



# Rochester-Olmsted County Affordable Housing Preservation Program

OVERVIEW OF THE 4D PROPERTY TAX CLASSIFICATION

## Program Guidance

The Rochester-Olmsted County Affordable Housing preservation program is a partnership among the City of Rochester, Olmsted County, and the Olmsted County HRA. The program is administered by HRA staff and applications are accepted annually between November and February. To participate in the program, contact the Olmsted County HRA at 328-7150.

## What is the 4D Property Tax Classification?

Low-income rental property is entitled to valuation and classification as 4d property if at least 20% of the rental housing property meets any of the following qualifications:

- Units are subject to a housing assistance payment contract under Section 8 of the United States Housing Act of 1937 as amended;
- Units are rent-restricted and income-restricted units of a qualified low-income housing project receiving tax credits under section 42(g) of the Internal Revenue Code of 1986 as amended;
- Units are financed by the Rural Housing Service of the United States Department of Agricultural and receive payments under the rental assistance program pursuant to Section 521(a) of the Housing Act of 1949 as amended; or
- Units are subject to rent and income restrictions under the terms of financial assistance provided to the rental housing property by the federal government, the State of Minnesota, or a local unit of government as evidenced by a document recorded against the property.

The 4d tax class qualifying properties are identified by Minnesota Housing Finance Agency (MHFA), on a yearly basis, and the list is sent to the County Assessors so that the 4d tax class can be placed on the properties. These properties typically involve a subsidy such as tax credits, revenue bonds, or some other MHFA program funding assistance.

Properties taxed under the 4d classification are at the .75% rate which is approximately a 40% reduction from the general multifamily housing tax rate classification of 1.25%. In return for the tax reduction, the property owner agrees to keep the property affordable for 10 years.

On average, a unit would see a property tax reduction of between \$300-\$600/unit per year. However, before participation, property owners are encouraged to explore the potential savings individually.

## Using the 4d Property Tax Classification as a housing preservation tool

This program intends to utilize the 4d property tax classification voluntarily with property owners who wish to see their property tax bills reduced. In return for this reduced tax bill, the property owner will agree to restrict their rents and annual rental increases.

Addendum 1 will be updated annually to show maximum rents for the program for new applications each calendar year. The rent limits for the program will be the Payment Standard Rents for the Housing Choice Voucher Program as of the first of the year. These rents are based on the Fair Market rents set annually by HUD.

## Annual Rent Increases

To participate in the program, the property owner must agree to cap any rent increases to 5% or less for the term of the agreement.

## Documentation

Verified income and monthly rent charged for your 4d units must be recorded in the [Annual Compliance form](#). The HRA will review this document for completion. The [Annual Compliance form](#) should reflect all activity for the taxable year. For the first year of participation, this period will be the date of your declaration through 12/31.

## Eligible properties

Any multifamily property with 8 or more units that meet the program rent limits is eligible for the program. A property may be included in the program if 20% or more of the units are restricted. The tax reduction is only applicable for units included in the program.

## Eligible Tenants

Existing tenants in units that have program-compliant rents do not need to be income qualified. As units turnover, income qualification for tenants is determined upon initial occupancy and must be at or below 60% area median income. Thereafter, increased incomes of tenants in affordable units will not violate the program requirements.

Addendum 2 will be updated annually to show updated income requirements

## Term of the Agreement

The agreement will be in effect for 10 years. If the property is sold during that time, the agreement must be passed on to the new property owner.

## Housing Choice Vouchers

Any participant in the program must agree to accept Housing Choice Vouchers as a form of payment.

## Program Applications

Applications for participation in the NOAH Program will be accepted between December 1 – February 1, or until 100 units have applied for the program, whichever comes first.

There is a \$10/unit application fee from Minnesota Housing. For the first year of program participation, the application fee will be paid by the Olmsted County HRA. In subsequent years, the application and renewal fees will be the responsibility of the property owner.

# Addendum 1

Maximum Rents for Year 1 of Program

## PAYMENT STANDARDS

<b>Effective Date</b>	<b>0 BR</b>	<b>1 BR</b>	<b>2 BR</b>	<b>3 BR</b>	<b>4 BR</b>	<b>5 BR</b>	<b>6 BR</b>
1/1/21	740	850	1,050	1,450	1,930	2,050	2,100

# Addendum 2

Income Requirements for Tenants in Assisted Units

**INCOME LIMITS - EFFECTIVE 4-01-20**  
**Median Income \$103,000 (huduser.gov)**

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
60%	42,540	\$48,600	\$54,660	<b>\$60,720</b>	\$65,580	\$70,440	\$75,300	\$80,160