

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

REPORT TO THE COMMISSIONERS

DATE: JULY 22, 2020

REGARDING: **AMENDMENT OF THE RENTAL REHABILITATION LOAN
PROGRAM POLICIES**

Requested Board Action

Approval of the following amendments to the Rental Rehabilitation Loan Program Policies:

- Increase the number of units per eligible property from 4 to 7.
- Broaden the eligibility to include all rental properties with 1-7 units regardless of geographic location or condition.
- Require that at least 50% of the units in the building be rented to tenants with an income 60% Area Median Income (AMI) or less, applying this requirement to all program participants citywide. The original program policies have different affordability requirements in ACP50 and non-ACP50 areas.
- Increase the loan amount from \$30,000.00 to \$40,000.00 acknowledging loans for work improving more units.

Background

On July 26, 2017, through Resolution 17-1158, the HRA Board approved the Rental Rehabilitation Loan Program Policies (the “Program”).

The following main goals were defined for the Program:

1. Provide a source of funds to responsible landlords of occupied rental single family, duplex, triplex, or fourplex buildings desiring to make property improvements that provide safe, decent, and healthy rental units in the City of Saint Paul
2. Preserve affordable rental housing options for Saint Paul residents.

From program launch on August 2017 through January 2018, first priority was given to 1 to 4-unit rental properties with their condition categorized as C and D by the Department of Safety and

Inspection (DSI) and located in ACP50 areas. In February 2018, the Program was expanded to the rest of the City to focus on 1 to 4-unit rental properties graded C or D, as well as 1 to 4-unit rental properties graded A and B in ACP50 areas only. ACP50 areas are defined by the Metropolitan Council as census tracts where at least 50% of the residents are people of color, with at least 40% of residents with income at or below 185% of the federal poverty threshold.

Since August 2017, 15 loans have been approved for a total amount of \$354,855. The loans have helped preserve affordability and improve the physical condition of 40 units for an average of \$8,871 per unit. The renovation issues we have addressed to date include mechanical and electrical systems upgrades, window replacement, flooring replacement, siding and roof replacement, wall insulation, and landscaping to prevent water issues in the basement.

Staff is proposing several program modifications. First, staff recommends that rental properties outside of ACP50 areas that are graded A or B, that do not currently qualify for the program, be made eligible for the program. This will provide support for all small-scale rental property owners in the city to address issues with building condition, provided that they agree to restrict rents to Fair Market Rents for 10 years and agree to restrict 50% of the units to tenants at 60% of Area Median Income or below. It will also support preservation of safe and affordable housing options for residents throughout Saint Paul. Staff also proposes to apply the same rent and income restrictions to all properties citywide, regardless of geography. Lastly, the amended Program Policies expand the maximum property size from 4 to 7 units, and correspondingly – increase the maximum loan amount from \$30,000 to \$40,000.

The City of Saint Paul is committed to taking actions to address fair housing challenges and this Program addresses five of the ten identified fair housing goals:

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

Budget Action: N/A

Future Action: N/A

PED Credit Committee Review: N/A

Compliance

The following compliance requirements may apply:

Two-bid Policy and Sustainability Initiative.

Green/Sustainable Development N/A

Public Purpose/Comprehensive Plan Conformance

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

Recommendation:

Staff recommends approval of the Rental Rehab Loan Program Policies as amended.

Sponsored by: Chair Chris Tolbert

Staff: Jules Atangana 651-266-6552

Attachments

- Program Policies - Amended