

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 28, 2020

**REGARDING: APPROVAL OF GUIDELINES AND FUNDING OF THE 4(D)
AFFORDABLE HOUSING INCENTIVE PROGRAM FOR THE YEAR 2021**

Requested Board Action

1. Approval of the 4(d) Affordable Housing Incentive Program Guidelines for the year 2021; and
2. Approval of \$57,000.00 of the Housing Trust Fund to be allocated to the 4(d) Affordable Housing Incentive Program for the year 2021.

Background

The City of Saint Paul Housing and Redevelopment Authority's Housing Trust Fund supports housing affordability and wealth building in the City of Saint Paul through various initiatives, including support for a 4(d) Affordable Housing Incentive Program (the "Program") to preserve long-term housing affordability of Naturally Occurring Affordable Housing (NOAH) through a modest HRA investment and the 4(d) provision in the state tax code.

Staff has developed the attached 4(d) Affordable Housing Incentive Program Guidelines (the "Guidelines") with the purpose of preserving healthy, affordable housing for the well-being and stability of all our residents and communities.

Resolution 19-273 in February of 2019 approved the Guidelines for the HRA's first 4(d) program year in 2019, as well as \$60,000 in funding from the Housing Trust Fund resulting in 66 properties with a total of 415 units certified for the 4(d) Program. Of these units, 231 (56%) were restricted at rents affordable to households earning 60% Area Median Income (AMI), and 184 (44%) were restricted for 50% AMI households.

In December 2019, the HRA Board passed Resolution 19-2132 approving revised Program Guidelines and funding in the amount of \$75,000 for the 2020 4(d) Affordable Housing Incentive Program. The amount of \$75,000 added to the 2019 remaining balance of \$24,998.30 provided a total budget of \$99,998.30 to fund the Program. In 2020, 89 properties for a total of 727 units were certified for the 4(d) Program. Of these units, 405 (55.7%) were restricted at rents affordable to households earning 60% AMI, and 322 (44.3%) were restricted for 50% AMI households.

The HRA's 4(d) Affordable Housing Incentive Program offers incentives that include reduced property tax liability as well as a minimal property investment grant to rental property owners in Saint Paul, in exchange for a 10-year affordability commitment. The affordability commitment is enforced by a declaration of restrictive covenants, and 4(d) reduced tax eligibility is renewed annually by each applicant for a ten-year period. For the 2020 program year, out of the allocated budget of \$99,998.30, the HRA spent a total of \$57,076.30 leaving a program balance of \$42,922.00. Funds were spent to cover the cost of applications to Minnesota Housing, the Program marketing expenses, and recording fees associated with the declarations of restrictive covenants. Funds were also used to provide a property investment grant of up \$100 per certified 4(d) unit, up to a maximum of \$1,000 per eligible building.

Staff recommends a few modifications to the Program Guidelines in 2021 to deepen the impact on affordability, including a larger per unit investment grant for units restricted at 50% AMI to stimulate production of more deeply affordable units, and clarifying provisions for non-compliance with the requirement that participating units remain affordable for 10 years. The Program Guidelines for the 2021 program year are attached and include proposed amendments to the year 2020 Guidelines. The affordability requirements remain unchanged, but staff is proposing the following amendments:

- The maximum grant provided by the HRA is limited to \$1,200 (increased from \$1,000 in the 2020 program year) per property, with grants per unit in the amount of:
 - \$75 for units with rents and incomes restricted at 60% AMI; and
 - \$200 (increased from \$100 from the 2020 program year) for units with rents and incomes restricted at 50% AMI.

- Failure to Comply: In addition to the loss of the tax incentive in case of default or withdrawal from the Program, the Program Guidelines and documents have been revised to more clearly describe the consequences for a participant who removes their property from the Program before the 10-year term. This includes the participant repaying the full amount of the grant the participant received and any out-of-pocket expenses that the HRA paid on behalf of the participant, such as application and recording fees.

The Addendum to the Analysis of Impediments to Fair Housing in the metro area recommended that the City consider taking actions to address Fair Housing challenges. As the impact of the 2019 program year demonstrates, and as the proposed modified guidelines address, the 4(d) Affordable Housing Incentive Program will address five of the ten identified Fair Housing goals:

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

Funds allocated to the Program for 2021 will cover cost of applications to Minnesota Housing, recording fees, marketing expenses, and grants to eligible applicants as detailed above.

Budget Action:

The Financial Analysis to amend the 2021 HRA budget will be brought to adoption before the HRA Board after the adoption of the City's final budget.

Future Action: 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 Program meets objectives of the Housing chapter of the City’s 2030 Comprehensive Plan, Section 6.0, Strategy 3: Ensure Availability of Affordable Housing. The Program helps secure the affordability of Naturally Occurring Affordable Housing (NOAH) units for a 10-year period, with minimal upfront subsidy required.

Recommendation:

Staff recommends approval of the 2021 4(d) Affordable Housing Incentive Program Guidelines as presented and allocation of \$57,000 (to be added to the current balance of \$42,922.00 from previous years) of the Housing Trust Fund to the 4(d) Affordable Housing Incentive Program, for a total budget of \$99,922.00 in the year 2021.

Sponsored by: Chair Tolbert

Staff: Jules Atangana 651-266-6552

Attachments

- 2021 Program Guidelines