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CITY OF SAINT PAUL

2026-2027 Qualified Allocation Plan: Proposed Amendments

October 2025



Program Background

The Low-Income Housing Tax Credit (LIHTC) program was created by Congress in 1986 to encourage the production of affordable housing

- Program provides tax incentives to affordable housing investors
- Minnesota receives housing tax credit allocations from the IRS. The state then has sub-allocators, including the Minneapolis Saint Paul Finance Board (Joint Board)
- Federal rules require sub-allocators set guidelines for the tax credit allocation
- Every two years, the Joint Finance Board meets to review and update these QAP guidelines



2026-2027 Qualified Allocation Plan

- Endorsed by the HRA (RES 25-733) on May 14, 2025
- Approved by the Minneapolis/Saint Paul Finance Board on June 11, 2025
- Changes include:
 - Expanding the eligibility of housing tax credits.
 - Expanding services.
 - Redefining the Equity and Cultural Integration criterion.



Proposed Amendments

We have an opportunity to take advantage of increased capacity in new federal law

1. Update guidelines to reflect the language in new federal tax law that lowers the minimum tax-exempt bond amount issued for a project from 50% of the basis to 25% of the basis after January 1, 2026
2. Allow downtown housing projects utilizing HTC to be eligible for the qualified contract rule under federal IRS requirements after 15 years of affordability
3. Revise the 4% LIHTC scorecard to prioritize office-to-housing conversions

Acting now ensures we can fully maximize the increased capacity and ability to help with additional affordable housing projects in Saint Paul



Proposed Amendments

Increased tax-exempt bond capacity is an opportunity to create more affordable units, therefore providing an additional financing tool to support downtown projects

- Post-COVID, downtown projects have unique financing circumstances and challenges
- Having a thriving and active downtown benefits all communities in our city



State of Real Estate in U.S. Downtowns Pre-Pandemic

Figure 1. Downtowns are characterized by office space

Real estate inventory product mix of the largest 30 U.S. metro areas, 2019



Source: Brookings analysis of CoStar data adapted from Loh and Leinberger, *Foot Traffic Ahead*, 2019.

Note: Analysis does not include hotels, industrial spaces, or owner-user space (for example, most museums and schools).



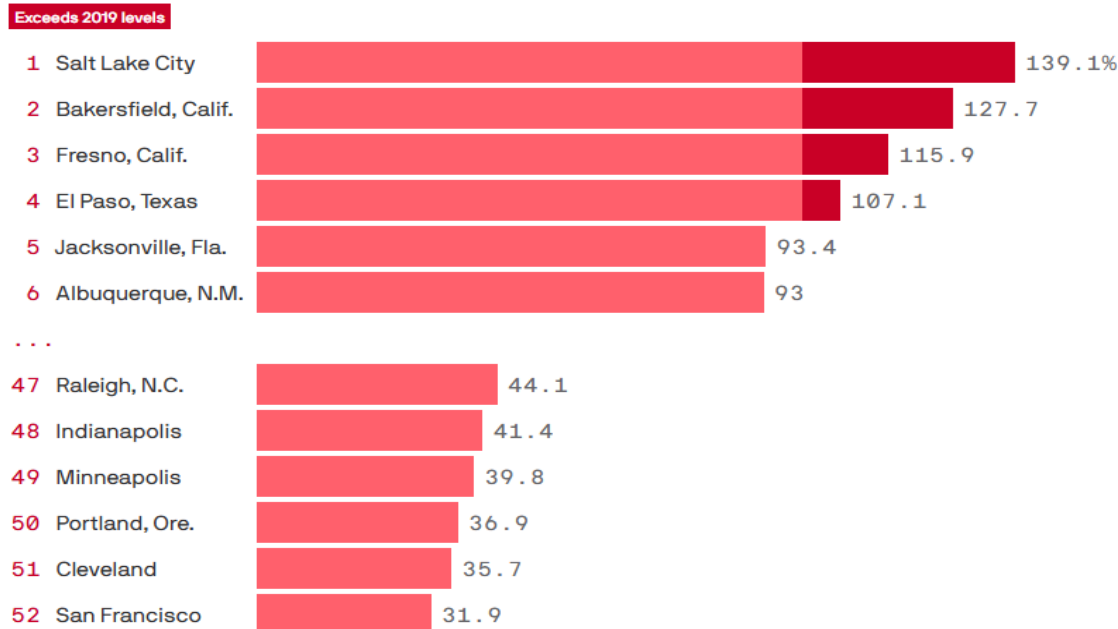
Issues and Challenges

The pandemic led to a significant decline in office occupancy

- Abandoned office towers and outdated/unfit infrastructure
- Fewer economic activities
- Crime and safety issues

Downtown foot traffic recovery, spring 2023

Total unique downtown visitors from March–May 2023 as a share of the same season in 2019



Data: [University of Toronto](#); Note: Rank among select metro areas; Visitors determined by counting unique mobile phones in ZIP codes with high employee density; Chart: Kavya Beheraj/Axios



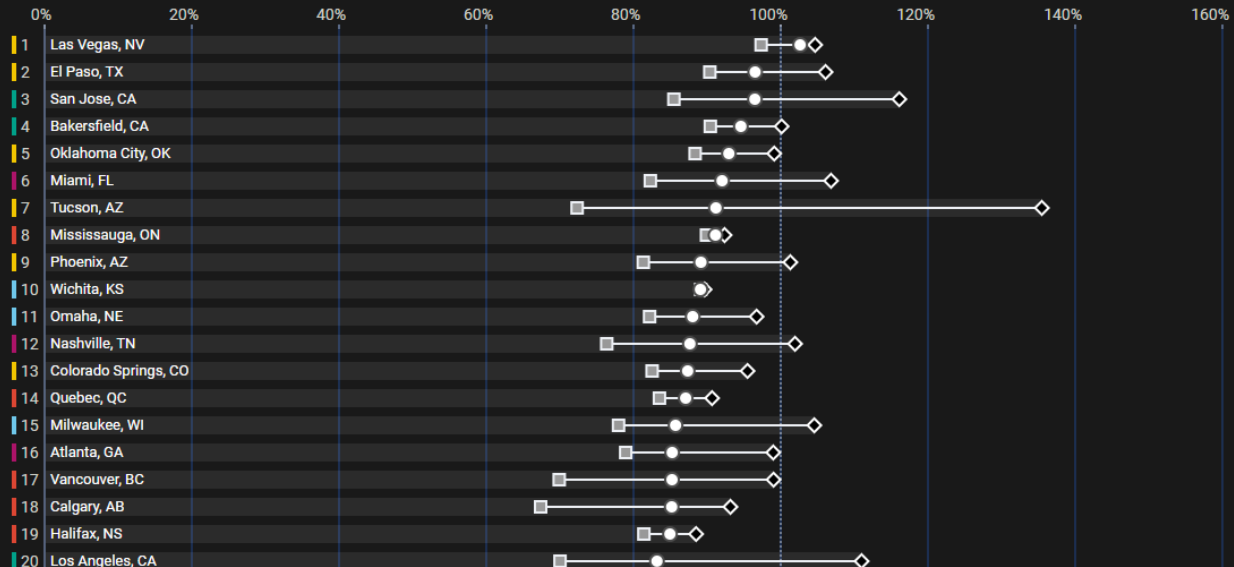
Updated Recovery Rate (2024)

Downtown Recovery: Working Hours vs. After-Work Hours

- Overall downtown recovery rate
- Recovery rate during typical working hours (8am-6pm, Monday to Friday)
- ◇ Recovery rate outside of working hours

Select Regions:

Midwest Northeast Southwest Southeast Pacific Canada





Some Reasons for Fast Recovery

Downtown recovery depends on lower commute times and a lower share of jobs in technical, scientific and professional fields

Downtowns that house sectors like education, health care, entertainment, accommodations, and manufacturing, where workers are on-site every day, tend to recover fastest, while those with longer commute times and higher densities fare the worst

After work-hour activity is surging in many downtowns. Almost a third of downtowns have more activity on weeknights and weekends than they did before the Covid-19 pandemic. Almost all of these downtowns are in the warmer regions of the U.S. (the Southwest, Pacific, or Southeast), suggesting that pleasant weather helps attract visitors and shoppers downtown

Downtown's pre-pandemic activity come from residents as opposed to workers when the city has a bigger share of its population living in very close proximity to downtown job locations



What Are Others Doing?

- **New York:**

looking to rezone areas to facilitate more conversions, with significant interest from developers despite the challenges of converting newer buildings

"The future of downtowns will depend on their ability to adapt to the changing landscape of work and commuting, as well as their commitment to long-term projects that build mixed-use downtowns with a strong residential presence"
([Urban Land Magazine](#))

- **Boston:**

75% property tax break to developers
13 buildings in Boston are considering such conversions, with a goal to both reduce vacancies and increase housing. A single successful project can positively impact its immediate surroundings

"This program will help us take advantage of the opportunity we have to rethink downtown as a space where people from all over come together to collaborate, create, live and play," Boston Mayor Michelle Wu

- **Chicago:**

Chicago has embarked on a large-scale project involving 10 city blocks, backed by over \$150 million in subsidies, with a portion of units designated as affordable

*Reinvent our downtown as a mixed-use neighborhood
"Office-to-residential conversion is one big way to redefine who and what downtowns are for."*
(Brookings Institution)



What is the Solution for Saint Paul?

Cost of Building Affordable Units in the Past Few Years

- In addition to bonds and HTCs, additional sources have been used to subsidize projects
- At least a 30-year restriction

Project	HTC	Subsidies	Source
892 E 7th Street (PPL)	9%	\$ 7,793,205.00	ARPA and Temp TIF
Marshall Ave Flats (Pak Properties)	4%	\$ 5,147,408.00	HOME and Temp TIF
Harbourline Apartments (Buhl)	4%	\$ 2,222,897.00	ARPA
Dale Street Townhomes	4%	\$ 1,000,000.00	CDBG
Emma Norton/Restoring Waters	4%	\$ 444,339.00	Pooled TIF
Nellis Francis (PPL)	4%	\$ 537,516.00	Pooled TIF
Soul (Shafer Richardson)	4%	\$ 7,850,000.00	ARPA
1222 University (JB Vang)	4%	\$ 3,283,472.00	Pooled TIF and ARPA
520 Payne (JO Companies)	4%	\$ 1,433,000.00	Pooled TIF
Parkway Apartments	4%	\$ 1,500,000.00	HOME
West Side Flats	4%	\$ 990,000.00	HOME
Rice Street Flats	4%	\$ 1,500,000.00	HOME
Thomas Ave Flats (MWF)	4%	\$ 1,300,000.00	HOME
Millberry Apartments			developer fee waiver
Legends at Berry			developer fee waiver
Balsam on Broadway			developer fee waiver
The Morrow (University/Fairview)			pass—through grant
848 Payne/Nova SP			pass—through grant
Como by the Lake			pass—through grant



What is the Solution for Saint Paul?

Reasons for the additional downtown financing tool

- Having a thriving and active downtown benefits all communities in our city
- Successfully converting empty office space into housing opportunities downtown benefits our tax base long term and increases population and economic activity
- Would encourage affordable housing projects downtown without offering direct cash subsidies or taking away opportunities for other communities

Proposed amendment would be in place for the 2026-27 QAP and reviewed again in 2027



2026-2027 QAP current language:

F. The project owner must agree to waive its rights under Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) of the Code which, if applicable, would otherwise allow the project owner to, in some cases, terminate the Declaration after the end of the 15-year compliance period. Applicants applying for 9% and 4% HTC in conjunction with the issuance of tax-exempt bonds must agree to extend the long-term affordability of the project and maintain the duration of low-income/rent restricted housing use for a minimum of thirty (30) years

- Requires owners of HTC projects to waive their qualified contract rights and have units affordable for 30 years minimum
 - 15-year compliance period
 - 15-year extended use period



2026-2026 QAP Proposed Amendment:

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 - (1) Exception for Saint Paul projects only: For office to housing conversion projects located in Downtown Saint Paul (bounded by I-35E and I-94 to the north, I-94 and Broadway Street to the east, Shepard Road to the south, and Kellogg Boulevard and Eagle Parkway to the west) project owners are not required to waive the aforementioned rights.
- Give an incentive to developers to attract more housing investments in St. Paul



Benefits

- Cost-effective: Provide easy access to private capital and does not take resources away from other programs or projects
- Fast: This policy adjustment if approved can be implemented immediately
- Generate more affordable housing

- Help reset downtown as the economic engine for the City
- Reduce fiscal stress on city residents (homeowners)
 - Economic growth
 - Cultural vibrancy
 - Social infrastructure
 - Job creation



2026-2026 QAP Current Language:

In addition to the requirements of this QAP, HRA and CPED have set forth various procedures in the Procedural Manual (see Section VII(B), or supplements thereto), for reviewing Applications for the allocation of 4% HTCs in connection with the issuance of tax-exempt bonds pursuant to Section 142 of the Code. Refer to Section VII of the HTC Procedural Manual for Application requirements. The requirements set forth in Article VII C. of this QAP do not apply to such projects. The proposed project must comply with the QAP that is in effect at the time Tax-Exempt Housing Revenue Bonds are issued sufficient, together with any Tax-Exempt Housing Revenue Bonds issued previously for the same project, to finance at least 50% of the aggregate basis of the building(s) and land it is located on.

- The amount of volume cap issued must be a minimum of 50% and up to a maximum of 53% of the aggregate basis.



2026-2026 QAP Proposed Amendment:

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- Need to reflect the language of the new tax law that lowers the minimum amount from 50% of the basis to 25% of the basis after January 1, 2026



2026-2026 QAP Proposed Amendments:

4. CREATION AND PRESERVATION

The project ensures that the federal housing subsidy and low-income housing restrictions remain in place, preserving long-term affordability, or creating new affordable units through new construction or conversions.

1. **New Construction or Downtown Office to Housing Conversion:** Points will be awarded to affordable housing projects that are new construction or downtown office to housing conversions ~~projects of affordable housing that is~~ located

- Outside of a QCT (5 Points)

2. **Substantial Renovation:**

The project is a substantial renovation that preserves long-term affordability in projects with existing federal or local funds, in order to (1) prevent conversion to market-rate use; or (2) remedy physical deterioration of the project if deterioration would result in loss of affordable housing or risk of loss within 5 years.

- Located inside a Qualified Census Tract (5 points)

Rationale: Affirm the priority given to downtown projects that create affordable housing from office building conversion



2026-2026 QAP Proposed Amendments:

E. CATALYTIC DEVELOPMENT SITES

1. DOWNTOWN OFFICE TO HOUSING CONVERSION

- Demonstration that the project attracts and increases private and other public investments in the area and will activate the downtown core. (15 points)

Rationale: Prioritize office to housing conversion for projects in downtown so that they meet the 40-point threshold



Affordable Housing in Downtown

Name	Address	Total Units	Affordable Units	30% AMI	50% AMI	60% AMI	80% AMI
American House	352 Wacouta Street	70	70	0	0	70	0
Central Towers	20 Exchange Street W	203	197	0	0	197	0
Commerce Apts Phase I	8 4th Street E	55	55	6	6	43	0
Commerce Apts Phase II	10 4th Street E	45	45	0	10	35	0
Crane Ordway	281 5th Street E	70	70	35	35	0	0
Dorothy Day phase I	215 Old 6th Street	193	193	193	0	0	0
Dorothy Day Residence	183 Old 6th Street	177	177	150	27	0	0
Dorothy Day Residence Fka Mary Hall	438 Dorothy Day Pl.	88	88	46	42	0	0
Exchange Hi-rise	10 Exchange Street W.	194	194	194	0	0	0
Heritage House	218 7th Street E	58	58	58	0	0	0
Lyon's Court	510 Sibley Street	60	60	0	30	30	0
Mears Park Place	401 Sibley Street	298	50	50	0	0	0
Minnesota Place aka: Minnesota Vistas	46 4th Street E	137	137	14	75	48	0
Northern Warehouse	308 Prince Street	52	52	9	21	22	0
Pioneer Press Building	345 Cedar Street	144	143	0	0	143	0
Sibley Court Apartments	484 Temperance Street	122	52	0	0	52	0
Straus Apts	350 Sibley Street	49	34	0	0	34	0
Tilsner Building	300 Broadway Street	66	65	0	0	65	0
Wabasha Hi-rise	10 Exchange St W.	71	71	71	0	0	0
Renaissance Box	200 10th Street Street	70	70	14	56	0	0
TOTAL		2,222	1,881	840	302	739	-



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