

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

10-0137R

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 a joint powers agreement pertaining to the housing tax credit program, substantially in the form of the copy on file in the office of the city clerk as Public Document No. \_\_\_\_\_, with the Minnesota housing finance agency (Minnesota housing) for the year 2011.

Approved:

Approved for presentation to council:

\_\_\_\_\_  
Department Director

\_\_\_\_\_  
Chief Administrative Officer

Approved as to form:

Approved:

\_\_\_\_\_  
Attorney

\_\_\_\_\_  
Auditor

CD KAH:KO:jle 3/10/2010

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 2011, the city of Duluth will receive an estimated \$288,896 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. The joint powers agreement has significantly reduced the amount of staff time and resources the city expends on the tax credit program.

This resolution is to approve entering into a joint agreement again for the coming year. By doing so, the city accepts the state's qualified allocation plan for selection of projects. Should a local project score well under the state's criteria, Minnesota Housing will ensure the project is fully funded utilizing both Duluth's and the state's credits. City staff supports approval of the joint powers agreement.