

4d Affordable Housing Preservation Incentive Program



SAINT PAUL
MINNESOTA

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Local 4d Program: Enabled by State Law

- Minnesota Statute 273.128 provides that qualifying low-income rental properties are eligible for a **class rate reduction in property taxes** to aid in the **preservation and sustainability of affordable rental housing** in the state of Minnesota.
- For tax purposes, **most rental units** are designated 4a or 4b (Four-plus unit and 2-3 unit properties, respectively). Affordable rental properties *receiving public subsidy or tax credits of any kind* can be **classified as 4d by the state directly** (Minnesota Housing), which refers to 4d classification as the Low-Income Rental Classification (LIRC). There are approximately 19,000 total housing units in Saint Paul currently classified as 4d or LIRC by Minnesota Housing.
- Cities may also **create a local 4d program** so that *unsubsidized* affordable rental housing property owners may benefit from the same tax class rate reduction in exchange for maintaining deed restricted affordability for 10 years. There are 3,951 units in the local Saint Paul 4d program, which are included within the overall total of 19,000 units.



4d Program: State and Local Programs

- Properties qualify for the **4d class rate reduction** through one of the following criteria:
 - Project Based Section 8,
 - Low Income Housing Tax Credits,
 - Rental Assistance units financed through Rural Housing Service of USDA,
 - **Rent and income restrictions at or below 60% Area Median Income placed on units by state, federal, or local unit of government as evidenced by a document recorded against the property. (*This is the criteria through which the HRA qualifies units for the City's program.*)**
- Once a unit is enrolled in our local 4d Program, the **HRA will qualify the property to Minnesota Housing**, which then classifies the relevant units as 4d. Once this State approval is granted, **Minnesota Housing certifies the units** with approved 4d status to the Ramsey County Assessor.
- This amounts, in most cases, to—beginning with tax assessment year 2024, payable taxes 2025—**an 80% reduction to these units' effective property tax rate** (in prior years, 40% reduction). The reduction is pro-rated if only a portion of the units are rent and income restricted. This tax savings is redistributed to properties not enrolled in 4d.



High-Level Overview of the 4d Process

1. Property owner applied with the City for tax-exemption status
2. City staff review applications
 - Unit mix, (50 vs. 60%AMI)
 - Verify clear title of property and ownership.
3. If approved
 - Landlord signs a participation agreement
 - Staff record a declaration on the property
 - This is the legal document that allows them to claim a special tax status.
4. Changes after enrollment
 - Could choose to be non-compliant with the program, and lose tax benefit. Could become compliant in the following year
 - Almost never allow un-enrollment from the program since a new property owner could just choose non-compliance. When 4d properties are purchased and planned for demolition, HRA can consider removing the declaration.



What is being asked

- 1048 Central Ave W. is a single unit, restricted at 50% AMI and enrolled in 4d in 2021
- Xavier Properties (affiliated with St. Peter Claver Church) is purchasing 1048 Central Ave W.
 - They currently own all property surrounding the 4d property.
 - Demo the 4d property to expand their school space to make room for up to 60 additional early childhood education students.
- HRA is requested to release the restrictive covenant on 1048 Central Ave W.





Questions?