



OpenDoors
EDINA

Affordable Housing Property Tax Relieve and Resilient Homes Program Guide

The goal of this program is to preserve housing affordability, support the city's Climate Action Plan by reducing energy use, and enhance healthy homes that support tenants and strengthen the bottom line for property owners.

Healthy, stable, and affordable housing is important for the well-being, prosperity, and security of Edina residents. Due to housing, economic, and demographic trends, Edina is experiencing an affordable housing crisis. 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.

Purpose:

- Incentivizes owners of Naturally Occurring Affordable Housing (NOAH) to keep their rents affordable thereby preserving affordable housing;
- Helps property owners reduce property tax obligation on affordable housing units;
- Aligns with City's Climate Action Plan by improving the energy efficiency of an aging rental stock to improve longevity and reduce operating costs.
- Provides an incentive to property owners to act on Energy Assessment report findings, received through Edina's Efficient Buildings Ordinance compliance.

To qualify for the Low-Income Rental Classification, also known as "4d property tax classification", the federal government, state of Minnesota or local unit of government must provide financing to the rental housing property as evidenced by a document recorded against the property. This pilot program provides City financing in exchange for a Land Declaration for affordability.

Program Description:

There are two components to this pilot program:

1. Grant from the City to enroll in the State's 4d program. This grant is \$100 per unit and capped at \$5,000 per building. The building owner must agree to keep the building affordable for five (5) years to be eligible.
2. Grant from the City's Affordable Housing Trust Fund to improve energy efficiency of the property with grants providing 90% of the costs, after rebates, up to \$50,000. The building owner must sign a Declaration to keep the building affordable for at least 10 years to be eligible.

Who is eligible?

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

- At least 20% of the rental units are occupied by and affordable to households whose family income is at or below 60% of the Area Median Income (for properties with 1 to 4 units, over 50% must be deemed 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.

Program Component #1 (required):

Qualified building owners that agree to keep a minimum of 20% of units per building affordable to households making up to 60% of Area Median Income (AMI) will receive approximately 40% property tax reduction on qualifying units (Low Income Rental Classification, also known as “4d property tax classification”).

Benefits:

- Payment of first year application fee to the State of Minnesota for certification of the 4d property tax classification (\$10/unit).
- Grant to each 4d property, in the amount of \$100 per affordable unit, capped at \$5,000 per property.
- Reduced property tax obligation.

Definition:

- Non-4d apartments have a tax capacity of 1.25%
- Units classified as 4d that are valued up to \$100,000* have a tax capacity rate of 0.75%
- Units classified as 4d that are valued greater than \$100,000* have a tax capacity rate of 0.25%

* This number is subject to change each year. This is the first tier for taxes paid in 2022

Program Component #2 (optional)

Benefits:

- NOAH property owners receive utility bill relief, lower maintenance needs thanks to new and efficient equipment
- NOAH occupants receive utility bill relief, more comfortable and healthy homes
- City makes progress on emission reduction goal of achieving 15% of commercial/industrial buildings by 2030 meeting a 20% efficiency increase per location.

Example:

26-unit building, 39,000 sq. ft., built in 1968

Project	Cost	Utility Rebates	Resilient Homes Grant	Cost to owner
Water heater replacement	\$15,000	\$650	\$13,500	
Boiler Tune-up & insulation	\$2,500	\$280	\$2,250	
Efficient Lighting	\$2,500	\$260	\$2,250	
Wall/Attic insulation	\$20,000	\$900	\$18,000	
Window updates (from single-pane)	\$20,000	None	\$18,000	
TOTAL Project Cost	\$60,000	\$2,000	\$50,000	\$8,000

Up to 90% of project cost would be covered by the City's Resilient Homes Grant, where utility rebates and the Resilient Homes Grant do not exceed total project costs.

The final cost to owner would usually be recovered through utility bill savings in 1-5 years.

Process and program requirements:

Step 1 (required) – 4D Program Enrollment:

- Property Owner will submit a 2-page 4d program application and rent roll and sign a Participation Agreement with the City.
 - Participation Agreement includes commitment to accept tenant-based assistance and affirmative fair marketing and prohibits involuntary displacement of existing tenants.
- City will draft and record a declaration against the property that limits the rents and incomes on the qualified units for up to 5 years with no energy assistance or 10-years with an energy assistance grant. Property owner must limit rent increases to 6% or less annually, unless the owner provides evidence that a larger rent increase is needed to address deferred maintenance or unanticipated operating cost increases, and city staff approve an alternative schedule for rent increases (a recorded document is required for 4d tax classification status).
- City will provide a grant to each 4d property, in the amount of \$100 per affordable unit, capped at \$5,000 per property. This funding is intended to help property owners cover the cost of the 4d administrative and reporting requirements associated with the program.
- Property Owners will select the percentage of their building to restrict, with a minimum of 20% (for properties with 1 to 4 units, over 50% must be deemed affordable). If they select more than 20%, after 5 years and upon request, the City will approve a reduction of the percentage of restricted units to the minimum level of 20% of the units per building.
- Property owner will sign 4d application once declaration is filed.
- City will submit 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 (encouraged) – Resilient Homes Energy Efficiency Grants:

- Respond to recruitment message from Center for Energy and Environment (CEE) and receive assistance on the following process:
 - Complete utility program enrollment paperwork

- Work with CEE to answer any utility program questions during the audit application process and rebate application process
- Review Utility program recommendations and rebates available from energy audit
- Allow CEE to conduct supplementary on-site meetings/walk-through assessments as needed to identify energy efficiency opportunities not included in utility programs but aligned with the City and Property owner goals (i.e., beneficial electrification, and health and safety measures). CEE will work with City to ensure alignment with goals.
- Work with CEE to connect with contractors, apply for utility rebates, and complete City funding paperwork.
- Estimate energy and carbon savings per property per measure for reporting to the City
- Review customer bids to confirm projects are eligible for the City's funding
- Submit report to the City to receive grant funds.
- City will issue a check in the amount of the approved grant, within 60 days.

What does annual compliance involve?

- To continue to receive 4d status Property Owner is required to submit an annual 4d application to Minnesota Housing as well as an annual report to the City in a form provided by the City.
 - The owners need to complete these items on annual basis to remain eligible for 4d tax status.

Notes on Area Median Income (AMI), and annual updates to rent and income restrictions:

The City of Edina will publish an annual rent and income schedule, based on the regional 60% AMI standard that owners can reference to stay in compliance with the program over the 10-year commitment.

60% AMI Maximum Rent Limits, 2022 Program

Studio/Efficiency	\$1,233
1 Bedroom	\$1,320
2 Bedrooms	\$1,584
3 Bedrooms	\$1,830

Modifications to declarations

The declaration for the 4d program commitments runs with the property. Anyone buying and selling 4d property should contact Stephanie Hawkinson, shawkinson@edinaMN.gov, 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 contact Stephanie Hawkinson.