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

REPORT TO THE COMMISSIONERS **DATE: November 5, 2025**

REGARDING: AUTHORIZATION TO RELEASE THE 4(D) AFFORDABLE HOUSING INCENTIVE PROGRAM COVENANT ON 1048 CENTRAL AVE W, SAINT PAUL

Requested Board Action

Authorization to release the restrictive covenant from the 4(d) Affordable Housing Incentive Program ("4(d)") on 1048 Central Ave West, Saint Paul.

Background

The Housing and Redevelopment Authority of the City of Saint Paul established the 4d Affordable Housing Incentive Program (the "4d Program") in 2019 as a key tool to address the need to maintain and protect affordable housing in the City. The 4d Program aims to preserve the affordability of Saint Paul's Naturally Occurring Affordable Housing (NOAH) stock by providing property owners with an avenue to attain "4d/LIRC" ("Low-income rental classification") tax status.

The 4d Program offers Saint Paul NOAH property owners an avenue to receive the 4d/LIRC lower class tax rate that is used for large-scale subsidized multifamily development (e.g. Low Income Housing Tax Credit or LIHTC developments). To enroll, property owners must commit to preserving a minimum number of a building's units for affordability to low-income households earning up to 50% or 60% of Area Median Income. Owners must sign a Declaration of Restrictive Covenants and commit to a ten-year rent and tenant income restriction tied to the units in order to receive the 4d/LIRC tax class rate which, to date, has meant up to a 40% reduction in their property tax obligation. Since the introduction of the program in 2019, the HRA has secured restrictions on 375 properties and over 3,000 units across 5 enrollment cycles.

Earlier this year, Minnesota lawmakers enacted legislation that made changes to the state's 4d policy, including a further reduction of the 4d/LIRC class tax rate. Previously, the class tax rate was 0.75% for the first market tier at $100,000 per unit and any remaining value above that threshold was assessed at 0.25%. The amendment to Sec. 15. Minnesota Statutes 2022, section 273.128 states that, beginning with assessment year 2024, the 4d class tax rate will be 0.25% for the entire unit valuation. While the previous rate was 40% lower than the typical apartment rate of 1.25, the new class rate for 4d is 80% lower than the typical apartment rate, beginning with taxes payable in 2025.

1048 Central Ave W is a 1 unit, 4-bedroom property that enrolled in the 4d program in 2021, and restricted the income of the unit at 50%AMI. The 4d property is surrounded by properties owned by Saint Peter Claver Catholic Church, including their worship spaces and school. Xavier Properties (buyer) has entered a purchase agreement with Lang Lang Properties (seller). The buyer, affiliated with Saint Peter Claver, will be purchasing 1048 Central Ave W with the intention to convert the property into a suitable space to expand their educational facilities. Specifically, the property will be used to expand early childhood and middle school offerings and increase capacity to enroll an additional 60 families. There is currently a tenant in the property. The seller is committed to ensure this tenant is not displaced, and is interested in relocating the tenant to another suitable low-income or affordable housing unit that the seller owns.

In order for the sale to occur with clear title, the buyer is requesting the HRA release the restrictive covenant on the property placed by the HRA for the 4d program.

Budget Action

There is no budget action associated with this item.

Future Action

N/A

Public Purpose/Comprehensive Plan Conformance:

Not applicable.

Recommendation:

Staff recommend approval of the actions outlined in this report.

Sponsored by: Commissioner Anika Bowie

Staff: Rachel Finazzo Doll (651-266-6627)

Attachments