



Board of Commissioners

Request for Board Action

Meeting Date: October 18, 2022

Agenda #: 6B

DEPARTMENT: Community and Economic Development

FILE TYPE: Regular - Action

TITLE

Commitment Of The Dakota County CDA's 2023 9% Low Income Housing Tax Credits

PURPOSE/ACTION REQUESTED

Approve the commitment of the Dakota County CDA's 2023 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 \$961,313 of 2023 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 2023 (2023 QAP). In accordance with state and federal requirements, a public hearing was held at the March 22, 2022 CDA Board of Commissioners meeting prior to CDA Board's adoption of the 2023 QAP (Resolution #22-6528).

Two applications were received by the July 14, 2022, deadline, requesting a total of \$1,991,313 in Tax Credits:

- Denmark Trail Workforce Housing Limited Partnership, the developer of which is Dakota County CDA, requested \$1,030,000 in Tax Credits for the construction of a 40-unit townhome development in Farmington known as Denmark Trail Townhomes.
- Parkway, Limited Partnership, the developer of which is MWF Properties, LLC, requested \$961,313 in Tax Credits for the construction of a 43-unit multifamily development 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 2023 QAP. The applicants were scored as follows:

| | |
|-------------------------|-----------|
| Denmark Trail Townhomes | 85 points |
| The Parkway | 82 points |

RECOMMENDATION

Based on the review of the application materials submitted and the scores of the two applicants, staff recommends a commitment of the 2023 Tax Credits to Denmark Trail Townhomes. Additionally, staff requests establishing a waiting list for Denmark Trail Townhomes, which would allow the CDA to commit additional Tax Credits to this project in the event the CDA is provided additional 2023 Tax Credits from Minnesota Housing. If this occurs, the CDA will review Denmark Trail Townhomes' need for additional Tax Credits at that time. The CDA may continue to commit Tax Credits to both applicants until the application deadline for Minnesota Housing's Round 2, tentatively scheduled for February 24, 2023.

EXPLANATION OF FISCAL/FTE IMPACTS

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.

None Current budget Other Amendment Requested New FTE(s) requested

RESOLUTION

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. 22-6528, adopted by the Agency on March 22, 2022, following a public hearing for which notice was duly published, the Agency adopted a Qualified Allocation Plan for 2023 tax credits (the "2023 QAP") setting forth criteria governing the award of the Agency's 2023 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 2023 QAP be approved by the applicable elected representative of the Agency; and

WHEREAS, the Agency received two applications for the 2023 Tax Credits by the first-round deadline, with applications from: Denmark Trail Workforce Housing Limited Partnership, the developer of which is Dakota County Community Development Agency, for the construction of a 40-unit townhome development in Farmington, known as Denmark Trail Townhomes; and Parkway, Limited Partnership, the developer of which is MWF Properties LLC, for the construction of a 43-unit multifamily development in Burnsville known as The Parkway; and

WHEREAS, pursuant to Minnesota Statutes § 462A.222, Subd. 3, any 2023 Tax Credits which are not committed by the Agency prior to Minnesota Housing's second round of application deadline are required to be returned to Minnesota Housing.

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 Denmark Trail Workforce Housing Limited Partnership and Parkway, Limited Partnership applications that:
 - a. The applications for Tax Credits for Denmark Trail Townhomes 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:

| | |
|---|-----------|
| Denmark Trail Workforce Housing Limited Partnership – | |
| Denmark Trail Townhomes..... | 85 points |
| Parkway, Limited Partnership – The Parkway..... | 82 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 2023 Tax Credits to Denmark Trail Workforce Housing Limited Partnership for Denmark Trail Townhomes in the amount of \$961,313.

4. The Agency authorizes the establishment of a waiting list for additional Tax Credits for the Denmark Trail Townhomes project. The purpose of the waiting list is to permit the Agency to commit any 2023 Tax Credits that may be become available from Minnesota Housing.

5. Staff is authorized to prepare, execute and deliver all documentation necessary or convenient to provide for the commitment of its 2023 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 2023 Tax Credits to Minnesota Housing prior to the second round deadline in the event Tax Credits are returned and not fully committed to a project on the waiting list.

PREVIOUS BOARD ACTION

22-6528; (3/22/2022)

ATTACHMENTS

Attachment A: Denmark Trail Townhomes Site Map and Rendering

Attachment B: The Parkway Site Map and Rendering

BOARD GOALS

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

PUBLIC ENGAGEMENT LEVEL

- Inform and Listen Discuss Involve N/A

CONTACT

Department Head: Lisa Alfson, Director of Community and Economic Development

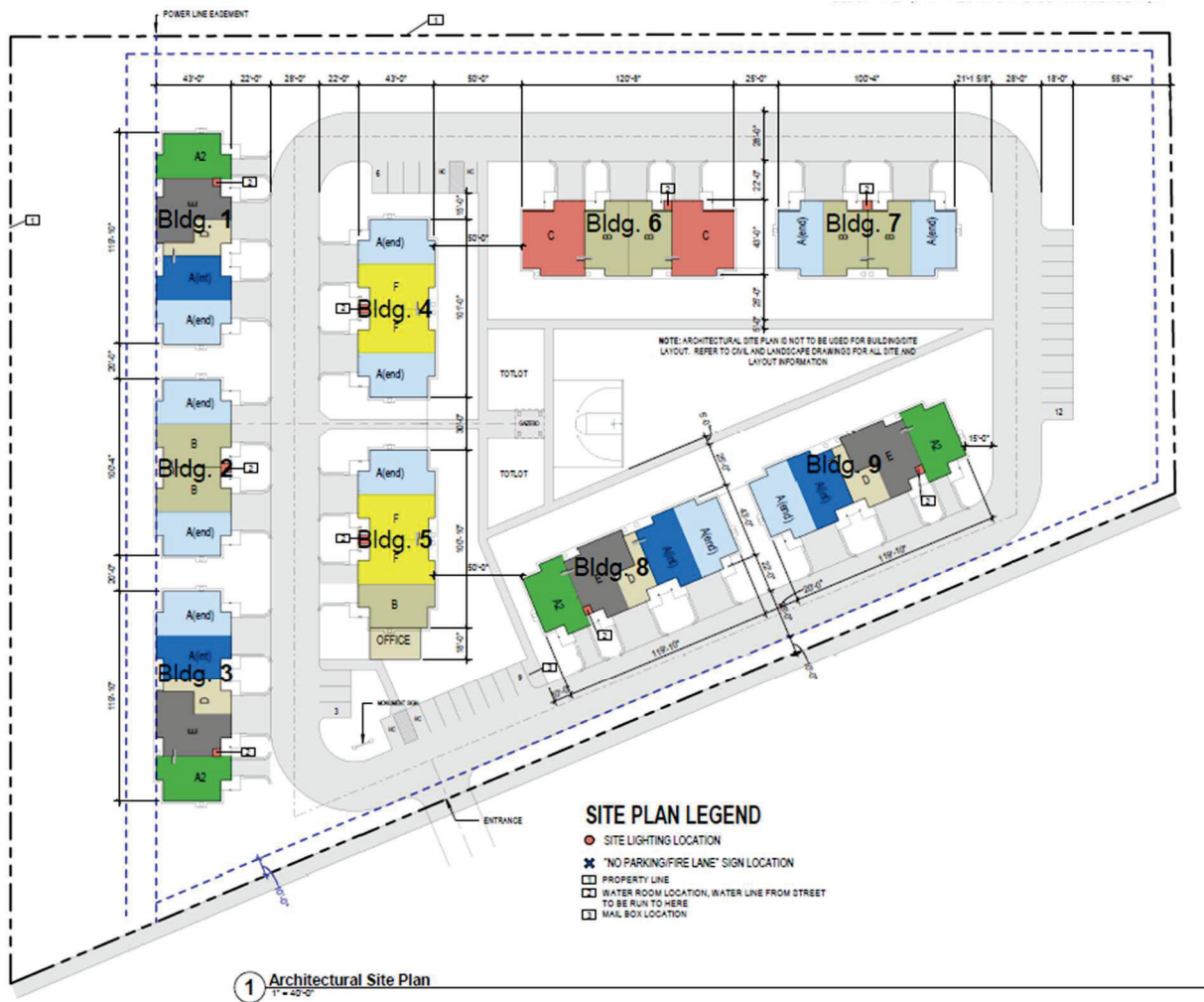
Author: Kathy Kugel, Housing Finance Program Coordinator

Attachment A. Denmark Trail Townhomes Site Map and Rendering



DENMARK TRAIL TOWNHOMES

FARMINGTON, MN



BLDG. TYPE 1,3 AT PRESTWICK PLACE IN ROSEMOUNT, MN

Attachment B. The Parkway Site Map and Rendering

The Parkway

451 Burnsville Pkwy, Burnsville, MN 55337
 06/22/22
 #21-03-H

