

# 4d Affordable Housing Preservation Incentive Program

## Legislative and Guideline Updates

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**SAINT PAUL**  
MINNESOTA

[STPAUL.GOV](http://STPAUL.GOV)



## 4d Video Link

**4d Affordable Housing Incentive Program –  
YouTube**



# 4d Programs in Minnesota

- 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.

State 4d Program (Low Income Rental Classification)	Saint Paul Local 4d Program
Minnesota's property tax system designates most rental units as class 4a or 4b. Affordable rental properties <i>receiving public subsidy or tax credits of any kind</i> can be <b>classified as 4d by the state directly</b> (Minnesota Housing), which refers to its program as the Low-Income Rental Classification (LIRC).	Some Minnesota cities and counties have created local 4d programs so that unsubsidized affordable rental housing property owners may benefit from the same tax class rate reduction.
Properties qualify for the <b>4d class rate reduction</b> when they reserve <b>at least</b> 20% of units at the property for households with incomes below 60% of Area Median Income (AMI) or less; and when rents are at 60% of AMI or less. The restriction must be in the form of a declaration, or deed restriction, placed on the real estate by a government agency (local, state or federal).	Saint Paul's program offers rental properties the ability to benefit from the 4d tax rate in exchange for maintaining deed restricted affordability for 10 years. There are 3,004 units in the local Saint Paul 4d program, for an overall total of ~19,000 units with 4d status in Saint Paul.
Most affordable housing properties in Saint Paul (~16,000 total) seek 4d status directly from the state through an annual application process managed by Minnesota Housing. Once State approval is granted, <b>Minnesota Housing certifies the units</b> with approved 4d status to the Ramsey County Assessor.	Once a unit is enrolled in our local 4d Program, City staff provide a copy of the local deed restriction and State 4d application materials to Minnesota Housing, which then classifies the relevant units as 4d. Once this State approval is granted, <b>Minnesota Housing certifies the units</b> with approved 4d status to the Ramsey County Assessor.



# **4d Program Results 2019-2023**

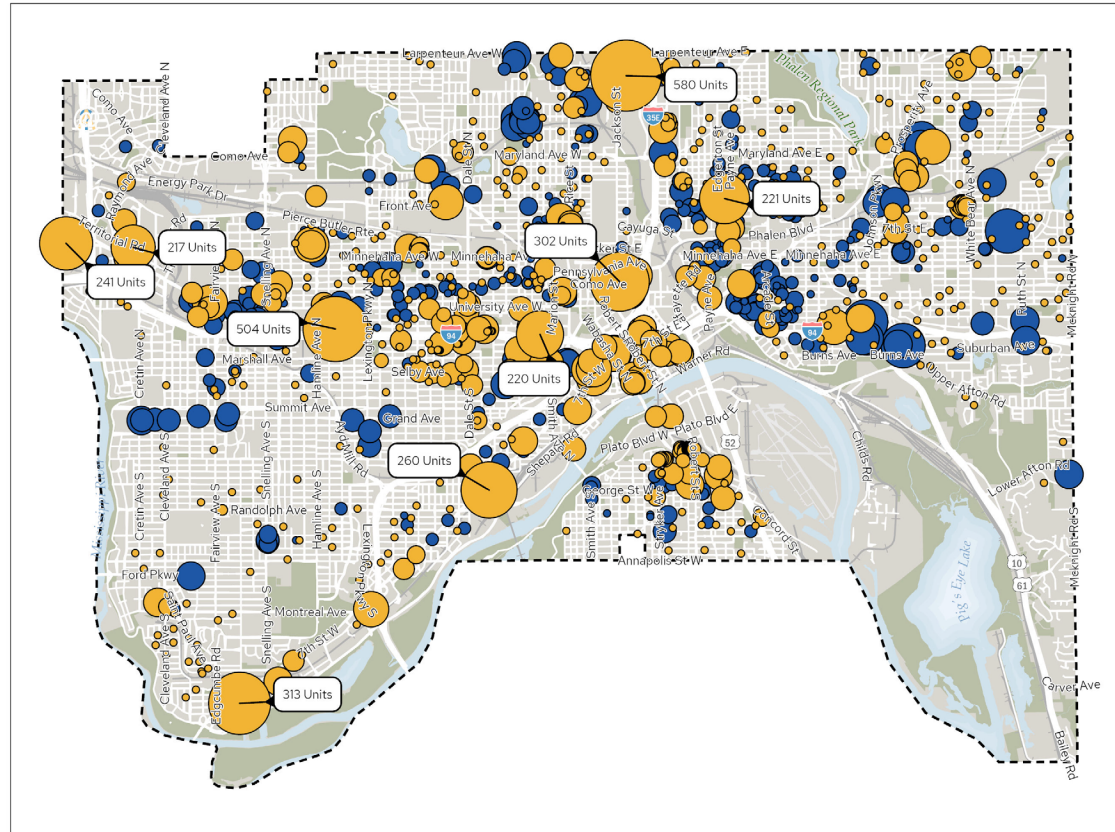


# 4d Local Saint Paul Program: 2023 Outcomes

- **New 4d Program Video and Communications Materials Completed**
- **Successfully completed 2023 4d Program cycle:**
  - Processed 145 applications
  - Enrolled 758 new units (grand total to date is 3,004 enrolled 4d units)
- **Completed the first in-depth program compliance review since the program's inception:**
  - 88% (~2,000) 4d enrolled units were compliant with 4d deed restrictions and 4d program requirements
  - 12% (~250) units were out of compliance and will not receive property tax savings for 1 year (i.e. will pay the normal apartment rate for taxes payable 2024)
  - Common reasons for non-compliance
    - Violations of the 4d program limit on annual rent increases (3%) without an approved exception
    - Over-income tenants
    - Rents over HUD limits i.e. 50% Area Median Income (AMI), or 60% AMI
    - Compliance form was never submitted to 4d program staff

# All 4d Affordable Housing Units in St. Paul

Tuesday, August 22, 2023



## St. Paul 4d Program Units

- 1 Unit
- 2 - 4 Units
- 5 - 10 Units
- 11 - 20 Units
- 21 - 50 Units
- 51 - 100 Units
- 101 - 150 Units

## Other 4d Subsidized Units

- 1 Unit
- 2 - 4 Units
- 5 - 10 Units
- 11 - 20 Units
- 21 - 50 Units
- 51 - 100 Units
- 101 - 150 Units
- 151 - 200 Units

\*Properties with more than 200 units are labeled on the map.

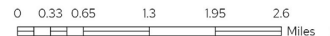
*Note: there are approximately 19,000 rent and income restricted affordable housing units in St. Paul. Of those, 3,004 are housing units in the St. Paul 4d program and the remaining 16,000 are other 4d qualified subsidized units.*

*Additional breakdowns of this data are available in the "4d Results Report" which will be placed in the public record*

DATA CREDITS: St. Paul Enterprise GIS; Parcel Polygons current Ramsey County data via Minnesota Geospatial Commons; Road and Building Polygons 2007 impervious surface dataset, Ramsey County; Water bodies via Minnesota DNR. \*LIMITATIONS ON USE: 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. \*DATE: 8/22/2023 8:06 AM \*DOCUMENT PATH: C:\Users\st27655\City of Saint Paul\GISD - Research & Mapping - Documents\Projects\HRA Based Reports\2023\08-16-4d Properties.aprx Properties for Patrick Disselhorst\4 - GIS\2023-08-16-4d Properties.aprx



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# Updated 4d Program Guidelines



# Updated 4d Program Guidelines

- **Guidance was added for specific sales situations related to sales of 4d property, and occupancy restrictions on 4d units, allowing for:**
  - Sale of 4d properties to current tenants of the property
  - Owner occupancy of 4d units, after a formal process to remove those units from the deed restriction
- **Guidance that allows the Rental Rehab Program and 4d Program to be used together to further the impact of both programs**
  - Past versions of the 4d program guidelines included eligibility criteria that excluded certain properties with Rental Rehab program loans from the 4d program
  - Changes will allow all properties with prior or active Rental Rehab Program loans to participate in the 4d Program





# Updated 4d Program Guidelines

## **General guidance added to Saint Paul's local 4d program rules, reflecting statewide changes to Minnesota's Statewide 4d program**

- The conclusion of the 2023 legislative session included a number of changes to the state's 4d (Low Income Rental Classification – LIRC) program
- The changes include lowering the 4d rate (resulting in larger tax savings for properties in the program), requirements to expend the property tax savings on certain eligible expenses, and some new requirements for first time 4d applicants. Minnesota Housing is reviewing the program changes and anticipates updating the LIRC Program Guide, application and related materials in late 2023. (Source: MN Housing website)
- The updated Saint Paul 4d program guidelines acknowledge state level changes and set forth program processes that align with new state requirements.
- Housing Team staff are monitoring these changes and will ensure that the 2023-2024 4d program application and enrollment cycle is aligned with state requirements.



# Updated 4d Program Guidelines

- **Guidance that clarifies how rent increases beyond 3% may be requested**
  - 4d properties are considered affordable housing, and are exempt from the Rent Stabilization Ordinance (RSO)
  - However, the program has always included a 3% annual rent increase limit
  - Guidance in this year's guidelines includes specific situations under which rent increases of more than 3% can be considered by owners
  - Specifically, rents may be raised more than 3% after tenant move outs in the following circumstances:
    - Voluntary lease termination by the tenant
    - Just cause lease termination, which includes:
      - Non-payment of rent or repeated late payment of rent
      - Material non-compliance by a tenant
      - Substantial damage by tenant
      - Building demolition, rehabilitation or compliance with a government order to vacate the unit
  - Rents are always capped at either 50% AMI or 60% AMI rent limits



# Questions?