



Legislation Text

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RESOLUTION AUTHORIZING THE CITY OF DULUTH TO ENTER INTO A JOINT POWERS AGREEMENT WITH THE MINNESOTA HOUSING FINANCE AGENCY (MINNESOTA HOUSING) RELATED TO THE 2018 LOW INCOME HOUSING TAX CREDIT PROGRAM.

CITY PROPOSAL:

RESOLVED, that the property city officials are hereby authorized to enter into a joint powers agreement pertaining to the housing tax credit program with the Minnesota housing finance agency (Minnesota housing) for the year 2018. City staff supports approval of the joint agreement and is authorized to execute the agreement.

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 2018, the City of Duluth will receive an estimated \$180,891 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 to set priorities for awarding of tax credits, states accept applications from housing developers and select affordable housing projects to receive these credits. In turn, the developers sell the credits to corporations to raise capital. Corporations can use the credits they purchase to reduce the amount of taxes owed to the federal government. In return, the affordable housing projects are limited in the amount of rent that can be charged, and tenants must meet income eligibility requirements.

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 Finance Agency and interested suballocator jurisdictions negotiated the first joint powers agreement. Because the State of Minnesota 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 through the use of a Joint Powers Agreement. Each year since 1999, the city has approved an Agreement that transfers the city's credits to the State, which has significantly reduced the amount of staff time and resources the city would have to expend 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. City staff supports

approval of the joint agreement and is authorized to execute the agreement.