

St. Louis Park 4d affordable housing incentive program guide

Due to recent housing, economic and demographic trends, St. Louis Park is in need of more affordable housing. 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 5 years will receive:

- 5-year eligibility for 4d(1) property tax rate, which provides property tax reductions on qualifying units.*
- City pays the first-year fee for the Minnesota Low Income Rental Classification (LIRC) application, also known as 4d(1) 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(1) tax classification. According to state statute, eligible units use the 4d(1) tax class rate of 0.25%. The regular rental class rate of 1.25% will apply to the remainder of the property.*

Eligibility guidelines

This program is intended for NOAH (Naturally Occurring Affordable Housing) properties that do not currently have requirements to restrict rents.

Owners of multifamily properties must 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 new tenants in 4d(1) designated units is determined upon initial occupancy. Increased income of tenants in affordable units will not violate program requirements.
- Licensed residential rental properties that have at least two rental units and are in good standing with no code compliance violations.

- Single family rental homes can be enrolled in the 4d program. In order to support future affordable homeownership opportunities, the city will release a 4d program declaration of restrictive covenants only if the property is sold to a current tenant, another buyer with an income at or below 80% of Area Median Income (AMI) or a non-profit organization that will sell the property to a buyer at or below 80% AMI. Note: contract for deed sale structures are not eligible for release of the restrictive covenant.
- Buildings can include units with owner occupants, but only rental units are eligible for 4d(1) tax status.
- Building does not already qualify for LIRC tax status in Minnesota.

The city will receive and review applications on an annual basis. The city expects to accept applications December through 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. The city reserves the right to deny any application and to suspend or discontinue this program at anytime.

Note: The city reserves the right to deny applications for the 4d incentive program if the subject property has outstanding code compliance issues or 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 5 years (a recorded document is required for 4d(1) 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(1) 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(1) 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. After completing the five-year program, property owners can request an extension up to five years with the option to reduce the percentage of restricted units to a minimum level of 20 percent of the units per building.
- Property owners will sign a Minnesota Housing Low Income Rental Classification application.
- The city will submit a signed 4d(1) application, application fee and declaration to Minnesota Housing on behalf of the property owner for their first year. Owners are responsible for submitting annual applications to Minnesota Housing to renew 4d(1) tax status. See “annual owner compliance” for additional information.

- Owners are responsible for complying with any state requirements for 4d(1) tax classification status, including certifying to the use of any Property Tax Savings for Eligible Uses. Information regarding Eligible Uses can be found on the [MN Housing LIRC program website](#).

Step 2 (required)

Properties must complete an energy assessment and meet with city staff to discuss energy efficiency improvements and available rebate packages.

- Owners of five or more unit buildings: sign up for the Multi-Family Building Efficiency Program through Xcel Energy and CenterPoint Energy, and complete a free energy assessment to receive a report of recommended improvements.
- Owners of two to four-unit properties: 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 installation of energy saving products such as LED light bulbs, high-efficiency water devices, smart power strips, and door sweeps throughout common areas and resident units.
- Implementation support and guidance over the two-year Multi-Family Building Efficiency program.
- Bonus rebates of up to 60% on any qualifying projects completed through the program.

Step 3 (encouraged)

Following the free energy assessment, 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 Katie Kline at kkline@stlouisparkmn.gov or 952.928.1314 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 Katie Kline at kkline@stlouisparkmn.gov or 952.928.1314.

What does annual owner compliance involve?

To continue to receive 4d(1) status, property owners are required to submit:

- An annual 4d(1) application to Minnesota Housing
- An annual report to the City of St. Louis Park

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

*2025-2026 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	\$1,390
1 bedroom	\$1,490
2 bedroom	\$1,788
3 bedroom	\$2,065
4 bedroom	\$2,304
5 bedroom	\$2,542

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