



Staff Updates

August 1, 2024 HRA Meeting

Staff Updates



- Proposed Ordinances
- 4D Program
- Manufactured Home Park Assessments
- Local Housing Trust Fund

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Inclusionary Zoning



- creates dedicated affordable housing units by requiring/encouraging developers to include a share of below market units as part of market-rate rental or homeowner developments
- effective way to ensure that affordable units are integrated throughout the community

Addressing the Limitation on Rental Properties in Low-Density Neighborhoods



- Clarifies definition of block
- Exempts homeowner held licenses from the 20% limitation

Short Term Rental Ordinance



- Regulation and enforcement of the short-term rentals i.e. VRBO, Airbnb, etc. and consumer protection
- Adds short-term rentals to the definition of *Lodging* in the City Code, which includes them in the 'lodging tax' base
- Short-term rentals will be regulated by the City like other residential rentals by:
 - Requiring the short-term rental to have a license
 - Establishing standards for occupancy, parking, etc.

Tenant Protections



- Currently: new owners can raise rents and re-screen existing tenants based on new criteria, leading to gentrification of older and Naturally Occurring Affordable Housing (NOAH) and renters being displaced
- Creates a 90 day period of Tenant Protection (after new owner purchase) in which any rent increase or required move must be subsidized by the new owner through a mandatory relocation expense
- \$2,600 for studio – \$4,100 for 3-bedroom or larger unit

Source of Income Protections



- Landlords/property managers currently have the ability to **deny** an otherwise eligible housing applicant because of their receiving a housing subsidy/assistance as part of their income
- Rice County HRA reports that many landlords aren't willing to accept subsidies (Housing Choice Voucher, Bridges, VASH, etc.)
- Rice County will be receiving an est. additional 40–50 state funded housing assistance vouchers in the next 12–18 months

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4 D Program



- Certifies landlords as abiding by affordable rental guidelines in order to administer state tax abatement
- Application is made to the Minnesota Housing Finance Agency who administers the program
- 4d(1) tax class rate of .25% applied to eligible properties

4D: Benefits for Property Owners



- 5-year eligibility for 4d property tax rate
- Up to 40% reduction in property taxes
- Property Tax Savings can be used for:
 - Property maintenance
 - Property security
 - Improvements to Property
 - Rent Stabilization

4D: Eligibility Guidelines



- At least 20% of the rental units are occupied by, and are affordable to, 60% AMI households
- Buildings with 1-4 units, at least 50% must be affordable
- Income qualification is determined upon initial occupancy
 - Thereafter, increased incomes of tenants in affordable units will not violate the program requirements.
 - Existing tenants in units that have program-compliant rents do not need to be income qualified.
- Buildings can include units with owner occupants, but only rental units are eligible for 4d tax status.
- Landlord is responsible for maintaining records that document the use of the Property Tax Savings for a minimum of 6 years from the end of the Low Income Rental Classification (LIRC)

Owner Commitment: 5 Year Affordability Declaration



- At least 20% of units will remain affordable to households making 60% AMI
- Rent increases for tenants in affordable units are limited to **6% 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.)
- If a building is sold, declarations run with the property

Example of Savings



26 unit building valued at \$3,285,300 or \$126,358 per unit

Non-4d property taxes paid in 2022:

$\$3,285,300 \times .0125 = 41,066$ tax capacity (TC) Taxes = **\$50,899**

Example of Savings

Scenario One



26 unit building valued at \$3,285,300 or \$126,358 per unit

Non-4d property taxes paid in 2022:

$\$3,285,300 \times .0125 = 41,066$ tax capacity (TC) Taxes = **\$50,899**

Ex. #1

7 units/**27%** classified as 4d (and the 19 units non-4d)

- Tax Capacity = \$37,225
- Tax = \$41,601
- Effective Tax Rate = 1.27%

Savings: ~\$9,288

Example of Savings

Scenario Two



26 unit building valued at \$3,285,300 or \$126,358 per unit

Non-4d property taxes paid in 2022:

$\$3,285,300 \times .0125 = 41,066$ tax capacity (TC) Taxes = **\$50,899**

Ex. #2

7 units/**27%** classified as 4d (and the 19 units non-4d)

- Tax Capacity = \$37,225
- Tax = \$41,601
- Effective Tax Rate = 1.27%

Savings: ~\$9,288

100% of the units are classified as 4d:

- Tax Capacity = 21,213
- Tax = \$24,560
- Effective Tax Rate = 0.75%

Savings: ~\$26,339

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Manufactured Housing Assessment Review



Assessments prioritize city ordinances regarding fire safety, building codes, and community standards

Goals:

- Empower residents to abide by ordinances, ensuring both their safety and equitable enforcement of city-wide policy
- Updates and organizes city information regarding our MHPs, following up on decade old assessments; this informs potential funding and future grant opportunities

Manufactured Housing Assessment Updates



- 100% Riverside Assessments Completed
- 100% Viking Terrace Assessments Completed – TODAY 😊
- Common violation examples:
 - No safe second exit (missing stairs, boarded up door, etc.)
 - Lot accumulation (appliances, leftover construction equipment, overflowing household items)

Manufactured Housing Assessments: Next Steps



- Direct community engagement (Public meetings)
- Staff availability
- ARPA funding
- Reinstating clean up/dump day on site (planning for Oct.)
- Possible PRICE grant funding (response expected by Sept/Oct)

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Local Housing Trust Fund



July 2024 Initial/Brainstorming Meeting

- Discussed potential allocation policies
- Outlined existing funding sources
- Prioritized communicating LHTF as a funding option for individuals **and** preexisting partners

Other Updates



– Southbridge

- Received GeoTech bids- VERY EXPENSIVE
- Land dedication for outlots B, C, and D are being reevaluated

– 706/716 2nd St. W

- Restrictive land use covenant from 2004 was discovered
- Working with Hospital Administration on next steps. Hospital Board meeting 8/22/2024

– Budget

