42,603.00** of the Housing Trust Fund to be allocated to the 4d Affordable Housing Incentive Program for the year 2022.

Background

As part of its broad strategy to address the continuum of housing needs in the City, the Housing and Redevelopment Authority of the City of Saint Paul defines as a key objective the preservation of naturally occurring affordable housing (NOAH). Since its establishment in 2019, the 4d Affordable Housing Incentive Program (the “4d Program”) has been a significant contributor to meeting that objective by preserving the affordability of 1,749 rental units in Saint Paul. This has been accomplished through a modest HRA investment and based on a statutory provision in the Minnesota law related to 4d/LIRC eligibility on rental properties with rent- and income-restrictions agreed to by owners under terms of financing by the HRA.

This financing is provided to newly-certified 4d property owners in the form of a small property investment grant. However, the main incentive of the 4d Program is that enrollment allows 4d Program properties the ability to qualify eligible rental units to the 4d, “low income rental classification” (“LIRC”). This reduces the property class tax rate by 40% per restricted 4d unit). Eligibility for these incentives is based on certain affordability commitments, which are enforced over a 10-year period by a Declaration of Restrictive Covenants.

Outcomes of the 2019-2021 program years of the 4d Program are as follows:

4d PROGRAM OUTCOMES HISTORY				
4d Program Year	# of Properties	# of 4d Units Preserved	# of 4d Units at 60%AMI (% of Total 4d Units)	# of 4d Units at 50%AMI (% of Total 4d Units)
2019	66	410	230 (56%)	180 (44%)
2020	89	728	406 (56%)	322 (44%)
2021	71	611	432 (71%)	179 (29%)
TOTALS	226	1,749	1,068 (61%)	681 (39%)

The Housing Trust Fund funds that are budgeted for the 4d Program are used to cover marketing expenses, title/ownership verifications, Minnesota Housing’s application fees, and Ramsey County’s recording fees associated with the Declaration of Restricted Covenants recorded for each participating property. The most significant use of funds is to provide owners with an investment grant based on a per unit amount, up to a maximum of \$1,200 per eligible property.

Staff has developed the attached 2022 4d Affordable Housing Incentive Program Guidelines (the “Guidelines”). Staff proposes adoption of these Guidelines, as amended from those of the 2021 4d Program, to further refine and advance the 4d Program’s goals and effectiveness in preserving safe, affordable housing for the well-being and stability for the City of Saint Paul’s residents and, in particular, its numerous rental households.

Proposed modifications to the 4d Guidelines for the 2022 4d Program include the following:

I) Diversity of Committed Unit Types in Large Buildings is proposed as a criterion for larger properties’ 4d eligibility, in order to align the preservation of affordable rental units with the goal of including a more equitable mix of housing types for the range of household and family sizes renting in Saint Paul.

- 1) Existing Properties with 50+ Units will be eligible under the following minimum required unit commitments:
 - a) In addition to meeting the current criteria for properties with 3 or more units (i.e. either at least 20% of units at 50% AMI, or 50% of units at 60% AMI, as unchanged from 2021 4d requirements),
 - b) This affordability must be restricted across a *diverse distribution of unit types* (in terms of their size and number of bedrooms), with consideration for financial feasibility.
- 2) Planned 50+ Unit Multifamily Developments: staff also proposes a pathway to eligibility for planned or under-construction developments (which are otherwise ineligible until issued a Certificate of Occupancy):
 - a) In addition to committing to general affordability, developers must meet the additional criterion that this affordability must be restricted across a *diverse distribution of unit types* (defined by their number of bedrooms).
 - b) Based on requisite financial and pro forma documentation provided by developers, staff will assess, or underwrite, adequate affordability and unit-mix commitments, with consideration for the financial feasibility and constraints specific to each development.

II) New Penalties Language for Noncompliance: staff is proposing language to make explicit the HRA’s enforcement of 4d Program compliance—which had otherwise remained undefined in previous iterations of the Program Guidelines. Staff proposes to provide further clarity to 4d owners whose 4d properties fall out of compliance as to the necessary remedies to either retain or regain their eligibility for 4d status:

- a) In All Instances of Noncompliance: If a unit falls out of compliance with the 4d Participation Agreement or Declaration, the owner will not be able to designate its 4d eligibility or recertify its 4d status for any tax year subsequent to years in which the unit remains out of compliance.
- b) Rent Increases Beyond 4d Maximums or 3% Annual Increase Limit: The owner must refund to the tenant any rent overages, and provide to the HRA a letter of confirmation, signed by the tenant, confirming the amount returned.

- c) Lease of a 4d Unit to a Tenant with Income Exceeding AMI Limits: An income-eligible tenant must move into the unit before the owner may claim 4d eligibility on the unit in the following tax year.

Budget Action

The attached Financial Analysis form amends the 2021 Housing Trust Fund budget for the 2022 4D Program. Total funds for the 2022 4D program will be \$100,000 and includes 2021 funds of \$42,603 and remaining 2019-2020 budgeted funds.

Future Action N/A

Financing Structure 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 4d Program meets objectives of the Housing chapter of the City's 2040 Comprehensive Plan, including the following Policies in particular:

- H-16 – Increase housing choice across the city to support economically diverse neighborhoods...
- H-32 – Continue to use City/HRA resources to support affordable rental housing citywide with at least 30 percent of the total rental units (both market-rate and affordable) financially assisted by the City/HRA being affordable to households earning 60 percent or less of AMI.

- H-39 – Promote preservation of existing income-restricted affordable housing units to ensure continued affordability of those units.
- Policy H-41. Consider use of official controls to require affordable housing to achieve mixed-income neighborhoods...

Statement of Chairman (for Public Hearing)

Recommendation:

Staff recommends **(1)** approval of the 2022 4d Affordable Housing Incentive Program Guidelines as presented, and **(2)** allocation of **\$42,603.00** (to be added to the current balance of \$57,937.00 from previous years) of the Housing Trust Fund to the 4d Affordable Housing Incentive Program, for a total budget of \$100,000 in the year 2022.

Sponsored by:

Staff:

Luke Odenthal – 651-266-6647

Attachments

- **2022 4d Program Proposed Guidelines**
- **2022 Housing Trust Fund 4d Project Budget Attachment**
- **City of Saint Paul 4d Program Map – Participating Properties 2019-2021**
- **4d Program Tax Impact Summary**