

Commitment Of The CDA's 2022 9% Low Income Housing Tax Credits

Meeting Date: 8/17/2021
 Department: Community & Economic Development
 Prepared By: Kathy Kugel
 Contact: Lisa Alfson
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Fiscal/FTE Impact:

- None
- Amount included in current budget
- Budget amendment requested
- FTE included in current complement
- New FTE(s) requested
- Other:

PURPOSE/ACTION REQUESTED

- Approve the commitment of the CDA's 2022 9% Low Income Housing Tax Credits.

SUMMARY

The Dakota County Community Development Agency (CDA) is a Suballocator of 9% Low Income Housing Tax Credits (Tax Credits) and is authorized to allocate an estimated \$923,999 of 2022 Tax Credits within Dakota County. The Tax Credits are allocable to affordable rental housing developments on a competitive basis according to a selection process set forth in the CDA's Housing Tax Credit Qualified Allocation Plan for 2022 (2022 QAP). In accordance with state and federal requirements, a public hearing was held at the March 26, 2021 CDA Board of Commissioners meeting prior to CDA Board's adoption of the 2022 QAP (Resolution #21-6395).

Two applications were received by the July 15, 2021 deadline, requesting a total of \$1,950,000 in Tax Credits including:

- Babcock Crossing Limited Partnership (fka Babcock Trail Limited Partnership), the developer of which is Connelly Development, LLC, requested \$950,000 in Tax Credits for the construction of a 49-unit multifamily development in Inver Grove Heights known as Babcock Trail Apartments.
- Parkway, Limited Partnership, the developer of which is MWF Properties, LLC, requested \$1,000,000 in Tax Credits for the construction of a 45-unit multifamily developments in Burnsville known as The Parkway.

Tax credits are allocated to affordable rental housing developments on a competitive basis according to a selection process set forth in the 2022 QAP. Additionally, the 2022 QAP provides Tax Credits can be awarded to applicants that have received a partial allocation ahead of other applications (including higher scoring applications) provided the applicant can demonstrate readiness to proceed by having all city approvals and all funding commitments in place (other than the Tax Credits the applicant is presently requesting). The applicants were scored as follows:

Babcock Crossing	103 points
The Parkway	63 points

RECOMMENDATION

Babcock Crossing Limited Partnership received a commitment of CDA 2021 Tax Credits in the amount of \$315,652, which leaves a balance of \$950,000 Tax Credits needed to fully fund \$1,265,652 of total Tax Credits. Based on the review of the application materials, the score of 103 points, and that the applicant has demonstrated its readiness to proceed by having all city approvals and all funding commitments in place, staff recommends a commitment of the full amount of current 2022 Tax Credits in that amount of \$923,999 Tax Credits to the Babcock Crossing project located in Inver Grove Heights.

Additionally, staff recommends establishing a waiting list for Babcock Crossing, which would allow the CDA to commit additional needed Tax Credits to this project in the event the CDA is provided additional 2022 Tax Credits from Minnesota Housing. If this occurs, the CDA will review Babcock Crossing's need for additional Tax Credits at that time prior to commitment. The CDA may continue to commit Tax Credits until the application deadline for Minnesota Housing's Round 2, currently scheduled for January 31, 2022.

EXPLANATION OF FISCAL/FTE IMPACT

None. The Tax Reform Act of 1986 created the Housing Tax Credit Program as a means of raising private capital to finance affordable rental housing and the CDA is authorized under Minnesota Statutes Section 462A.222 to allocate tax credits for eligible projects in Dakota County. The tax credit is a 10-year annual reduction in the tax liability of investors in affordable housing and does not require any commitment of CDA funds. The investor, typically a private corporation, makes an initial equity contribution to the development to receive the annual tax credit.

Applicants pay fees throughout the process to administer the Tax Credits that equal 5% of the annual Tax Credit allocation. These fees are meant to cover staff time administering the program

Supporting Documents:

Attachment A: Babcock Crossing Rendering and Site Map
Attachment B: The Parkway Rendering and Site Map

Previous Board Action(s):

21-6395; (3/16/2021)

Resolution No. 21-XXXX

Commitment Of The CDA’s 2022 9% Low Income Housing Tax Credits

WHEREAS, pursuant to Minnesota Statutes Sections 462A.221 through 462A.225 (the “Act”), the Dakota County Community Development Agency (the “Agency”) is a Suballocator of 9% Low Income Housing Tax Credits (“Tax Credits”); and

WHEREAS, in accordance with Section 42 of the Internal Revenue Code of 1986, as amended (the “Code”), by Resolution No. 21-6395, adopted by the Agency on March 16, 2021, following a public hearing for which notice was duly published, the Agency adopted a Qualified Allocation Plan for 2022 tax credits (the “2022 QAP”) setting forth criteria governing the award of the Agency’s 2022 Tax Credits; and

WHEREAS, because the members of the Dakota County Board of Commissioners are the ex-officio members of the Agency, the approval of such Resolution by the Agency satisfies the requirement that the 2022 QAP be approved by the applicable elected representative of the Agency; and

WHEREAS, the Agency received two applications for the 2022 Tax Credits by the first-round deadline, with applications from:

1. Babcock Crossing Limited Partnership, the developer of which is Connelly Development, LLC, for the construction of a 49-unit multifamily development in Inver Grove Heights, known as Babcock Crossing; and
2. Parkway, Limited Partnership, the developer of which is MWF Properties LLC, for the construction of a 45-unit multifamily development in Burnsville known as The Parkway; and

WHEREAS, pursuant to Minnesota Statutes § 462A.222, Subd. 3, any 2022 Tax Credits which are not committed by the Agency prior to Minnesota Housing Finance Agency’s (“MHFA”) second round of applications are required to be returned to MHFA.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, as follows:

1. The Agency hereby finds and determines with respect to the Babcock Crossing Limited Partnership and Parkway, Limited Partnership applications that:
 - a. The applications for Tax Credits for Babcock Crossing and The Parkway are complete in all material respects.
 - b. The allocation of Tax Credits requested by each of the applicants does not exceed the amount necessary for the financial feasibility of the respective projects and their viability as qualified low-income housing projects throughout the 15-year compliance period.
 - c. On the basis of the applications submitted and remaining, the Tax Credit scores for the applicants are as follows:

Babcock Crossing Limited Partnership – Babcock Crossing	103 points
Parkway, Limited Partnership – The Parkway	63 points
2. In making the determination set forth in 1b above the Agency considered: (a) the sources and uses of funds and the total financing planned for each project; (b) any proceeds or receipts expected to be generated by reason of tax benefits; (c) the percentage of the tax credit dollar amount used for project costs other than costs of the intermediaries; and (d) the reasonableness of the developmental and operational costs of each project.
3. The Agency hereby approves the commitment of the balance of its 2022 Tax Credits to Babcock Crossing Limited Partnership for Babcock Crossing in the amount of \$923,999.
4. The Agency authorizes the establishment of a waiting list for additional credits for the Babcock Crossing project. The purpose of the waiting list is to permit the Agency to commit any 2022 Tax Credits that may become available from the Minnesota Housing Finance Agency.

5. Staff is authorized to prepare, execute and deliver all documentation necessary or convenient to provide for the commitment of its 2022 Tax Credits pursuant to this resolution and the subsequent carryover and allocation of the same, based on findings made in accordance with the requirements of the Code as each such steps. Staff is further authorized to take any actions necessary to return any unused 2022 Tax Credits to the Minnesota Housing Finance Agency prior to the second round deadline in the event Tax Credits are returned and not fully committed to a project on the waiting list.


Executive Director's Comments:

- Recommend Action
- Do Not Recommend Action
- Reviewed-No Recommendation
- Reviewed-Information Only
- Submitted at Commissioner Request


- Item Type-Consent
- Item Type-Discussion
- Item Type-Informational

Strategic Plan Priorities:

- Focused Housing Programs
- Collaboration
- Development/Redevelopment
- Financial Sustainability
- Operational Effectiveness



Executive Director



Department Director

Attachment A. Babcock Crossing Rendering and Location Map

BABCOCK CROSSING

5590 BABCOCK TRAIL,
INVER GROVE HEIGHTS, MN 55077



Attachment B. The Parkway Rendering and Location Map

The Parkway

451 Burnsville Pkwy, Burnsville, MN 55337
 7/14/21
 #21-03-H

