

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 8, 2023

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

Requested Board Action

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

- Strengthen 10-year rent and income restriction requirement and increase owner capacity to maintain the property over time by linking Rental Rehab loan approval to Saint Paul 4d program enrollment;
- Increase the maximum loan amount from \$40,000.00 to \$75,000.00 accounting for the rise in materials and labor costs since the program's inception in 2017.

Background

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

Since the Rental Rehab program launched in 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 with DSI fire inspection grades of 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 family or individual incomes less than 185% of the federal poverty line. In July 2020, the Program was expanded again to increase the maximum number of eligible units from 4 to 7 units per property, include properties of all DSI ratings Citywide, restrict the income to 60% Area Median Income (AMI) to at least 50% of

the units on eligible properties Citywide, and increase the loan amount from \$30,000.00 to \$40,000.00.

Since August 2017, 25 loans have been approved for a total amount of \$679,252. The loans have helped preserve affordability and improve the physical condition of 62 units for an average of \$10,956 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 are proposing two program modifications.

First, staff recommend that 1) Properties receiving a Rental Rehab loan that have A or B fire inspection grades are required to enroll in the 4d program at the time of closing. 2) Properties with lower grades are required to enroll in 4d after completion of their Rental Rehab work, and after a fire certificate of occupancy inspection is completed by DSI with a grade of at least a C. The linkage with 4d will strengthen the 10-year rent and income restriction requirement of the Program. It will also increase capacity to maintain the property over time by reducing expenses from property taxes. In order to maintain 4d status, the State of Minnesota requires that property owners utilize tax savings towards a set of eligible expenses including property maintenance and deposits to the replacement reserve.

Second, the amended Program Guidelines will increase the maximum loan amount from \$40,000 to \$75,000 to account for increased materials and labor costs since the program's inception in 2017.

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

- Decent, safe and healthy housing for all Saint Paul residents
- Fair and equitable access to housing for all city residents
- Stable rental housing
- Improved access to affordable housing

Budget Action: N/A

Future Action: N/A

Financing Structure: N/A

PED Credit Committee Review

Approved by Credit Committee on October 31, 2023.

Compliance

The following compliance requirements may apply:

Labor Standards (Little Davis-Bacon)

Vendor Outreach Program

Two-bid Policy

PED/HRA Sustainability Initiative

Affirmative Action

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 Plan, adopted as part of the City’s 2040 Comprehensive Plan, Section 4.0:

- Goal 1: Decent, safe and healthy housing for all Saint Paul residents
- Goal 3: Fair and equitable access to housing for all city residents
- Goal 5: Stable rental housing
- Goal 6: Improved access to affordable housing

Recommendation:

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

Sponsored by: Chris Tolbert

Staff: Dean Porter-Nelson 651- 266-6652

Attachments

- Program Guidelines