

St. Louis Park 4d affordable housing incentive program guide

Due to recent housing, economic and demographic trends, St. Louis Park is experiencing an affordable housing need. Already burdened low- and moderate-income tenants are increasingly paying more than 30 percent of their income on rent and utilities. At the same time, many rental property owners are faced with increased operating and maintenance costs, as well as market opportunities to increase rents.

In response, the city is offering incentives for rental property owners to reduce property tax liability, improve energy efficiency and address conditions of aging buildings, if present. The goal is to preserve affordability, reduce energy use and enhance healthy homes to support tenants and strengthen the bottom line for property owners.

Benefits to property owners

Qualified market rate building owners that agree to keep a minimum of 20 percent of units per building affordable to households making 60 percent of area median income (AMI) for 10 years will receive:

- 10-year eligibility for 4d property tax rate, which provides a 40 percent tax rate reduction on qualifying units.*
- City pays the first year fee for the Minnesota Low Income Rental Classification (LIRC) application, also known as 4d tax classification (\$10 per unit)
- \$200 grant per affordable unit, capped at \$6,000 per property
- Free energy efficiency and healthy homes assessments available to buildings with five or more units. Free or low cost energy assessments are available to two to four unit properties.
- Utility rebates for energy efficiency and healthy homes improvement identified in the free assessment
- Reduced renter turnover
- Lower maintenance and operating costs, if owners take advantage of opportunities to make energy efficiency improvements to properties

**Minnesota Statute 273.128 provides that qualifying low-income rental properties, including those enrolled in the St. Louis Park 4d incentive program, are eligible for 4d tax classification. According to state statute, the first tier of valuation (\$150,000 per unit in 2019) on 4d rental properties is taxed at a rate 40 percent less than 4a and 4b rental property. The actual reduction in property taxes may be slightly higher or lower than 40 percent.*

Eligibility guidelines

Owners of market-rate multifamily properties that meet the following criteria:

- At least 20 percent of rental units in a building are affordable to households whose family income is at or below 60 percent of the area median income (AMI).
- Existing tenants in units that have program-compliant rents do not need to be income qualified.
- Income qualification for tenants is determined upon initial occupancy. Increased income of tenants in affordable units will not violate program requirements.
- Buildings that have at least three rental units; licensed properties in good standing with no code compliance violations.
- Buildings can include units with owner occupants, but only rental units are eligible for 4d tax status.

The city will receive and review applications on an annual basis. The city expects to accept applications January through late February. Properties will be selected based on city goals of preserving housing affordability in neighborhoods throughout the city, subject to the availability of city grant funds.

Note: The city reserves the right to deny applications for the 4d incentive program if the owner or property manager applying owns or manages other properties with outstanding code compliance issues.

Process and program requirements

Step 1 (required)

- Property owners submit a 4d program application and rent roll and sign a participation agreement with the city. The participation agreement includes a commitment to accept tenant-based assistance and affirmative fair marketing, and prohibits involuntary displacement of existing tenants.
- The city will draft and record a declaration against the property that limits the rents and incomes on the qualified units for 10 years (a recorded document is required for 4d tax classification status). The declaration also limits rent increases for tenants in affordable units to five percent or less annually, unless the unit is turning over to a new tenant or the owner provides evidence that a larger rent increase is needed to address deferred maintenance or unanticipated operating cost increases.
- City staff must approve an alternative schedule for rent increases.
- The city will provide a grant to each 4d property in the amount of \$200 per affordable unit, capped at \$6,000 per property. This funding is intended to help property owners cover the cost of 4d administrative and reporting requirements associated with the program, as well as to help owners make health, safety and energy efficiency improvements to properties. Owners must certify to the use of the funds for the property.
- Property owners will select the percentage of their building units to restrict, with a minimum of 20 percent. If they select more than 20 percent, after five years and upon request, the city will approve a reduction of the percentage of restricted units to the minimum level of 20 percent of the units per building.
- Property owners will sign a 4d application once declaration is filed.
- The city will submit a signed 4d application, application fee and declaration to Minnesota Housing on behalf of the property owner for their first year only. Owners are responsible for submitting annual applications to Minnesota Housing to renew 4d tax status. See “Annual Owner Compliance” for additional information.

Step 2 (required)

- Owners of 5 or more unit buildings can sign up for the Multifamily Building Efficiency Program through Xcel Energy and CenterPoint Energy, and complete a free energy assessment by Energy Insight Inc., to receive an energy report of recommended improvements.
- Owners of three and four-unit properties can sign up to receive a free or low-cost energy assessment from the Home Energy Squad.

Benefits to owners:

- A free energy assessment, including free direct install of low-cost improvements such as LED lights and faucet aerators.
- Qualification to receive rebates for energy efficiency project expenditures if improvements result in at least 15 percent energy savings.

Step 3 (encouraged)

Following a free energy assessment, meet with the city and Center for Energy and Environment (CEE) to discuss energy efficiency improvements and available rebate packages. Property owners can choose from a variety of energy efficiency, weatherization or healthy homes improvements and may qualify for utility company subsidies and rebates that can cover between 25 percent and 90 percent of costs.

Benefit to owners:

- Public recognition for your partnership with the city
- Financial assistance to help cover the cost of energy efficiency upgrades

Modifications to declarations

- The declaration for the 4d program commitments runs with the property. Anyone buying and selling 4d property should contact Michele Schnitker at mschnitker@stlouispark.org or 952.924.2571 to complete an assignment, assumption and consent form transferring the declaration to the new owner.
- Any other changes to the declaration, such as revisions to the Exhibit B document specifying which units in the building are restricted, should also contact Michele Schnitker.

What does annual compliance involve?

To continue to receive 4d status, property owners are required to submit:

- An annual 4d application to Minnesota Housing
- An annual report to the City of St. Louis Park

2018 rent and income restrictions, St. Louis Park 4d Affordable Housing Incentive Program

*2019 program rent and income limits based on 60 percent of the Twin Cities area median income (AMI). Rent and income restrictions are adjusted annually, typically in the spring.

Type of unit	60 percent area median income (AMI)
Studio/efficiency	\$991
1 bedroom	\$1,062
2 bedroom	\$1,273
3 bedroom	\$1,471
4 bedroom	\$1,641
5 bedroom	\$1,811