

Low Income Housing Tax Credits

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SAINT PAUL HRA
WORK SESSION

APRIL 9, 2014

Saint Paul Rental Housing Trends

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- Median income = \$46,305
- Per capita income = \$25,686
- 57% of renters pay more than 30% of their income for rent
- Vacancy rate = 2.7% (Q3 2013)
- To rent a modest two-bedroom unit, households need an annual income of \$31,220-\$37,835 (hourly wages of \$15.01-\$18.19)
- Multi-family housing adjacent to public transit is expected to perform well.

Low Income Housing Tax Credits

Background

- Low Income Housing Tax Credit (LIHTC) Program was created to encourage private investment in affordable housing
- LIHTC developments have rent and tenant income restrictions for 15-30 years
- Saint Paul is a Suballocator for LIHTC
- Used to create or preserve affordable housing for individuals, families and youth

Low Income Housing Tax Credits

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9% Credits

- Requires establishment of HRA selection priorities
- Can be used for senior housing if:
 - 75% of units are single room occupancy
 - Substantial rehab project in a neighborhood targeted for rehabilitation
 - Serves physically/mentally challenged residents
 - Preserves existing subsidized housing

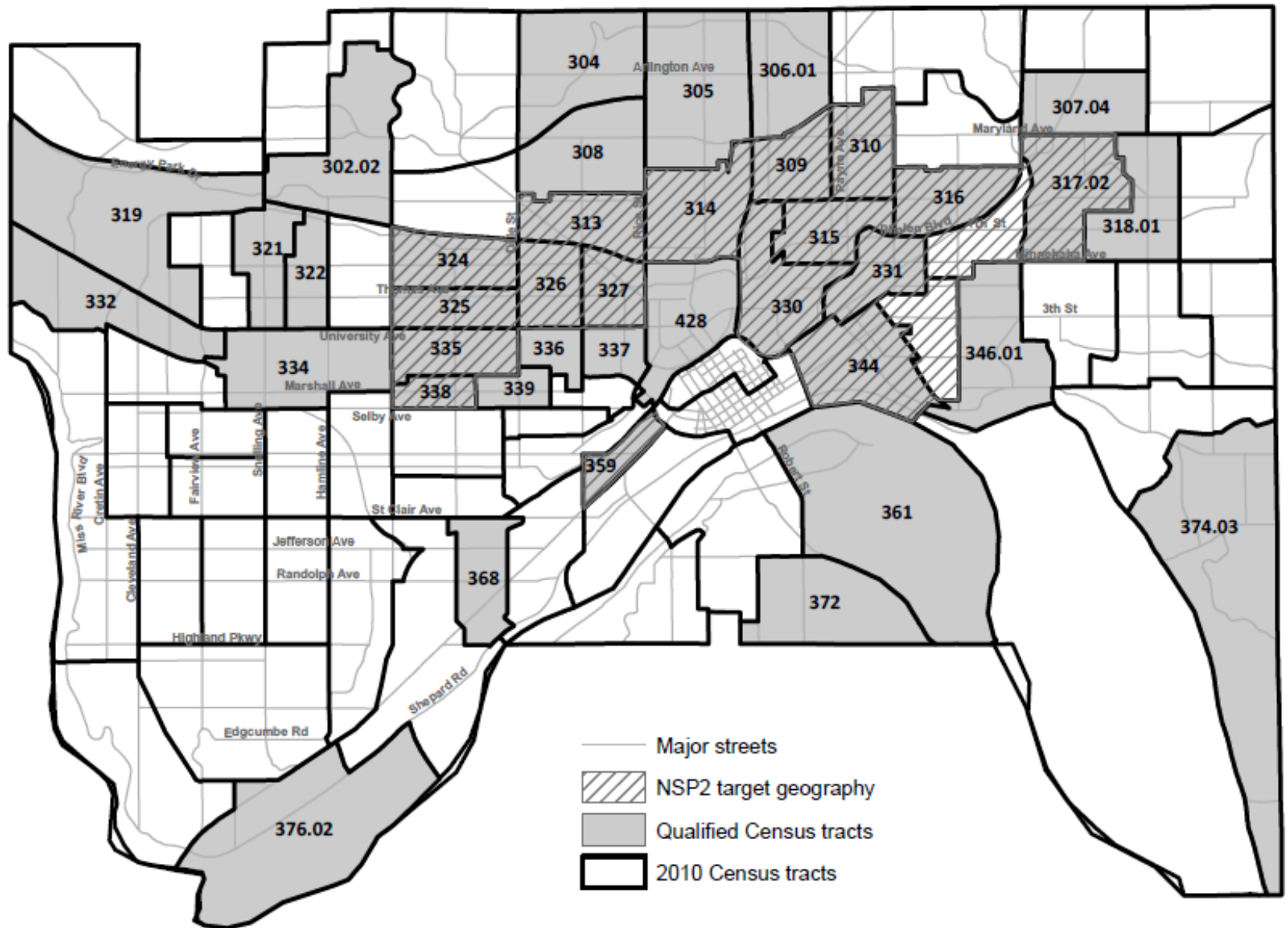
4% Credits

- Automatically applied to tax-exempt bond financing

Federal Law Requirements

9% Credits

- Qualified Allocation Plan (QAP) must have selection criteria to determine housing priorities of the housing credit agency which are appropriate to local conditions and gives certain priorities and preferences as a condition to allocating “credits” to housing projects
- Federal law gives preference to selected projects that:
 - Serve the lowest income tenants; and
 - Are contractually obligated to serve qualified tenants for longest periods; and
 - Are located in a Qualified Census Tract for community revitalization



Federal Law Requirements

9% Credits

- Selection criteria must include:
 - Project location
 - Housing needs characteristics
 - Project characteristics
 - Sponsor characteristics
 - Tenant populations with special housing needs
 - Public Housing waiting lists
 - Tenant populations of individuals with children
 - Projects intended for eventual tenant ownership
- Project must be financially feasible and viable throughout the credit period

State Requirements for 9% Credits

Applications must meet one of the following threshold types:

- New construction or substantial rehabilitation in which, for the term of the extended use period, at least 75% of the total tax credit units are SRO units which are affordable by households whose income does not exceed 30% AMI;
- New construction or substantial rehabilitation family housing projects that are not restricted to persons who are 55 years of age or older and in which, for the term of the extended use period, at least 75% of the total tax credit units contain two or more bedrooms and at least one-third of the 75% must contain three or more bedrooms;
- Substantial rehabilitation projects of existing housing in neighborhoods targeted by the City of Saint Paul for revitalization;
- Projects in which at least 50% of the units are for mentally ill, mentally retarded, drug dependent, developmentally disabled, or physically handicapped persons, all as further described in Minn. Statutes §462A.222, Subdivision 3(c)(1)(3);
- Projects which preserve existing subsidized housing which is subject to prepayment if the use of tax credits is necessary to prevent conversion to market rate use.

**City of Saint
Paul
Underwriting
Standards for
9% Credit
Projects**

- Project must be financially feasible and viable as a qualified low-income project throughout the credit period

- Project Sponsor must:
 - Be creditworthy;
 - Have site control; and
 - Have financial ability to develop project

- Project must:
 - Be completed in a timely manner;
 - Forecast positive cash flow after debt service
 - Demonstrate reasonable operating expenses;
 - Comply with applicable building, land use and zoning ordinances;
 - Must not have excessive Project Costs of Intermediaries; and
 - Conforms to City's Consolidated Plan

9% Credit Projects (2008-2011)

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Name	# of Units	9% Credits	Equity Generated by Credits	Equity % of TDC	TDC
MN Place*	77	\$854,030	\$4,984,061	32%	\$14,930,007
Ren Box*	67	\$862,047	\$3,295,324	25%	\$17,043,430
East Side Commons	50	\$867,468	\$8,200,851	67%	\$12,083,974
PPL W 7 th	44	\$1,053,533	\$8,827,443	72%	\$12,177,688
St. Phillips Garden	55	\$762,003 (MHFA)	\$6,315,527	68%	\$9,183,599
St. Albans Place	74	\$966,557	\$8,432,080	56%	\$14,612,527
Rolling Hills	108	\$1,019,320	\$9,480,728	63%	\$15,041,654

*Equity generated as % of TDC reflects recessionary effects of credit market

9% Credit Income & Rent Restrictions

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Income Limits

AMI	1 person	2 people	3 people	4 people
30%	\$17,310	\$19,770	\$22,230	\$24,690
50%	\$28,850	\$32,950	\$37,050	\$41,150
60%	\$34,620	\$39,540	\$44,460	\$49,380

Rent Ranges

AMI	Efficiency	1 BR	2 BR	3 BR	4 BR
30%	\$432	\$463	\$555	\$642	\$716
50%	\$721	\$772	\$926	\$1,070	\$1,193
60%	\$865	\$927	\$1,111	\$1,284	\$1,432

Current Projects Under Construction

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	Ward	# Units	New or Preservation	Supportive Housing Inc.
St. Phillips Garden*	1	55	Preservation	Yes
St. Alban's Park*	1	74	Preservation	Yes
West Side Flats	2	178	New	No
Schmidt Artist Lofts**	2	260	New	No
Episcopal Homes	4	170	New	No
Rolling Hills*	5	107	Preservation	Yes
Lewis Park**	1	103	Preservation	No
Serenity	7	106	New	No

*9% Credit Projects

**4% Credit Projects

Projects “In Progress”

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	Ward	# Units	New or Preservation	Supportive Housing Inc.
Jamestown	1	73	Preservation	TBD
Western University Plaza	1	57	New	
Model Cities – Central Exchange	1	45-60	New	TBD
2700 University	4	248	New	No
Hamline Station	4	51	New	Yes
Prior Crossing	4	44	New	Yes
Elder Lodge	6	43	Preservation	Yes
Maryland Park	6	172	New	Yes
180 Degrees (youth)	7	14	New	Yes
Hospital Linen	7	110-116	New	TBD

Projects Approved for Tax Credits

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	Ward	Year	9% or 4%	# Units	New or Preservation	Supportive Units?
Jeremiah Saint Paul	1	2006 2007	9%	39	New	Yes
University Dale*	1	2008	4%	98	New	No
St. Phillip's Garden	1	2011	9%	55	Preservation	Yes
St. Alban's Park	1	2012	9%	74	Preservation	Yes
Renaissance Box	2	2009	9%	70	New	Yes
Minnesota Building	2	2008 2010	9% 4%	136	New	Yes
Northern Warehouse	2	2011	4%	52	Preservation	No
TWV (Torre/Vista Village/Westminster Place)	2 & 5	2008	4%	142	Preservation	No

*University Dale – 79 of the 98 units are tax credit

Projects Approved for Tax Credits

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	Ward	Year	9% or 4%	# Units	New or Preservation	Supportive Units?
Commerce Phase 1 Commerce Phase 2	2	2007 2010	4% 9%	100	New	Yes
River Pointe*	3	2007	4%	133	New	No
PPL West 7 th	3	2011	9%	44	New	Yes
Hamline Station**	4	2014	9%	51	New	Yes
Rice Winnipeg	5	2007	4%	56	New	Yes
Rolling Hills	5	2013	9%	107	Preservation	Yes
Lewis Park**	1	2013	9%	103	Preservation	No
East Side Commons	5 & 6	2010	9%	50	Preservation	Yes

*River Pointe – 29 of the 133 units are tax credit

**Hamline Station is in final development, Lewis Park will start construction soon

Saint Paul's 2015 LIHTC Allocation

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- **\$1,025,857**
- Can generate \$8-10 million of private equity investment
- Generally, Saint Paul's credits can assist one project per year

Gap Financing Resources

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HOME

- FY2014, Saint Paul's HOME allocation is **\$1,532,991** (\$926,770 less than FY2010)
- \$1 million is typically allocated for multi-housing developments
- Cannot be used in HUD-defined impacted areas

CDBG

- FY2014, Saint Paul's CDBG allocation is **\$6,505,834** (\$2,139,670 less than FY2010)
- PED's allocation is \$3,200,000 for capital projects & administration
- \$700,000 available for multi-housing developments

Potential Applicants for 2015 9% Credits

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	Ward	# Units	New or Preservation	HRA has Financial Interest	At Risk of Losing Subsidy	Supportive Housing
Jamestown	1	73	Preservation		Yes	Yes
Model Cities Brownstone	1	93	New	Yes	No	TBD
Wilder Square	1	136	Preservation	No	Yes	TBD
Commercial Club Site	2	35	New	Yes	No	No
Prior Crossing	4	44	New	Yes	No	Yes
Willow Reserve	5	30-45	New	Yes	Yes	TBD
Rose Apartments	6	48	Preservation		No	TBD

Discussion



- **Who does the HRA Board want to serve?**
- **What kind of affordable housing supports the HRA Board priorities?**
- **Where should 9% Credit housing be located?**

Who does the HRA Board want to serve?

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- Families/Large Families
- Youth
- Individuals
- Veterans
- Homeless residents (individuals, families, youth or veterans)
- Individuals and/or families living in Project-based Section 8 units that may convert to market rate apartments

Current Selection Priorities

- For families, 5-15 points to projects that provide housing for large families (3 bedroom units or larger).
- For Individuals, youth, and veterans, there are no Selection Priority points awarded to affordable housing specifically for individuals, youth, and veterans, except the Selection Priority points awarded to homeless residents.
- For homeless residents (individual, families, and youth), 30 points to affordable housing that set aside at least 20% of its tax credit as supportive housing for homeless households.
- 10 points to affordable housing that provides supportive services.

Current Selection Priorities

- For residents with special needs, 5 points to affordable housing that has 50% of its units set aside and rented to persons who have physical and mental challenges.
- For residents with Project-based Section 8 assistance, 5 points to affordable housing that preserve subsidized housing or housing developments serving households at 50% AMI if use of tax credits is necessary to prevent market-rate conversion or to remedy physical deterioration of the project which would result in the loss of affordable housing.

What kind of affordable housing supports the HRA Board priorities?

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- HRA Board equally supports both Preservation and New Production projects.
- Preservation
- New Production
- Mixed Income Projects
- Mixed-Use Projects
- High Density Housing

Current Selection Priorities

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- 5 points to affordable housing that preserve subsidized housing or housing developments serving households at 50% AMI if use of tax credits is necessary to prevent market-rate conversion or to remedy physical deterioration of the project which would result in the loss of affordable housing
- 5 points to new construction projects
- 10 points to rehabilitation of an existing residential building
- 5 points to affordable housing that will receive historic tax credits
- 2 points to affordable housing that promotes economic integration by providing 25% but not greater than 50% of total units as tax credit units.

Where should 9% Credit housing be located?

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- HRA Board must evaluate whether the location of affordable housing affirms HRA Board priorities such as neighborhood stability, economic development, and locational choice.
- Current Selection Priorities
 - 10 points to affordable housing located in Neighborhood Stabilization Program areas (neighborhood with concentration of poverty)
 - 15 points to projects located in “non-impacted areas (as defined by HUD) or outside a Qualified Census Tract (outside Qualified Census Tracts are neighborhood without concentration of poverty)
 - 50 points to affordable housing projects that are located on HRA-owned land or housing developments in which the property has an outstanding HRA/City debt obligation