Council Agenda Item 26-0467R

MEETING DATE: May 26, 2026

SUBJECT/TITLE: RESOLUTION AUTHORIZING THE CITY TO ENTER INTO A JOINT POWERS AGREEMENT WITH THE MINNESOTA HOUSING FINANCE AGENCY RELATED TO THE LOW-INCOME HOUSING TAX CREDIT PROGRAM FOR THE YEAR 2027.

SUBMITTED BY: Ben VanTassel – Director, Planning and Economic Development

RECOMMENDATION: Approve

BOARD/COMMISSION/COMMITTEE RECOMMENDATION: N/A

Community Development Committee voted to approve the pre-commitment of HUD 2027 funding on April 21, 2026. They recommend approval.

PREVIOUS COUNCIL ACTION:

1999 – Duluth City Council originally approved entering into a Joint Powers Agreement (JPA) with Minnesota Housing Finance Agency (MHFA) for the administration of Duluth housing tax credits. Duluth City Council approves these agreements on an annual basis in the course of coordinating the MHFA application process and supporting applicants seeking funding for affordable housing projects.

BACKGROUND:

The State has designated certain counties and cities, including Duluth, as "suballocators" of housing tax credits. Between 1986 and 1998, the city independently administered the credits allocated to Duluth. During that time, the Internal Revenue Service (IRS) issued numerous regulations, clarifications, and rulings that significantly complicated the program. In 1999, MHFA and interested suballocator jurisdictions negotiated the first JPA. Because it is a time intensive responsibility to ensure compliance with IRS standards, and because smaller suballocators were having difficulty meeting all the requirements, MHFA assumed most of the administrative burden. Thus, each year the City of Duluth elects into the JPA to reduce the amount of staff time and resources the City expends on the tax credit program. Entering the JPA also allows local affordable housing projects to compete for significantly greater subsidy than would be available if the city administered its tax credits independently. In 2027, Duluth would only receive $211,156 in tax credits if they did not elect into the JPA, while entering into the JPA gives local projects the opportunity to apply for tens of millions of dollars in support through the MHFA program.

BUDGET/FISCAL IMPACT:

By entering into the JPA with MHFA, the City will forgo their 2027 allocation of $211,156 in housing tax credits but will save significant staff time and resources by deferring program administration to MHFA, enabling local projects to compete for substantially larger state housing tax credit funding.

OPTIONS:

Approve the authorization of the City to enter into a Joint Powers Agreement with MHFA or deny the authorization of the City to enter into a Joint Powers Agreement. Denial would mean that staff need to spend extra time administering an independent tax credit program. Approval would save staff time and ensure that affordable housing projects in Duluth are eligible for significantly more funding compared to what they could receive under an independently administered program.

NECESSARY ACTION:

Approve the Resolution of Authorization

ATTACHMENTS:

Minnesota Housing Finance Agency Housing Tax Credit Administration Joint Powers Agreement