

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

09-0174R

RESOLUTION AUTHORIZING THE CITY TO ENTER INTO A JOINT POWERS AGREEMENT WITH THE MINNESOTA HOUSING FINANCE AGENCY (MINNESOTA HOUSING) RELATED TO THE LOW INCOME HOUSING TAX CREDIT PROGRAM.

CITY PROPOSAL:

RESOLVED, that the proper city officials are hereby authorized to enter into an agreement substantially in the form of the copy on file in the office of the city clerk as Public Document No. _____ to the low income housing tax credit program joint powers agreement with the Minnesota housing finance agency (Minnesota housing) extending the term thereof.

Approved:

Approved for presentation to council:

Department Director

Chief Administrative Officer

Approved as to form:

Approved:

Attorney

Auditor

CD KH:KO:jle 3/10/2009

STATEMENT OF PURPOSE: This resolution authorizes the city of Duluth to enter into a joint agreement with the Minnesota housing finance agency (Minnesota housing), pursuant to which Minnesota housing will administer the city of Duluth's low income housing tax credits. In 2010, the city of Duluth will receive an estimated \$316,130 in tax credits. The Duluth City Council originally approved entering into a joint powers agreement with Minnesota housing for the administration of Duluth's housing tax credits on February 22, 1999.

Each year low-income housing tax credits are allocated by the internal revenue service (IRS) to the states, the amount of which is based on their population. Using a published qualified allocation plan, the states accept applications from housing developers and award credits to affordable rental projects. In turn, the developers sell the credits to corporations to raise capital for their projects. Corporations can use the credits they purchase to reduce the amount of taxes owed to the federal government.

Minnesota has designated certain counties and cities as "suballocators" of housing tax credits, one of which is the city of Duluth. Between the time Congress authorized the program in 1986 and up until 1998, the city independently administered the credits allocated to Duluth. During that time, the IRS issued numerous regulations, clarifications and rulings that significantly complicated the program. In 1999, Minnesota housing and interested suballocator jurisdictions negotiated the first joint powers agreement. Because the state has the major responsibility to ensure compliance with IRS standards and smaller suballocators were having difficulty meeting all the requirements, the state assumed most of the administrative burden. In return, suballocators could select a priority project from their area, and if needed, Minnesota housing would provide state credits in addition to the suballocator's credits to fully fund this project.

The joint powers agreement significantly reduced the amount of staff time and resources the city expended on the tax credit program. However, there was still duplication in that both the city and Minnesota Housing accepted applications for credits and conducted project review and approval processes, held public hearings, developed and adopted annual qualified allocation plans, and each charged developers application fees. Last year, Minnesota housing proposed a more streamlined process, where the state conducted the application and review process. This resolution is to approve entering into a joint agreement once again. By doing so, the city agrees to accept the state's qualified allocation plan for selection of projects. Should a local project score well under the state's criteria, Minnesota housing will still ensure the project is fully funded utilizing both Duluth's and the state's credits. City staff supports approval of the joint powers agreement.