

Low Income Housing Tax Credits

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SAINT PAUL HRA
WORK SESSION

FEBRUARY 26, 2020

Saint Paul Current Housing Trends

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- Median household income - \$52,841
- 51% of renters are cost-burdened
- 22% of owners are cost-burdened
- HousingLink: January 2020 rental vacancies:
 - 0% affordable at 30% AMI
 - 13% affordable at 50% AMI

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
- Threshold Criteria:
 - 75% of units are single room occupancy, efficiency or 1BR
 - Substantial rehab project in a neighborhood targeted for rehabilitation
 - New construction family housing
 - ✦ 75% of units are 2+ BR's
 - ✦ 1/3 of which are 3+ BR's
 - Serves people with disabilities
 - Preserves existing subsidized housing

Low Income Housing Tax Credits

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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 which are appropriate to local conditions and gives certain priorities as a condition to allocating “credits” to housing projects
- Federal law requires preference given to certain items
- Project must be financially feasible and viable throughout the credit period

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;
 - Must not have excessive Project Costs of Intermediaries; and
 - Conforms to City's Consolidated Plan

Saint Paul's 2021 LIHTC Allocation

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- **\$909,721**
- Can generate approximately \$8 million of private equity investment
- Generally, Saint Paul's credits can assist one project per year

Proposed Priority Populations

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- Families/Large Families
- Those with the lowest incomes & greatest barriers
- Seniors
- 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

Proposed Selection Priorities

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INCREASE SUPPLY FOR THOSE WITH THE LOWEST INCOMES

1. Percentage of housing units serving households at or below 30% Area Median Income.

- a) 20% - 29.9% of units (2 point)
- b) 30% - 49.9% of units (4 points)
- c) 50% - 69.9% of units (6 points)
- d) 70% - 100% of units (8 points)

2. Percentage of housing units serving households at or below 50% Area Median Income.

- a) 50% - 59.9% of total units (1 point)
- b) 60% - 74.9% of total units (2 points)
- c) 75% - 100% of total units (3 points)

Proposed Selection Priorities

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HEALTHY COMMUNITIES, WEALTH AND COMMUNITY BUILDING

- After-school programming and/or ECFE (1 point)
- Information and Referral Services (1 point)
- Playground Equipment (1 point)
- Community Center or Community Room (1 point)
- Financial capability programming (1 point)
- Homeownership readiness (1 point)
- Financial and tax services (1 point)
- Other (Please describe)_____ (1 point)

Proposed Selection Priorities

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FAIR ACCESS TO HOUSING

Transit: Points will be awarded to new construction or substantial rehabilitation projects that are:

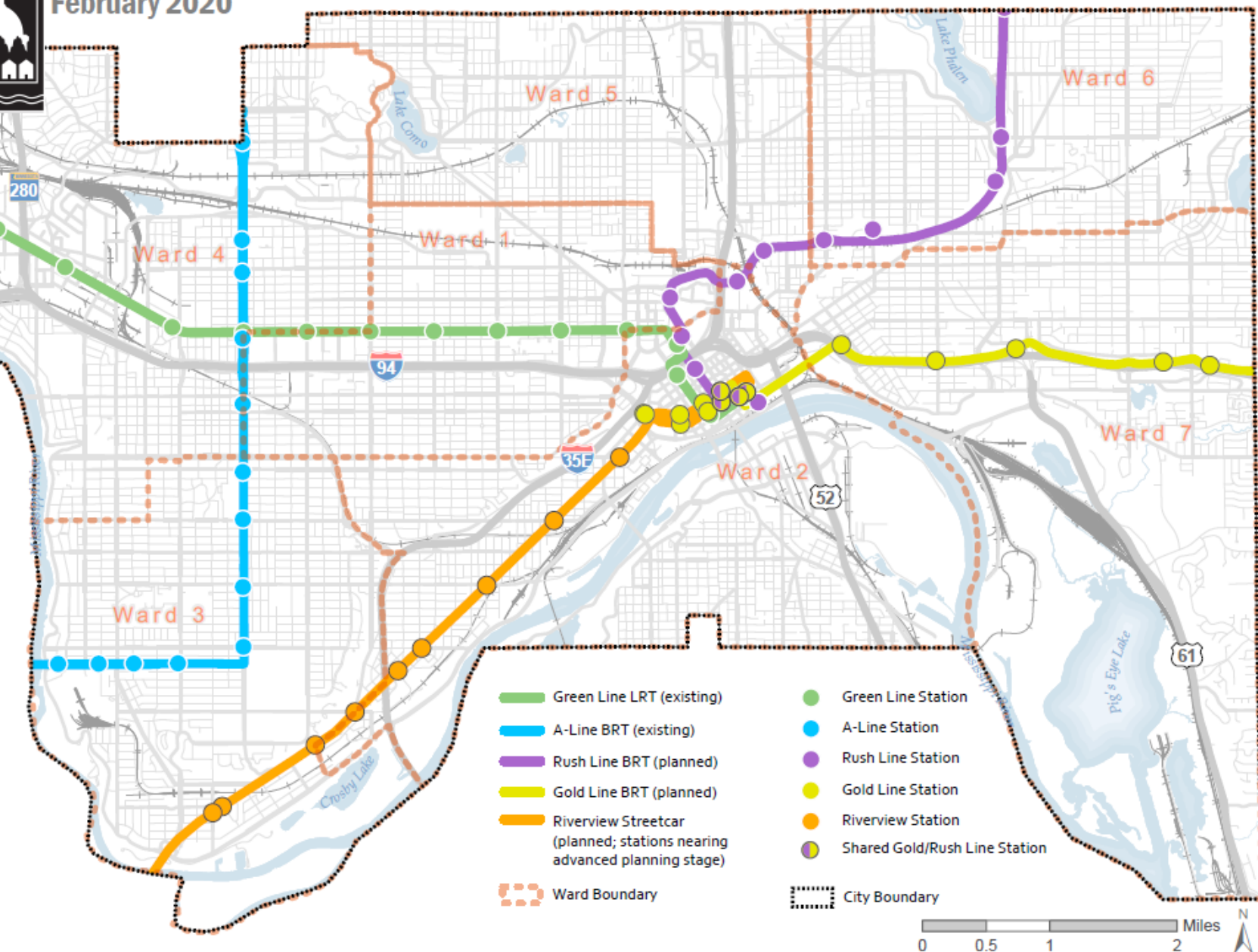
- Located within 0.25 miles of a completed or planned light rail train (“LRT”) station and bus rapid transit or other fixed transitways stops. (3 points)
- Located within 0.25 miles of a high service Metro Transit bus route (defined as a bus running at least every 30 minutes). (2 points)



LRT and BRT in the City of Saint Paul

February 2020

Path: K:\GIS\Data and Research Requests\2020-02-07 Map of Transitways in Saint Paul - light.aprx



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Source: City of Saint Paul (2019); Metro Transit (2018) Metropolitan Council (2018)

Proposed Selection Priorities

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FAIR ACCESS TO HOUSING

New Affordable Family Housing: The project constitutes new construction of affordable family housing that is located:

- Outside a Qualified Census Tract: (12 points)
- Inside a Qualified Census Tract: (9 points)

Discussion



- **Comments or Questions?**