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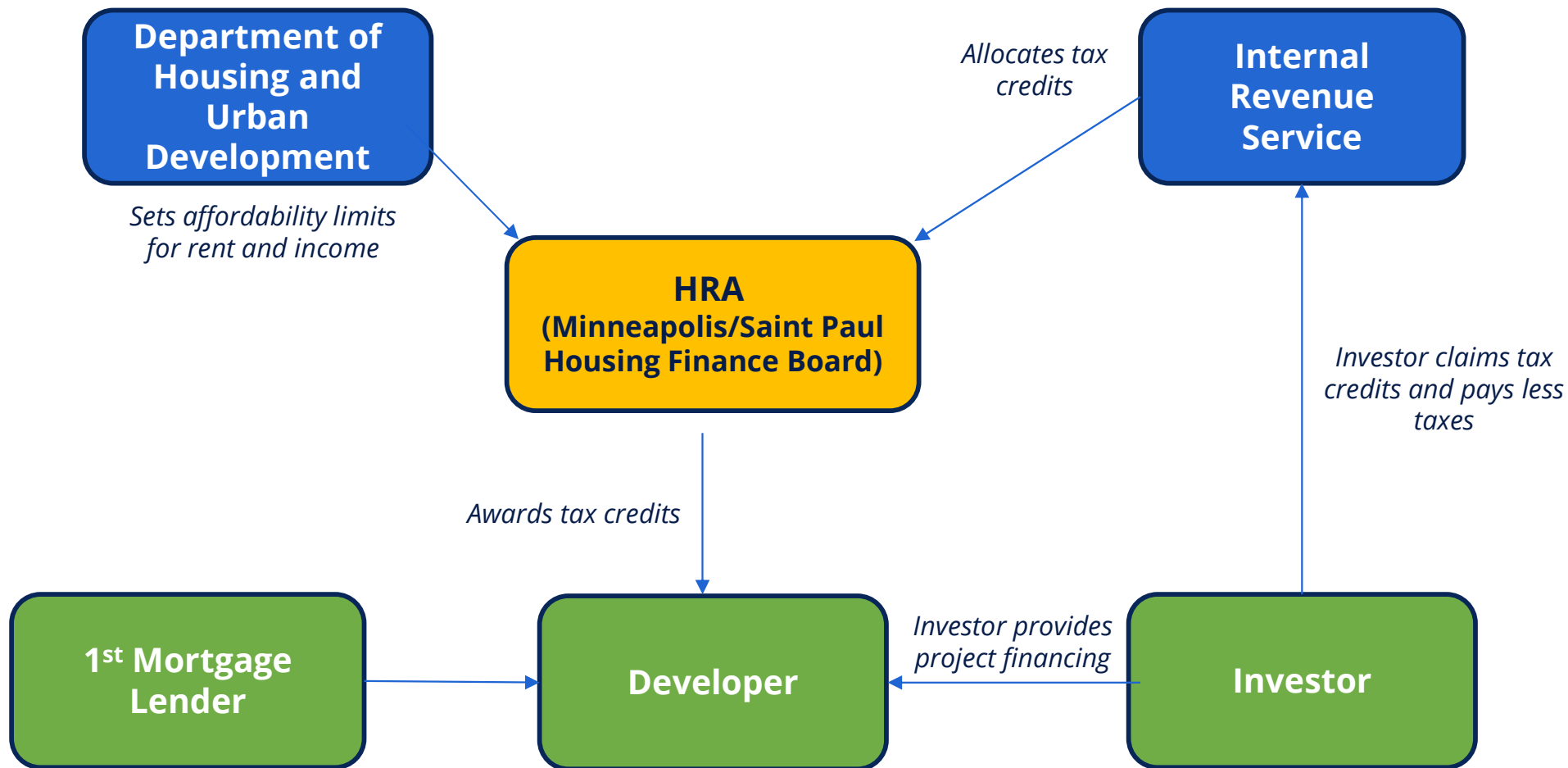
Low Income Housing Tax Credit Program

April 24, 2024



The Low-Income Housing Tax Credit (LIHTC) program

- Created by the Tax Reform Act of 1986 under the federal IRS tax code to enable private investment in affordable rental housing through a dollar-for-dollar tax credit.
- Nationally, this is the primary financing tool for creating and preserving affordable rental housing.
- Each state is authorized an allocation of LIHTCs based on a per capita criteria.
- Typically administered by State Housing Finance Agencies, Minnesota is unique also having Suballocators (Mpls/St Paul, Dakota County, and Washington County) providing more local control for determining priorities of LIHTC investments.
- Saint Paul together with Minneapolis through a Joint Board sets priorities in a Qualified Allocation Plan (QAP).





Two Types of Low-Income Housing Tax Credits

9% Credits

- Provides more equity
- Subsidizes 70% of the project costs
- Annual Competitive RFP

4% Credits

- Requires more repayable debt
- Subsidizes 30% of the project costs
- Automatically awarded in conjunction with Tax Exempt Bonds



9% LIHTC

- 2024 allocation: **\$891,451**
- Estimated 2025 allocation: **\$980,663**
- Leverages ~\$ 8 million in private equity to partially fund one project per year. Typically takes two allocation years to fully fund one project.
- HRA Board recommends QAP Priorities to the Joint Housing Finance Board

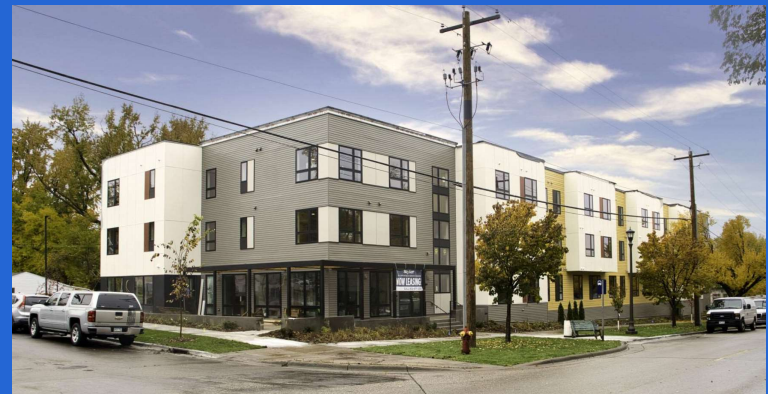
Program Threshold Selection Priorities (must meet one of these objectives)

1. Family units/large families – two bedroom to three bedroom units
2. Lowest income/households earning 30% AMI
3. Preservation in targeted neighborhoods
4. Homeless and disabled residents
5. Section 8 units in danger of converting to market rate



Recent 9% Project Examples

- Selby Wilkins Family Townhomes (Ward 1)
- Treehouse Supportive Housing (Ward 3)
- Stryker Senior Housing (Ward 2)
- Project for Pride in Living (PPL) East 7th (*under development* in Ward 6)





4% LIHTC And Conduit Revenue Bonds

- Debt/loan is incurred by the borrower, bonds are sold to investors to raise funds. Proceeds are used to finance development projects.
- 2024 Saint Paul Bond Allocation of \$48.3M
- Bonds eligible for 4% LIHTC
- Bond financing in high demand, can typically fund two to three projects a year



Recent 4% Project Examples

- Marshall Avenue Flats (Ward 4)
- The Hollows (Ward 7)
- Soul (Ward 2)

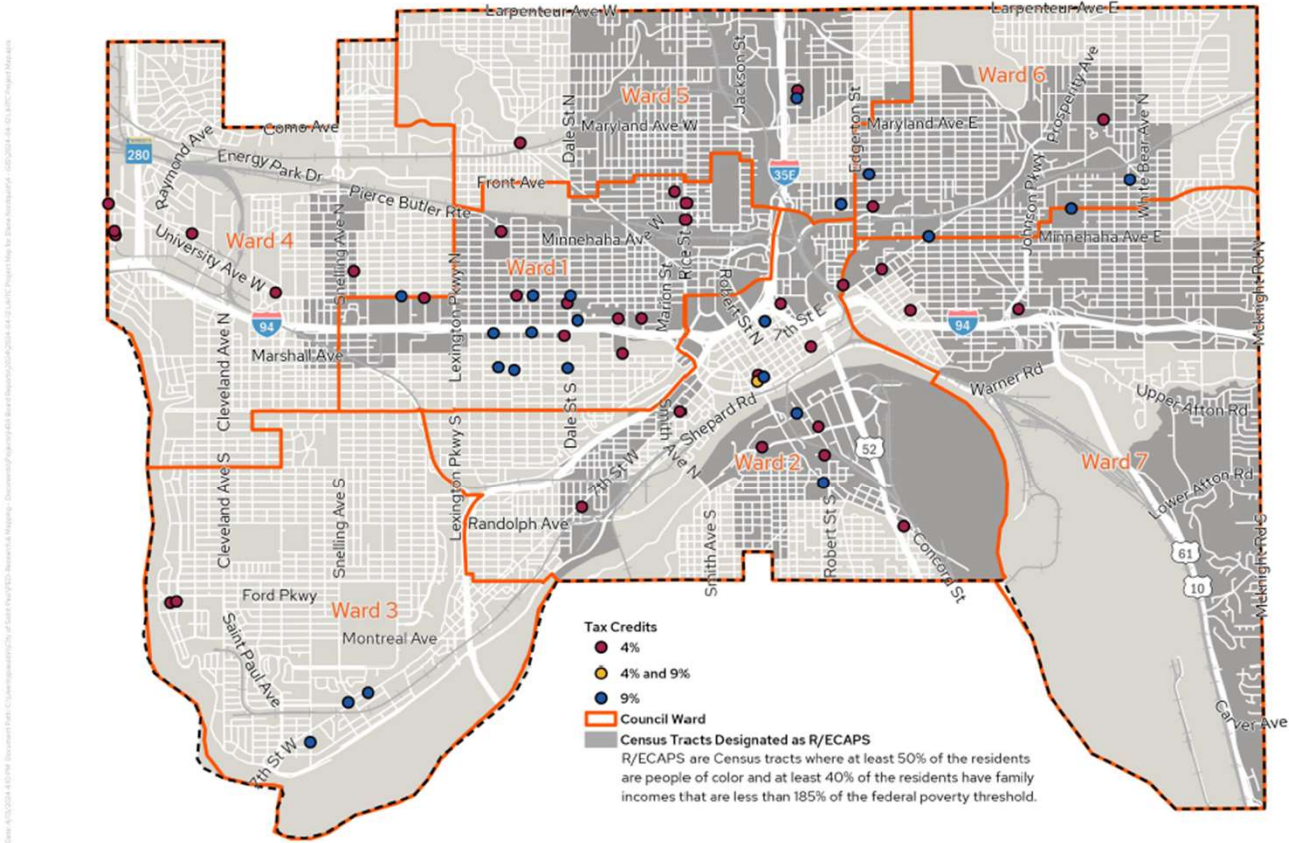


Since 1986, **7,452** affordable units have been created in Saint Paul

- **3,244** 1-bedroom units
- **2,998** 2-bedroom units
- **968** 3-bedroom units
- **68** 4-bedroom units



Low Income Housing Tax Credit Projects (2006 -2024)



SOURCE: Saint Paul Enterprise City; Market Housing; current Ramsey County data via Minnesota Geographic Information; Road and Building Polygons; 2017 impervious surface dataset; Ramsey County; Water bodies via Minnesota DNR. This document was prepared by the Saint Paul Planning and Economic Development Department and is intended to be used for reference and illustrative purposes only. This drawing is not a legally recorded plan, survey, official tax map or engineering schematic; and is not intended to be used as such.





Qualified Allocation Plan (QAP) and Procedural Manual

The Finance Board as a tax credit suballocator is required by the IRS to develop and adopt a Qualified Allocation Plan and a Procedural Manual.

- **Qualified Allocation Plan (QAP):** explains what the Low-Income Housing Tax Credit program is about and specifically sets the **HRA Board housing priorities**
- **Procedural Manual (PM):** explains how we manage the program in terms of process and compliance requirements



2024-2025 Priorities: 9% Scorecard

- **Increase supply for those with the lowest incomes**
 - Priority given to proposals with at least 20% of the units serving households at or below 30% AMI and/or unhoused people
- **Preservation**
 - Priority given to subsidized affordable housing, NOAH projects, and project-based Section 8
- **Fair access to housing**
 - Priority given to larger-sized family housing (3 bedrooms or more), projects near transit, and senior housing
- **Criterion that gives priority to naturally occurring affordable housing (NOAH) projects**



2024-2025 Priorities: 9% Scorecard (continued)

- Criterion regarding "Equity and Cultural Intergration"
- Projects serving residents who are homeless
- Among other criterion





2024-2025 Priorities: 4% Scorecard

- **Increase supply for those with the lowest incomes**
 - Priority given to proposals with at least 20% of the units serving households at or below 30% AMI and/or unhoused people
- **Preservation**
 - Priority given to subsidized affordable housing, NOAH projects, and project-based Section 8
- **Fair access to housing**
 - Priority given to larger-sized family housing (3 bedrooms or more), projects near transit, and a priority for senior housing as well
- **HRA owned property**

Questions?



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