Board of Commissioners Packet

February 11, 2020
3:30 p.m. - Regular Meeting
CDA Office, 1228 Town Centre Drive, Eagan
BOARDS MEETING
February 11, 2020 – 3:30 p.m.
Dakota County CDA, 1228 Town Centre Drive, Eagan, MN 55123

AGENDA

1. ROLL CALL
   A. Staff Introductions
   B. Audience

   Anyone in the audience wishing to address the CDA Board on an item not on the agenda or an item on the consenter agenda may come forward at this time. Comments are limited to five minutes.

2. APPROVAL OF AGENDA AND MEETING MINUTES

   ➢ January 14, 2020 Annual Board Meeting Minutes
   ➢ January 14, 2020 Regular Board Meeting Minutes

3. FEDERAL PUBLIC HOUSING AND HOUSING CHOICE VOUCHER AGENDA

   CONSENT
   A. Authorization To Submit Amendments To HUD Demolition/Disposition Application (DDA0009902)

4. CONSENT AGENDA

   A. Approval Of Record Of Disbursements – January 2020
   B. Request To Delegate Appointments To Dakota Broadband Board For Appointment To Executive Committee
   C. Approval Of Changes To Housing Finance Policy

5. REGULAR AGENDA

   A. Public Hearing To Receive Comments And Adoption Of The 2021 Qualified Allocation Plan For The Allocation Of Low Income Housing Tax Credits Under Section 42 Of The Internal Revenue Code Of 1986, As Amended
   B. Annual GREATER MSP Update – Informational
   C. Economic Development Strategy Update And Adoption Of 2020 Workplan
   D. Housing Development Update – Informational
   E. Executive Director’s Update – Informational

6. INFORMATION

7. ADJOURNMENT

For more information, call 651-675-4432.

Dakota County CDA Board meeting agendas are available online at:
http://www.dakotacda.org/board_of_commissioners.htm
Next CDA Board Meeting:
March 17, 2020 Budget Workshop – 2 p.m.
Dakota County CDA Boardroom, 1228 Town Centre Drive, Eagan, MN 55123

March 17, 2020 Regular Meeting – 3:30 p.m.
Dakota County CDA Boardroom, 1228 Town Centre Drive, Eagan, MN 55123
Commissioner Gerlach called the meeting to order at 3:16 p.m.

COMMISSIONER ROLL CALL

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<td>Commissioner Cummings, At Large</td>
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CDA staff in attendance:
Tony Schertler, Executive Director
Kari Gill, Deputy Executive Director
Sara Swenson, Director of Administration and Communications
Kaili Braa, Assistant Director of Administration and Communications
Lisa Alfson, Director of Community and Economic Development
Maggie Dykes, Assistant Director of Community and Economic Development
Kathy Kugel, Housing Finance Coordinator
Karly Schoeman, Housing Finance Coordinator
Lisa Hohenstein, Director of Housing Assistance
Anna Judge, Director of Property Management
Ken Bauer, Director of Finance
Chris Meyer, Assistant Director of Finance

Others in attendance:
Erin Stwora, Dakota County
Tom Donely, Dakota County

OATHS OF OFFICE

Commissioners Joe Atkins, Liz Workman and Mary Liz Holberg read their Oaths of Office and were seated on the CDA Board of Commissioners.

REGULAR AGENDA

20-6218 Electing The Chair For The Dakota County Community Development Agency Board Of Commissioners

WHEREAS, Commissioner Gerlach opened the Annual Meeting as Board Chair, and
WHEREAS nominations were accepted for the office of Chair; and
WHEREAS, Commissioner Slavik placed in nomination Commissioner Gerlach; and
WHEREAS, Commissioner Holberg seconded the nomination; and
WHEREAS, no further nominations were placed; and
WHEREAS, Chair Gerlach closed nominations for the office of Chair; and
WHEREAS, Commissioner Gaylord moved a unanimous ballot and a vote was taken on Commissioner
Gerlach acting as Chair and the motion was carried.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners that Commissioner Gerlach serve as Chair for calendar year 2020.

**Motion Unanimous Ballot: Commissioner Gaylord**

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Gaylord X  
Egan    X  
Atkins  X  
Workman X  
Holberg X  
Gerlach X  

**E lecting The Vice Chair For The Dakota County Community Development Agency Board Of Commissioners**

WHEREAS nominations were accepted for the office of Vice Chair; and
WHEREAS, Commissioner Workman placed in nomination Commissioner Atkins; and
WHEREAS, Commissioner Gaylord seconded the nomination; and
WHEREAS, no further nominations were placed; and
WHEREAS, Chair Gerlach closed nominations for the office of Vice Chair; and
WHEREAS, Commissioner Holberg moved the ballot and Commissioner Slavik seconded; and a vote was taken on Commissioner Atkins acting as Vice Chair and the motion was carried.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners that Commissioner Atkins serve as Vice Chair for calendar year 2020.

**Motion Ballot: Commissioner Holberg Seconded: Commissioner Slavik**

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Gaylord X  
Egan    X  
Atkins  X  
Workman X  
Holberg X  
Gerlach X  

**E lecting The Secretary For The Dakota County Community Development Agency Board Of Commissioners**

WHEREAS nominations were accepted for the office of Secretary; and
WHEREAS, Commissioner Workman placed in nomination Commissioner Holberg; and
WHEREAS, Commissioner Slavik seconded the nomination; and
WHEREAS, no further nominations were placed; and
WHEREAS, Chair Gerlach closed nominations for the office of Secretary; and

WHEREAS, Commissioner Egan moved the ballot and Commissioner Atkins seconded, and a vote was taken on Commissioner Holberg acting as Secretary and the motion was carried.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners that Commissioner Holberg serve as Secretary for calendar year 2020.

**Motion Ballot: Commissioner Egan**  
**Seconded: Commissioner Atkins**

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**Selection Of GREATER MSP Board Appointment**

WHEREAS the Dakota County Community Development Agency is an investor of GREATER MSP; and

WHEREAS, as part of the investment, the CDA Board appoints a Commissioner to represent Dakota County on the GREATER MSP Board;

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That Commissioner Gaylord is recommended to serve on the GREATER MSP Board for 2020.

**Motion Ballot: Commissioner Workman**  
**Seconded by: Commissioner Egan**

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**ADJOURNMENT**

**Adjournment**

BE IT RESOLVED, that the Dakota County Community Development Agency Board of Commissioners hereby adjourns to the Dakota County Community Development Agency Board of Commissioners Regular Meeting.

**Motion: Commissioner Slavik**  
**Second: Commissioner Holberg**

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The CDA Board annual meeting adjourned at 3:24 p.m.
COMMISSIONER ROLL CALL

Present: Commissioner Slavik, District 1 X
Commissioner Gaylord, District 2 X
Commissioner Egan, District 3 X
Commissioner Atkins, District 4 X
Commissioner Workman, District 5 X
Commissioner Holberg, District 6 X
Commissioner Gerlach, District 7 X
Commissioner Cummings, At Large X

COMMISSIONER ROLL CALL

CDA staff in attendance:
Tony Schertler, Executive Director
Kari Gill, Deputy Executive Director
Sara Swenson, Director of Administration and Communications
Kaili Braa, Assistant Director of Administration and Communications
Lisa Alfson, Director of Community & Economic Development
Maggie Dykes, Assistant Director of Community & Economic Development
Kathy Kugel, Housing Finance Coordinator
Karly Schoeman, Housing Finance Coordinator
Lisa Hohenstein, Director of Housing Assistance
Anna Judge, Director of Property Management
Ken Bauer, Director of Finance
Chris Meyer, Assistant Director of Finance

Others in attendance:
Erin Stwora, Dakota County
Tom Donely, Dakota County

AUDIENCE

No audience members addressed the Board.

APPROVAL OF AGENDA AND MEETING MINUTES

20-6223 Approval Of Agenda And Meeting Minutes

BE IT RESOLVED, by the Dakota County Community Development Agency Board of Commissioners that the agenda for the January 14, 2020 Annual and Regular CDA Board meeting be approved as written.

BE IT FURTHER RESOLVED, by the Dakota County Community Development Agency Board of Commissioners that the minutes for the December 17, 2019, Regular CDA Board meetings be approved as written.

Motion: Commissioner Holberg Second: Commissioner Slavik

Ayes: 8 Nays: 0 Abstentions: 0

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FEDERAL PUBLIC HOUSING AND HOUSING CHOICE VOUCHER AGENDA

20-6224 Establish The Date For A Public Hearing To Receive Comments On The 2020 Public Housing Agency Five Year Plan

WHEREAS, Section 511 of the Quality Housing and Work Responsibility Act (QHWRA) of 1998 and the ensuing HUD requirements mandates that agencies with Section 8 and/or Public Housing Programs once every five years submit a Five-Year Strategic Plan and an Annual Agency Plan Update including the Capital Fund Program Annual Statement and the Performance and Evaluation Report; and

WHEREAS, Section 511 of the Quality Housing and Work Responsibility Act of 1998 also requires that after a 45-day public comment period, the Board of Commissioners of the Agency responsible for the Agency Plan conducts a public hearing.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, that a public hearing is established for March 17, 2020 at 3:30 p.m. during the regular board meeting.

20-6225 Adoption Of Updated Utility Allowance Schedule for the Housing Choice Voucher Program

WHEREAS, the Dakota County Community Development Agency receives funding through the Department of Housing and Urban Development (HUD) to operate a Housing Choice Voucher Program; and

WHEREAS, in accordance with 24 CFR 982.517, Housing Authorities are required to establish and maintain allowance schedules for use in calculating estimated costs of tenant-furnished utilities and other services; and

WHEREAS, the allowance schedule for tenant paid utilities and other services is required to be reviewed annually and adjustments are required if there has been a change of 10% or more in a utility rate since the schedule was last updated; and

WHEREAS, the CDA last updated the Utility Allowance Schedule in January 2019 (Resolution #19-6093); and

WHEREAS, an analysis has determined that rates have changed at least 10%; and

WHEREAS, staff have proposed an updated Utility Allowance Schedule (Attachment A).

NOW, THEREFORE, BE IT RESOLVED, by the Dakota County Community Development Agency Board of Commissioners, That the updated Utility Allowance Schedule is adopted effective February 1, 2020.

Motion: Commissioner Cummings Second: Commissioner Egan

Ayes: 8 Nays: 0 Abstentions: 0

Yes No Absent Abstain
Slavik X
Gaylord X
Egan X
Atkins X
CONSENT AGENDA

20-6226  Approve Record Of Disbursements – December 2019

BE IT RESOLVED, by the Dakota County Community Development Agency Board of Commissioners, That the December 2019 Record of Disbursements is approved as written.

20-6227  Establish The Date For A Public Hearing On Qualified Allocation Plan For The Allocation Of Low Income Housing Tax Credits Under Section 42 Of The Internal Revenue Code of 1986, As Amended

WHEREAS, pursuant to Section 42 of the Internal Revenue Code of 1986, as amended (the “Code”), and Minnesota Statues Sections 462A.221 through 462A.225, the Dakota County Community Development Agency (the “CDA”) is a housing credit agency authorized to allocate low income housing tax credits (the “Tax Credits”); and

WHEREAS, Section 42 of the Code, requires the CDA to hold a public hearing prior to adopting or amending a Qualified Allocation Plan (the “QAP”) detailing the basis for allocating Tax Credits among applicants; and

WHEREAS, the CDA proposed to adopt a QAP regarding the allocation of Tax Credits using 2021 volume cap and the allocation of any “automatic” tax credits attributable to private activity bonds issued after the adoption of the plan (the “2021 Plan”).

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

1. That a public hearing regarding the adoption of the 2021 Plan will be held by the CDA on February 11, 2020, at or after 3:30 p.m. at the CDA’s office.

2. That staff of the CDA are authorized and directed to cause notice of such public hearing to be published in a newspaper of general circulation in the CDA’s jurisdiction not less than fifteen (15) days prior to such hearing.

20-6228  Authorization For Executive Director To Execute Amendment To The Lease Agreement Between The City Of Eagan and Dakota County CDA

WHEREAS, the City of Eagan was in need of temporary office space during their City Hall construction project; and

WHEREAS, the CDA Board authorized the Executive Director to enter into a lease agreement with the City of Eagan (Resolution #19-6116); and

WHEREAS, the initial term of the lease expires on March 30, 2020; and

WHEREAS, the City of Eagan has requested an extension on the lease agreement.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the Executive Director is authorized to execute an amendment to the lease agreement extending the term to June 30, 2020 and allowing for month-to-month extensions after that date, if needed.

Motion: Commissioner Slavik  Second: Commissioner Holberg
Ayes: 7      Nays: 0      Abstentions: 0

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**REGULAR AGENDA**


Ken Bauer presented.

WHEREAS, the Dakota County Community Development Agency (CDA) is required to have an annual audit of its financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and

WHEREAS, the audit must also meet the additional requirements imposed the requirements of Title 2 of the U.S. code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements of Federal Awards (Uniform Guidance) and the provisions of the Minnesota Legal Compliance Audit Guide for Local Government promulgated by the Legal Task Force pursuant to Minnesota Section 6.65; and

WHEREAS, the CDA has prepared a Comprehensive Annual Financial Report (CAFR) and Single Audit Report for the year ended June 30, 2019; and

WHEREAS, the public accounting firm of RSM US LLP ("Auditor") has performed an audit of the financial statements of the CDA for the year ended June 30, 2019 in accordance with all applicable audit requirements; and

WHEREAS, the Auditor’s reports as a result of this audit are contained in the Comprehensive Annual Financial Report and Single Audit Report for the fiscal year ended June 30, 2019.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the Comprehensive Annual Financial Report and Single Audit Report for the year ended June 30, 2019 are hereby accepted.

**Motion:** Commissioner Holberg  
**Second:** Commissioner Slavik

Ayes: 7      Nays: 0      Abstentions: 0

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INFO **Update On CDA Strategic Plan Initiatives And Discussion of 2020 Priorities**

Tony Schertler and Sara Swenson presented.
INFO  Housing Development Update

Kari Gill provided updates.

INFO  Executive Director’s Update

Tony Schertler provided updates.

ADJOURNMENT

20-6230 Adjournment

BE IT RESOLVED, that the Dakota County Community Development Agency Board of Commissioners hereby adjourns until Tuesday, February 11, 2020.

Motion: Commissioner Gaylord  Second: Commissioner Atkins

Ayes: 8  Nays: 0  Abstentions: 0

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The CDA Board meeting adjourned at 4:41 p.m.
Authorization To Submit Amendments To HUD Demolition/Disposition Application (DDA0009902)

Meeting Date: 2/11/2020
Department: Property Management
Prepared By: Anna Judge
Contact: Anna Judge
Contact Phone: 651-675-4501

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
• Authorize submission of amendments to the CDA’s Demolition/Disposition Application (DDA0009902).

SUMMARY
On July 30, 2019, the Dakota County CDA submitted application DDA0009902 to the U.S. Department of Housing and Urban Development’s Special Applications Center (SAC) for the disposition of 92 dwelling buildings containing 120 dwelling units and 27.84 acres of land at MN147000001 (the HUD property designation for the CDA’s scattered site public housing units). SAC approved the application on September 17, 2019. The approval provides for disposition to a DCCDA, LLC, subject to a 30-year use restriction requiring operation of these units as low-income housing.

While the approval is what the CDA requested and is suitable for most of the units, the CDA is now requesting the ability to sell units at Fair Market Value (FMV) to current residents who can afford them. In addition, if other units’ conditions or locations makes them problematic to preserve long-term; the CDA is requesting the ability to sell those units at FMV. The CDA would use any sale proceeds for public housing or Section 8 uses, both eligible uses under Section 18 of the U.S. Housing Act of 1937.

RECOMMENDATION
Staff recommends the CDA Board authorize the submission of these amendments to the CDA’s approved application (DDA0009902), to allow for the sale of some of the 120 units at FMV.

EXPLANATION OF FISCAL/FTE IMPACT
Proceeds of any sales will be used for public housing or Section 8 uses eligible under Section 18 of the U.S. Housing Act of 1937.
Resolution No. 20-XXXX

Authorization To Submit Amendments To HUD Demolition/Disposition Application (DDA0009902)

WHEREAS, the Dakota County CDA submitted HUD application DDA0009902 on July 30, 2019 to the U.S. Department of Housing and Urban Development’s Special Applications Center (SAC); and

WHEREAS, the application was approved by SAC on September 17, 2019 for the disposition of 120 DCCDA scattered-site units; and

WHEREAS, the CDA is now requesting additional flexibility in the disposition of these units to sell units at Fair Market Value (FMV) to current residents who can afford them; and

WHEREAS, in addition to selling units to current residents who can afford them, the CDA is also requesting that if other units’ conditions or locations makes them problematic to preserve long-term; the CDA is requesting the ability to sell those units at FMV; and

WHEREAS, the CDA would use any sale proceeds for public housing or Section 8 uses, both eligible uses under Section 18 of the U.S. Housing Act of 1937.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, staff is authorized to submit these proposed amendments to the disposition approval for HUD’s review and consideration.
DAKOTA COUNTY COMMUNITY DEVELOPMENT AGENCY
REQUEST FOR BOARD ACTION

Approve Record Of Disbursements – January 2020

Meeting Date: 02/11/2020
Department: Finance
Prepared By: Chris Meyer
Contact: Ken Bauer
Contact Phone: 651-675-4450

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 Record of Disbursements for January 2020

SUMMARY
In January 2020, the Dakota County Community Development Agency (CDA) had $7,169,320.28 in disbursements and $775,069.03 in payroll expenses. Attachment A provides the breakdown of disbursements. Additional detail is available from the Finance department.

RECOMMENDATION
Staff recommends approval of the Record of Disbursements for January 2020.

EXPLANATION OF FISCAL/FTE IMPACT
These disbursements are included in the Fiscal Year Ending June 30, 2020 budget.
Resolution No. 20-XXXX

Approve Record Of Disbursements – January 2020

BE IT RESOLVED, by the Dakota County Community Development Agency Board of Commissioners, That the January 2020 Record of Disbursements is approved as written.

<table>
<thead>
<tr>
<th>Item Type</th>
<th>Focus</th>
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<tbody>
<tr>
<td>Consent</td>
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<tr>
<td>Discussion</td>
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<tr>
<td>Informational</td>
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<td>Operational Effectiveness</td>
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<td>Financial Sustainability</td>
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<td>Development/Redevelopment</td>
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<td>Collaboration</td>
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<tr>
<td>Focused Housing Programs</td>
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Executive Director’s Comments:

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

Strategic Plan Priorities:

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

Executive Director:

Department Director:

- 16 -
### Dakota County CDA
### Record of Disbursements
### For the month of January 2020

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Disbursement detail is available in the Finance Office.

Chairperson
Request To Delegate Appointments To Dakota Broadband Board For Appointment To Executive Committee

Meeting Date: 2/11/2020  
Department: Community & Economic Development  
Prepared By: Lisa Alfson  
Contact: Lisa Alfson  
Contact Phone: 651-675-4467

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
• To obtain delegation of authority for the Executive Director to annually appoint one primary and one alternate to the Dakota Broadband Board (DBB) Executive Committee.

SUMMARY
The Dakota Broadband Board (DBB) is a Joint Powers Organization with membership from the County, the Community Development Agency, and ten cities in Dakota County. The Board sets policy and budget for the organization and oversees the Institutional Network (I-Net) and will develop a business plan and policies related to a Commercial Network (C-Net). DBB Board members are members of their respective elected bodies and are appointed by their elected bodies.

The DBB Board is supported by an Executive Committee which makes recommendations on policy, budget, and operations to the Board. DBB by-laws state the appointment of an Executive Committee member, and alternate, shall be appointed by resolution. The Executive Committee is comprised of staff of the member organizations. The DBB legal agent (Dakota County Attorney’s Office) has determined that the authority to appoint an Executive Committee member and alternate can be delegated to the CDA Executive Director.

RECOMMENDATION
Staff recommends the Executive Director be authorized to annually appoint one primary and one alternate to the Dakota Broadband (DBB) Executive Committee. The Executive Director recommends appointing the Director of Community & Economic Development as the primary and the Assistant Director of Community & Economic Development as the alternate for the DBB Executive Committee.

EXPLANATION OF FISCAL/FTE IMPACT
None.
Resolution No. 20-XXXX

Request To Delegate Appointments To Dakota Broadband Board For Appointment To Executive Committee

WHEREAS, the Dakota Broadband Board by-laws provide for each member to appoint one primary and one alternate to the Dakota Broadband Board Executive Committee; and

WHEREAS, input on delegation of the appointment of the Dakota Broadband Board Executive Committee primary and alternate was received from the Dakota Broadband Board’s legal agent (Dakota County Attorney’s Office).

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the Executive Director is hereby authorized to appoint the primary and the alternate for the Dakota Broadband Board Executive Committee representatives on the Dakota Broadband Board Committee annually, starting in 2020.

Executive Director’s Comments:
- [x] Recommend Action
- [ ] Do Not Recommend Action
- [ ] Reviewed-No Recommendation
- [ ] Reviewed-Information Only
- [ ] Submitted at Commissioner Request

Strategic Plan Priorities:
- [x] Focused Housing Programs
- [ ] Collaboration
- [ ] Development/Redevelopment
- [ ] Financial Sustainability
- [ ] Operational Effectiveness

________________________
Executive Director

________________________
Department Director
Approval Of Changes To Housing Finance Policy

Meeting Date: 2/11/2020
Department: Community & Economic Development
Prepared By: Kathy Kugel
Contact: Lisa Alfson
Contact Phone: 651-675-4467

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 changes to the Dakota County CDA’s Housing Finance Policy.

SUMMARY
The Dakota County Community Development Agency (CDA) Housing Finance Policy (Policy) lists general policy requirements for the use of qualified residential rental revenue bonds, 501(c)(3) bonds, refunding bonds, low income housing tax credits, tax increment financing assistance, and Housing Opportunities Enhancement (HOPE) funds. The Policy lists applicable rent and income restrictions, term of assistance and restrictions, requirement to participate in the Housing Choice Voucher Program, community review practices, and other policy requirements. It is not a comprehensive list of requirements necessary for public approval; it is intended to provide developers and others with a general framework for the CDA’s policies and to make information about the CDA’s financing tools more readily available to interested parties.

The Policy was last updated in fall 2019. Staff and legal counsel periodically review the policy and recommend changes based on best practices, legal changes, and administrative changes. The changes currently recommended are summarized as follows:

1. Clarify when the CDA will take action on application(s). CDA will not take action in connection to the issuance of bonds or the establishment of a tax increments district, until completed Applications(s) for Revenue Bonds (which includes the Tax Credit Application, if Tax Credits are being sought) and/or Tax Increment Financing Assistance have been received by the CDA and all required fees have been paid.

2. Extend the general length of time it takes to meet the general procedural requirements for the bonds and the establishment of a tax increment tax increment financing district from two to three months to two to four months.

RECOMMENDATION
Staff recommends adoption of changes to the Housing Finance Policy to provide additional clarification on the application process.

EXPLANATION OF FISCAL/FTE IMPACT
None.
Resolution No. 20-XXXX

Approval Of Changes To Housing Finance Policy

WHEREAS, the Dakota County Community Development Agency (CDA) staff desires to amend the Housing Finance Policy; and

WHEREAS, CDA staff proposes to clarify that the CDA will not take action in connection to the issuance of bonds or the establishment of a tax increments district, until completed Applications(s) for Revenue Bonds (which includes the Tax Credit Application if Tax Credits are being sought) and/or Tax Increment Financing Assistance have been received by the CDA and all required fees have been paid; and

WHEREAS, CDA staff proposes to extend the general length of time it takes to meet the general procedural requirements from two to three months to two to four months.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the recommended changes to the Housing Finance Policy, as shown in the Attachment A, are hereby approved.
I. OVERVIEW

The Dakota County Community Development Agency (the CDA) is committed to assisting in the financing of affordable rental housing for low to moderate income households. The CDA will consider assisting in the development, acquisition and substantial rehabilitation or acquisition and preservation of multifamily rental housing facilities using qualified residential rental bonds, qualified 501(c)(3) bonds, refunding bonds, low income housing tax credits, tax increment financing, and Housing Opportunities Enhancement (HOPE) funds.

Before the CDA will take any action in connection with the issuance of bonds or the establishment of a tax increment district, it must receive a completed Application(s) for Revenue Bonds (including the Tax Credit Application, if Tax Credits are being sought) and/or Application for Tax Increment Financing Assistance, as applicable, and payment of the required fees. The issuance of the various types of bonds, and the establishment of a tax increment financing district, will require compliance with the respective procedural requirements, including public approvals. Meeting these requirements generally takes between two to three-four months. The applicant will be required to pay all of the CDA’s costs associated with processing an application for bonds or tax increment financing assistance, whether or not the application is ultimately approved, bonds are ultimately issued, or the tax increment financing district is ultimately established.

It is the CDA’s policy to encourage the distribution of affordable housing throughout the county in order to avoid the concentration of such housing in any one city or section of a city. As a result, the CDA may limit the number of units and the units per acre of affordable housing that it will assist. In order to address the CDA’s concern that each development will be well maintained throughout its useful life, the CDA will review the building plans and may require specific building materials, such as fiber cement board siding, to be used. To expand affordable housing opportunities for a range of household sizes, the CDA may require that the units designated as “affordable” within a mixed-income development be closely proportional to the number of units of each bedroom size within the development. The CDA considers the cities in Dakota County to be its clients, thus the city in which the development is proposed will be consulted.

Please Note – The requirements specified herein are not inclusive of all of the requirements to be met in order to receive CDA financing. This information is to be used only as a general guide to the different CDA financing programs available.
II. QUALIFIED RESIDENTIAL RENTAL BONDS

The use of private activity bonds will be considered for either new construction or acquisition coupled with rehabilitation. The CDA receives an annual entitlement allocation of private activity bonding authority from the State of Minnesota. The CDA within its sole discretion will determine (a) whether it will use any of its entitlement allocation for multifamily bonds, and if so, (b) which multifamily project or projects it will finance.

If the CDA has used its entire entitlement allocation for the previous year, the CDA may apply to the State for an allocation of bonding authority to finance a multifamily project to be owned by a for-profit developer. An application to the State for additional bonding authority requires a non-refundable application fee of 0.02% of the requested allocation and, depending on when the application is submitted, a deposit of either one or two percent of the requested allocation. The developer will be responsible for providing such fee and deposit. In the event the CDA issues bonds that do not meet the definition of “permanently issued” within Minnesota Statutes 474A.02, Subd. 20a, then the CDA may hold some or all of the application deposit received from the Department of Finance (in lieu of returning it to the developer) until and unless the bonds are “permanently issued” within such definition.

In connection with the issuance of private activity bonds that receive an allocation of volume cap, the developer may be eligible for the 4% tax credit allocation. Please refer to the section on HOUSING TAX CREDITS. **If the 4% tax credit is sought, the development will be subject to both income and rent restrictions imposed by federal and state law and will be subject to the separate application and other procedural requirements of the CDA’s tax credit program.**

A. Under state law, projects financed with bond allocation must meet the following requirements:

   (a) Income and rent restrictions:
      
      (i) the proposed residential rental project meets the requirements of section 142(d) of the Internal Revenue Code regarding the incomes of the occupants of the housing (that is, 40% of the units are held for persons at 60% of median income, or 20% of the units are held for persons at 50% of median income); and;

       (ii) the maximum rent for at least 20 percent of the units in the proposed residential rental project do not exceed the area fair market rent or exception fair market rents for existing housing, if applicable, as established by the federal Department of Housing and Urban Development.

   (b) The proceeds from qualified residential rental bonds may be used
for a project for which project-based federal rental assistance payments are made only if:

(i) the owner of the project enters into a binding agreement with the Minnesota Housing Finance Agency under which the owner is obligated to extend any existing low-income affordability restrictions and any contract or agreement for rental assistance payments for the maximum term permitted, including renewals thereof; and

(ii) the Minnesota Housing Finance Agency certifies that project reserves will be maintained at closing of the bond issue and budgeted in future years at the lesser of:

(I) the level described in Minnesota Rules. Part 49000.0010, subpart 7, item A, subitem (2), effective May 1, 1997; or

(II) the level of project reserves available prior to the bond issue, provided that additional money is available to accomplish repairs and replacements needed at the time of bond issue

B. 15 Year Agreement and Monitoring:

State law requires that prior to the issuance of tax-exempt residential rental bonds, the developer of the project must enter into a 15-year agreement with the CDA that specifies the maximum unit rental rates of the rent-restricted units and the income levels of the families occupying the rent-restricted units. The developer must annually certify to the CDA, during the 15-year term, that the rental rates are within the applicable limitations. The CDA may request individual certifications of income for all families.

State law requires that the CDA monitor compliance with the rent and income restrictions listed above. The CDA may issue an order of noncompliance if a project is determined to be out of compliance with the rental or income limitations set forth above. The owner of the project will be required to pay a penalty to the CDA equal to one-half of one percent of the total amount of bonds issued for the project if the CDA issues an order of noncompliance. For each additional year a project is out of compliance, the annual penalty must be increased by one-half of one percent of the total amount of bonds issued for the project.

C. Participation in the Section 8 Program:

The developer will be required to sign an agreement that while the bonds are outstanding, they will participate in the Section 8 Rental Assistance Program. Participation means that to the extent the developer has units that meet the requirements
of this program, they will not exclude from consideration qualified families receiving assistance for the Section 8 program.

D. Acquisition/Substantial Rehabilitation Requirements:

If the developer intends to utilize the proceeds of tax-exempt bonds for acquisition and rehabilitation, the following requirements must be met:

(a) Rehabilitation expenditures must be made within a 2-year period and must be equal or exceed 15% of the acquiring the building finance with bond proceeds.

(b) No substantial user of the facility prior to acquisition may be a substantial user of the facility following acquisition.

E. Community Review:

All applications will be sent to the city in which the development is located for review and comment. Cities will be given a minimum of 30 days to review and submit comments. The CDA will not consider approving a final bond sale resolution before this period of time has elapsed or comments are received, whichever comes first.

The CDA will not approve any request for bonds where a community indicates that the development is not consistent with the community’s plan, policies, or goals.

F. Fees:

The following fees must be paid by the Applicant with respect to the Dakota County Community Development Agency (CDA) Multifamily Revenue Bond Programs:

(a) For bond issues that require entitlement authority, the applicant shall be required to pay at the bond closing, the non-refundable State application fee charged by the Minnesota Management and Budget (as required under M.S. 474A.03 subd. 4). Presently, the State fee is $20 for each $100,000 of entitlement requested, rounded to the nearest $100,000. The CDA pays this fee to the Minnesota Management and Budget, and the cost is reimbursed by the applicant to the CDA at bond closing.

(b) An application fee in the amount of $1,000 must be submitted with the Multi-family Revenue Bond Application to the Dakota County CDA.

(c) An administrative closing fee in the amount of the greater of $10,000 or 1/8 of 1% (0.125%) of the principal amount of the bonds shall be paid to the Dakota County CDA at the time of the bond sale closing.

(d) An annual administrative fee:
(i) Payment dates: Paid semi-annually in arrears (January 1 and July 1). The first payment date is typically 3-9 months from the dated date of the bonds.

(ii) Amount: The annual administrative fee is equal to 1/8 of 1% (0.125%) of the outstanding principal amount of bonds. This annual fee is paid semi-annually in an amount equal to 1/16 of 1% (0.0625%) of the outstanding principal balance of the bonds on the day before the payment date (December 31 or June 30) to the Dakota County CDA. The first payment shall be prorated from the dated date of the bonds to the first payment date.

Exception 1 (*): For bond issues with a first call date that is greater than three years but less than or equal to five years from the dated date of the bonds, the annual percentage listed above shall be increased to ¼ of 1% (0.250%) and the semi-annual percentage listed above shall be increased to 1/8 of 1% (0.125%).

Exception 2 (*): For bond issues with a first call date that is three years or less from the dated date of the bonds, the annual percentage listed above shall be increased to ½ of 1.0% (0.500%) and the semi-annual percentage listed above shall be increased to ¼ of 1% (0.250%).

(*) The CDA may adjust the administrative fees for a bond issue with a first call date that is less than or equal to five years, if such adjustment is warranted based on current market conditions, unusual or extraordinary circumstances associated with the bond issue, and/or other criteria that the CDA may determine as appropriate from time to time. Any request from an applicant to adjust the administrative fees of a bond issue with a first call date that is less than or equal to five years must be submitted in writing to the CDA, along with a detailed justification of why the applicant feels such adjustment is warranted.

III. 501(c)(3) BONDS FOR RESIDENTIAL RENTAL HOUSING

In order to qualify for 501(c)(3) bonds for residential rental projects, the developer must be a qualified 501(c)(3) organization, or a disregarded entity created by a 501(c)(3) organization, for purposes of federal tax law and all projects must be consistent with its 501(c)(3) charitable purposes. Proof of this status must be submitted with the application and an opinion of counsel acceptable to bond counsel will be required at closing. 501(c)(3) Bonds cannot be used in a partnership with for-profit ownership or be used for an activity that constitutes an unrelated trade or business of the 501(c)(3) organization.

A. Type of Units and Income/Rental Limitations:
While the CDA may impose additional income or rental restrictions on a case-by-case basis, under federal law, housing projects which consist of the construction of new housing units need not include any units set aside for persons of low or moderate income, except as may be required in order to maintain the developer’s status as a 501(c)(3) organization.

Federal law also requires that existing housing projects which are to be acquired with the proceeds of 501(c)(3) bonds must comply with the rehabilitation requirements described in B. below, or must meet one of the following (elected at the date of the bond issue):

(a) set-aside 20% of the units for families whose income is 50% or less than the county area median income, adjusted by family size; or

(b) set-aside 40% of the units for families whose income is 60% or less than the county area median income, adjusted by family size; in each case in accordance with the requirements of Section 145(d) of the Internal Revenue Code.

B. Rehabilitation Projects:

Under federal law, an alternative to complying with the set-aside requirements described in A. above, a developer seeking to finance the acquisition of an existing housing project with 501(c)(3) bonds may substantially rehabilitate the project, as required by Section 145(d) of the Internal Revenue Code. “Substantial rehabilitation” requires, in essence, the expenditure for rehabilitation of an amount at least equal to the acquisition price of the project.

C. Participation in the Section 8 Program:

The developer will be required to sign an agreement that while the bonds are outstanding, it will participate in the Section 8 Rental Assistance Program. Participation means that to the extent the developer has units that meet the requirements of this program, they will not exclude from consideration qualified families receiving assistance for the Section 8 Program.

D. Community Review:

All applications will be sent to the city in which the development is located for review and comment. Cities will be given a minimum of 30 days to review and submit comments. The CDA will not consider approving a final bond sale resolution before this period of time has elapsed or comments are received whichever comes first.

The CDA will not approve requests for bonds where a community indicates that the development is not consistent with the community’s plans, policies, or goals.

E. Fees
The following fees must be paid by the Applicant with respect to the Dakota County Community Development Agency (CDA) Multifamily Revenue Bond Programs:

(a) An application fee in the amount of $1,000 must be submitted with the Multi-family Revenue Bond Application to the Dakota County CDA.

(b) An administrative closing fee in the amount of the greater of $10,000 or 1/8 of 1% (0.125%) of the principal amount of the bonds shall be paid to the Dakota County CDA at the time of the bond sale closing.

(c) An annual administrative fee:

(i) Payment dates: Paid semi-annually in arrears (January 1 and July 1). The first payment date is typically 3-9 month from the dated date of the bonds.

(ii) Amount: The annual administrative fee is equal to 1/8 of 1% (0.125%) of the outstanding principal amount of bonds. This annual fee is paid semi-annually in the amount equal to 1/16 of 1% (0.0625%) of the outstanding principal balance of the bonds on the day before the payment date (December 31 or June 30) to the Dakota County CDA. The first payment shall be prorated from the dated date of the bonds to the first payment date. If applicable, the exceptions provided in Section II. F(d) will apply.

IV. REFUNDING BONDS

The CDA will consider a developer’s request that the CDA issue bonds to refund a developer’s existing bond issue, or make amendments which constitutes a reissuance for purposes of federal tax law based on the following CDA policies and objectives.

A. Requirements for Agreements and Terms of the Restrictions:

Prior to issuance of refunding bonds, the developer of the project must enter into an agreement with the CDA that specifies the maximum unit rental rates and the income levels of tenants. (These limits will be based on the type of bonds being issued.) The CDA may request individual certifications of income for all tenants.

B. Participation in the Section 8 Program:

The developer will be required to sign a new agreement that while the bonds are outstanding, they will participate in the Section 8 Rental Assistance Program. Participation means that to the extent the developer has units that meet the requirements of this program, they will not exclude from consideration qualified families receiving assistance for the Section 8 program.
C. Community Review:

All applications will be sent to the city in which the development is located for review and comment. Cities will be given a minimum of 30 days to review and submit comments. The CDA will not consider approving a final bond sale resolution before this period of time has elapsed or comments are received, whichever comes first.

The CDA will not approve requests for refunding or reissuing bonds where a community indicates that the development is not consistent with the community’s plan, policies, or goals. All 501(c)(3) bond requests require CDA Board and County Board of Commissioners’ approval. The CDA will not commit to any 501(c)(3) Bond assistance until approvals have been granted.

D. Fees

The following fees must be paid by the Applicant with respect to the Dakota County Community Development Agency (CDA) Multifamily Revenue Bond Programs:

(a) An application fee in the amount of $1,000 must be submitted with the Multi-family Revenue Bond Application to the Dakota County CDA.

(b) An administrative closing fee in the amount of the greater of $10,000 or 1/8 of 1% (0.125%) of the principal amount of the bonds shall be paid to the Dakota County CDA at the time of the bond sale closing.

(c) An annual administrative fee:

(i) Payment dates: Paid semi-annually in arrears (January 1 and July 1). The first payment date it typically 3-9 month from the dated date of the bonds.

(ii) Amount: The annual administrative fee is equal to 1/8 of 1% (0.125%) of the outstanding principal amount of bonds. The annual fee is paid semi-annually in an amount equal to 1/16 of 1% (0.0625%) of the outstanding principal balance on the day before the payment date (December 31 and June 30) to the Dakota County CDA. The first payment shall be prorated from the dated date of the bonds to the first payment date. If applicable, the exceptions provided in Section II. F(d) will apply.

V. GENERAL REQUIREMENTS.

The following requirements apply in connection with the issuance by the Dakota County CDA of Qualified Residential Rental Bonds, Qualified 501(c)(3) Bonds and Refunding Bonds.
(a) The Applicant shall submit to the Dakota County CDA its written proposal for selection of one or more investment bankers or underwriters to assist the Applicant and Dakota County CDA in the structuring, implementation and sale of the bonds. Such proposed selection shall not become effective, nor shall the Applicant enter into any binding agreement or commitment with respect thereto, until and unless the Dakota County CDA approves such selection; and the Dakota County CDA may disapprove such selection in its sole discretion. If the Applicant proposes that the bonds shall be privately placed with a financial institution, the Applicant may propose that no investment bankers or underwriters will be selected.

(b) The Applicant acknowledges that the Dakota County CDA will appoint the trustee in connection with the issuance of the bonds.

(c) The Applicant acknowledges that the Dakota County CDA will appoint bond counsel in connection with the issuance of the Bonds.

(d) The Applicant, and if the applicant is a single asset entity, other parties required by the Dakota County CDA, will be required to enter into a memorandum of understanding on terms acceptable to the Dakota County CDA prior to the adoption of approving resolutions by the Dakota County CDA.

VI. LOW-INCOME HOUSING TAX CREDITS (HTC)

The CDA has been designated as an allocating agency for HTC by the state legislature. Federal law requires the CDA to adopt a Qualified Allocation Plan, which explains the guidelines and methods for allocating tax credits. Allocations of HTC will be made in accordance with the Qualified Allocation Plan’s threshold requirements and then ranked based on selection criteria. The CDA will consider allocating HTC for new construction, acquisition, or rehabilitation, in accordance with its Qualified Allocation Plan. HTC Applications are due annually on a date selected by the Minnesota Housing Finance Agency as the closing date for its first round allocation for the subsequent year’s tax credit allocation.

VII. TAX INCREMENT FINANCING (TIF) FOR RENTAL HOUSING

The use of TIF will be considered for either new construction or rehabilitation of rental housing. The TIF provided will primarily be in the form of an Interest Rate Reduction Program (IRR). The CDA may consider other forms of TIF financing depending upon the specific needs of the development.

A. Consistent with the Dakota County Tax Increment Financing Policy, the CDA policy requires that the proposed housing district meet all of the requirements for a low-income housing credit under section 42 of the Internal Revenue Code of 1986, as
amended through December 31, 1992, regardless of whether the project actually receives a low-income housing credit.

(a)  (i) 20-50 test-The project meets the requirements if 20 percent or more of the residential units in the project have rents that are at or below the published Sec. 42 maximum gross rent, adjusted by bedroom size, for 50 percent of the area median income, and these units are occupied by households whose income is 50 percent or less of area median gross income, or

(ii) 40-60 test- The project meets the requirements if 40 percent or more of the residential units in the project have rents that are at or below the published Sec. 42 maximum gross rent, adjusted by bedroom size, for 60 percent of the area median income, and these units are occupied by households whose income is 60 percent or less of area median gross income.

(b) Annual rent increases will be limited to the lesser of published Sec. 42 rents or the average rent increase in the proposed City as demonstrated in the Dakota County CDA Annual Market Study.

B. Generally, TIF Assistance provided will be in the form of an Interest Rate Reduction Program (Minnesota Statutes 1998, 469.012 subd. 8) with the following additional restrictions:

(a) Maximum of 15 years of increment payments.

(b) Generally, TIF Assistance will not exceed 70% of increment available (subject to underwriting).

(c) Interest rate reduction payments must only be utilized to pay interest on project financing

C. Repayment Terms: (Per loan agreement)

D. Participation in the Section 8 Program:

The developer will be required to sign an agreement that states that while the agreement is outstanding, they will participate in the Section 8 Rental Assistance Program. Participation means that to the extent the developer has units that meet the requirements of this program, they will not exclude from consideration qualified families receiving assistance for the Section 8 Program.
E. Community Review:

All applications will be sent to the city in which the development is located for review and consideration of support. Cities will be given a minimum of 30 days to review and submit comment. The CDA will not consider private TIF requests unless a resolution is passed by the respective city council authorizing the use of TIF and requesting the CDA to proceed with the development of a TIF District. The CDA will not approve TIF requests where the community indicates that the development is not consistent with the community’s plan, policies, or goals.

TIF requests initiated by the CDA require review and approval by the Dakota County Board of Commissioners. All TIF requests require CDA Board and County Board of Commissioners’ approval. The CDA will not commit to any TIF assistance until approvals have been granted.

F. “But For” Determination:

The developer requesting assistance must provide financial information on the development that clearly demonstrates that “but for” the use of TIF the development would not occur. The CDA will also conduct its own independent analysis to verify whether the “but for” determination has been met, which will include comparing cash flow proformas with and without rent-restricted units. In most cases, the amount of TIF available will not exceed the amount of funding necessary to write down rents from market rate to affordable levels.

G. Fees

The following fees must be paid by the Applicant with respect to the Dakota County Community Development Agency (CDA) tax increment program:

(a) An application fee in the amount of $1,000 must be submitted with the Application for Tax Increment Financing Assistance to the Dakota County CDA

(b) The CDA will require a deposit in the amount of $15,000 from the applicant to cover legal and consultant costs incurred by the CDA in investigating the feasibility of providing assistance to the applicant and other costs associated with establishing the district. If the CDA incurs additional expenses beyond the $15,000, the CDA shall notify the applicant in writing and the applicant will be required to deposit additional funds in $5,000 increments. Any excess funds in escrow will be returned to the developer once the TIF district is certified by the County.
VIII. TAX INCREMENT FINANCING (TIF) FOR OWNER-OCUPIED HOUSING

The CDA will consider the use of TIF for either new construction, acquisition, or acquisition/rehabilitation of owner occupied housing.

A. Income and Sale Price Limitations:

   (a) For owner occupied residential property to qualify for tax increment financing assistance, the proposed project must meet the following requirements:

      (i) The statutory requirement that at least 95 percent of the housing units assisted with tax increment must be initially purchased and occupied by individuals whose family income is less than or equal to the income requirements for qualified mortgage bond projects under section 143(f) of the Internal Revenue Code: 115 percent of the area median income for household sizes of 3 or more, and 100 percent of the area median gross income for household sizes of 1 or 2.

      (ii) In addition to (i) above, the project must meet the CDA policy requirement that at least 50 percent of the housing units in the project must be initially purchased and occupied by individuals or families with an annual adjusted gross income which is equal to or less than 80 percent of the area median gross income, as determined annually by the U.S. Department of Housing & Urban Development (HUD).

   I. Income is determined based on Section 8 standards, whereby annual income includes the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.

   II. The maximum sale price for the units referenced in (ii) above must not exceed the limit established by the CDA, on an annual basis, for its mortgage revenue bond program. The CDA may adjust this sale price limit to ensure that these housing units are affordable to homebuyers that meet the income requirement.

B. Community Review:

All applications will be sent to the city in which the development is located for review and consideration of support. Cities will be given a minimum of 30 days to review and submit comment. The CDA will not consider private TIF requests unless a resolution is passed by the respective city council authorizing the use of TIF and requesting the CDA to proceed with the development of a TIF District. The CDA will
not approve TIF requests where the community indicates that the development is not consistent with the community’s plan, policies, or goals.

TIF requests initiated by the CDA require review and approval by the Dakota County Board of Commissioners. All TIF requests require CDA Board and County Board of Commissioners’ approval. The CDA will not commit to any TIF assistance until approvals have been granted.

C. “But For” Determination:

The developer requesting assistance must provide financial information on the development that clearly demonstrates that “but for” the use of TIF the development would not occur. The CDA will also conduct its own independent analysis to verify whether the “but for” determination has been met.

D. Fees

The following fees must be paid by the Applicant with respect to the Dakota County Community Development Agency (CDA) tax increment program:

(a) An application fee in the amount of $1,000 must be submitted with the Application for Tax Increment Financing Assistance to the Dakota County CDA.

(b) The CDA will require a deposit in the amount of $15,000 from the applicant to cover legal and consultant costs incurred by the CDA in investigating the feasibility of providing assistance to the applicant and other costs associated with establishing the district. If the CDA incurs additional expenses beyond the $15,000, the CDA shall notify the applicant in writing and the applicant will be required to deposit additional funds in $5,000 increments. Any excess funds in escrow will be returned to the developer once the TIF district is certified by the County.

IX. HOUSING OPPORTUNITIES ENHANCEMENT (HOPE) FUND

The Dakota County Board of Commissioners has designated the CDA as the administrator of HOPE funds. The CDA will consider allocating HOPE loans for new construction/land acquisition, homeownership opportunities (indirect or direct assistance), and housing rehabilitation/acquisition/preservation. The CDA will accept applications on an open pipeline basis, depending on availability.

A. Types of Units, Incomes, and Rent Limitations:

The maximum loan amount available to projects serving the eligible population may not exceed $30,000 per unit or a maximum of $750,000 per project. Assisted rental units must serve persons at or below 50 percent of the county’s median income as
determined by HUD. Rental developments must have rents based upon the most current HUD AMI rent schedule for 50 percent, less applicable utility allowance. Assisted owner-occupied units must serve persons at or below 80 percent of the county’s median income as determined by HUD. Owner-occupied development will be considered affordable based on the current purchase price limit for the Dakota County First Time Homebuyer program.

B. Monitoring Requirements:

The developer of a project must provide the CDA with a list of actual tenant rents and incomes and certify that the tenant rents and incomes are accurate and in compliance with the rent and income requirements at initial lease up and annually thereafter. Copies of reports submitted for the Tax Credit program, bond programs, or other approved financing program are acceptable. The project units must remain affordable pursuant to an established affordable housing program or if not funded by such other program, the units shall remain affordable for a period of not less than 15 years.

C. Participation in the Section 8 Program:

Developers of multifamily rental units will be required to sign an agreement that while the loan is outstanding, the development will participate in the Section 8 Rental Assistance Program. Participation means that to the extent the developer has units that meet the requirements of the HOPE program, they will not exclude from consideration qualified families receiving assistance for the Section 8 program.

D. Community Review:

All applications will be sent to the city in which the development is located for review and comment. Cities will be given a minimum of 30 days to review and submit comments. The CDA will not consider approving a loan agreement before this period of time has elapsed or comments are received whichever comes first. The CDA will not approve requests for loans where a city indicates that the development is not consistent with the city’s plans, policies, or goals.

E. Fees

The following fees must be paid by the Applicant with respect to the Dakota County Community Development Agency (CDA) HOPE fund:

(a) An application fee in the amount of $1,500 must be submitted with the Application for HOPE funds to the Dakota County CDA.

(b) At, or prior to the HOPE loan closing, the lesser of $5,000 or 1% of the HOPE loan amount must be remitted to the CDA for administrative expenses related to the HOPE loan review and closing. If administrative expenses, including but not limited to legal review, are anticipated to materially exceed this amount, the CDA may require the applicant to pay the actual amount of costs incurred for such review and closing.
X. APPLICATIONS & DOCUMENTS

The following documents are available on the CDA website: www.dakotacda.org:

1. Application for Housing Opportunities Enhancement (HOPE) Program Funds
2. Application for Tax Increment Financing Assistance
3. Application for Multifamily Housing Revenue Bonds
4. Low-Income Housing Tax Credit Documents
   - CDA Qualified Allocation Plan (QAP) for Tax Credits
   - CDA Procedural Manual for Tax Credits
   - Tax Credit Application: Application submission requirements are found in the CDA Procedural Manual. The “Minnesota Multifamily Rental Housing Common Application” can be found at the Minnesota Housing’s website: http://www.mnhousing.gov. Please note that the CDA’s submission requirements and self-scoring sheet are different from Minnesota Housing’s.

X. CONTACT INFORMATION

Kathy Kugel, Housing Finance Program Coordinator
651-675-4478
kkugel@dakotacda.state.mn.us

Karly Schoeman, Housing Finance Program Coordinator
651-675-4488
kschoeman@dakotacda.state.mn.us

Submit Applications to:
Dakota County CDA
1228 Town Centre Drive
Eagan, MN 55123
Public Hearing To Receive Comments And Adopt The 2021 Qualified Allocation Plan For The Allocation Of
Low Income Housing Tax Credits Under Section 42 Of The Internal Revenue Code Of 1986, As Amended

Fiscal/FTE Impact:

- None

Department: Community & Economic Development
Prepared By: Kathy Kugel
Contact: Lisa Alfson
Contact Phone: 651-675-4467

PURPOSE/ACTION REQUESTED

- Conduct and close a public hearing to receive public comment on the 2021 Qualified Allocation Plan for Low-Income Housing Tax Credits.
- Adopt the 2021 Qualified Allocation Plan.

SUMMARY

The Dakota County Community Development Agency (CDA) is authorized under Section 42 of the Internal Revenue Code of 1986, as amended (the “Code”) and Minnesota Statutes Sections 462A.221 through 462A.225, to allocate Low Income Housing Tax Credits (the “Tax Credits”) to qualified projects in Dakota County. Prior to allocating Tax Credits under the Code, the CDA is required to adopt a Qualified Allocation Plan (QAP) detailing the basis for allocating Tax Credits among applicants.

The CDA is required by the Code to hold a public hearing prior to adopting a QAP. The public hearing was set by the CDA Board of Commissioners at its January 14, 2020 meeting and notice was published in the Dakota County Tribune on January 24, 2020, not less than 14 days in advance, as evidenced by the Affidavit of Publication in Attachment A. The notice and draft QAP were also posted on the Dakota County and CDA websites.

The Tax Reform Act of 1986 created the Housing Tax Credit Program as a means of raising private capital to finance affordable rental housing. The credit is a 10-year annual reduction in the tax liability of investors in affordable housing. The investor, typically a private corporation, makes an initial equity contribution to the development to receive the annual credit. Since 1988, tax credit equity has been used to finance the new construction, preservation and/or substantial rehabilitation of 2,483 units of affordable rental housing in 53 developments in Dakota County.

The Housing Tax Credit Program is administered by the Minnesota Housing and local housing finance agencies such as the CDA. As required in the Code, the CDA allocates tax credits to housing projects in Dakota County according to a QAP and Procedural Manual (Manual). The QAP and Manual establish the procedure and selection criteria for a competitive application process, as well as credits allocated on a non-competitive basis to projects financed with tax exempt bonds. The application deadline for the competitive 2021 Housing Tax Credits is tentatively set for June 4, 2020.

The CDA is currently authorized to allocate approximately $1,065,673 of 2021 Tax Credits. The proposed 2021 QAP with changes redlined is in Attachment B. In addition to the formatting and administrative revisions (including updating dates, credit amounts, and clarifying text), the most substantive revisions to the QAP proposed for 2021 include changes:

1. **Granting priority over higher ranking projects** – Remove restriction to limit granting priority to projects that only have a shortfall of at least 5% but not more than 50% of total qualified annual Tax Credits. The removal will provide the ability (but does not obligate the CDA) to grant priority to projects that may be short more than half of their qualified annual Tax Credits. (located in Section 5.0.G, Section 6.2 and Section 8.0)

2. **Monitoring Compliance with Tax Credit Requirements (Article 9)** – Language has been updated to clarify and comply with Treasury Regulation Section 1.42-5.

3. **Self-Scoring Worksheet (Schedule 1 of the QAP):**
   a. **Selection Criteria:**
      * #2. Stabilization of Affordable Housing: Extend the number of years passed since initial loan closing or most recent Tax Credit placement in service date a project can qualify for these stabilization points from 15 years to 18 years. The extension of years is to not incentivize owners that plan to sell properties immediately when they complete the initial 15-year compliance period.
• **#4. Readiness to Proceed:** Remove the requirement that these points be awarded only to new construction projects. The intention of these points is to provide points to all projects, including rehabilitation projects, that are ready to begin quickly.

• **#7. Community Priority Locations:** Add clarifying language stating the site be fully/entirely owned by the governmental agency. The intent of these points is to support and prioritize land communities have assembled that are intended to be redeveloped.

• **#11. Permanent Supportive Housing Units:** Change the requirement applicants obtain support to receive these points from the Suburban Metro Area Continuum of Care (SMAC) to the Dakota County Affordable Housing Coalition (AHC). The AHC is an independent, public/private collaboration that facilitates county-wide planning of homeless services and resources and is the local planning committee for Continuum of Care processes in Dakota County.

b. **Preference Priorities:**

• **#2. Serve the Lowest Income Tenants:** Remove the ability to increase rents when these points are earned after 10 years and require the rents for the duration of the Declaration of Land Use, which is usually 30 years.

**RECOMMENDATION**

Staff recommends adoption of the 2021 Qualified Allocation Plan for the Tax Credits. Approval of this resolution authorizes staff to prepare a Procedural Manual and a Compliance Monitoring Manual that is consistent with the QAP.

**EXPLANATION OF FISCAL/FTE IMPACT**

None.
Resolution No. 20-XXXX

Public Hearing To Receive Comments And Adopt The 2021 Qualified Allocation Plan For The Allocation Of Low Income Housing Tax Credits Under Section 42 Of The Internal Revenue Code Of 1986, As Amended

WHEREAS, pursuant to Section 42 of the Internal Revenue Code of 1986, as amended (the “Code”), and Minnesota Statutes Sections 462A.221 through 462A.225, the Dakota County Community Development Agency (the “CDA”) is authorized to allocate low income housing tax credits (the “Tax Credits”); and

WHEREAS, in accordance with Section 42 of the Code, on the date hereof, the CDA held a public hearing regarding a Qualified Allocation Plan (the “QAP”) in the form presented to the CDA on the date hereof, which details the basis for allocating Tax Credits among applicants; and

WHEREAS, notice of the public hearing was published in a newspaper of general circulation in Dakota County at least 14 days prior to the date hereof; and

WHEREAS, the CDA is currently authorized to allocate approximately $1,065,673 of 2021 Tax Credits; and

WHEREAS, pursuant to Minnesota Statutes Section 462A.222, the CDA is authorized to make allocations in connection with the “first round” of allocations for 2021 Tax Credits by Minnesota Housing, which is expected to be Thursday, June 4, 2020.

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

1. The QAP is hereby adopted in substantially the form on file with the CDA on the date hereof, and the staff of the CDA are hereby authorized to prepare a Procedural Manual and a Compliance Monitoring Manual consistent with the QAP, to notify prospective applicants of the availability of the QAP and Procedural Manual and to set the deadline for accepting applications for Tax Credits, consistent with Minnesota Housing’s first round deadline.

2. Because the members of the Dakota County Board of Commissioners are the ex-officio members of the Issuer, this approval constitutes approval of the QAP by the applicable elected representative of the CDA for purposes of Section 42 of the Code.

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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

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[Signatures: Executive Director, Department Director]
AFFIDAVIT OF PUBLICATION

STATE OF MINNESOTA  ss
COUNTY OF DAKOTA

Brandi Botts being duly sworn on an oath, states or affirms that he/she is the Publisher’s Designated Agent of the newspaper(s) known as:

Dakota County Tribune

with the known office of issue being located in the county of:

DAKOTA

with additional circulation in the counties of:

DAKOTA

and has full knowledge of the facts stated below:

(A) The newspaper has complied with all of the requirements constituting qualification as a qualified newspaper as provided by Minn. Stat. §331A.02.

(B) This Public Notice was printed and published in said newspaper(s) once each week, for 1 successive week(s); the first insertion being on 01/24/2020 and the last insertion being on 01/24/2020.

MORTGAGE FORECLOSURE NOTICES

Pursuant to Minnesota Stat. §580.033 relating to the publication of mortgage foreclosure notices: The newspaper complies with the conditions described in §580.033, subd. 1, clause (1) or (2). If the newspaper’s known office of issue is located in a county adjoining the county where the mortgaged premises or some part of the mortgaged premises described in the notice are located, a substantial portion of the newspaper’s circulation is in the latter county.

By: ________________________________
Designated Agent

Subscribed and sworn to or affirmed before me on 01/24/2020 by Brandi Botts.

Marlene M. Mitchell
Notary Public

Rate Information:

(1) Lowest classified rate paid by commercial users for comparable space:

$27.40 per column inch

Ad ID 1015885
DAKOTA COUNTY CDA

HOUSING TAX CREDIT

2020-2021 QUALIFIED ALLOCATION PLAN

(QAP)
# ARTICLE 8 – PROJECT SELECTION

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ARTICLE 9 - MONITORING COMPLIANCE WITH LOW-INCOME HOUSING CREDIT REQUIREMENTS

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ARTICLE 10 – AMENDMENTS TO PLAN ................................................................. 22

SCHEDULE 1 ....................................................................................................... 1
Section 1.0. The following terms shall have the meanings assigned below for purposes of this Plan and the Procedural Manual.

a. **Act**: Minnesota Statutes, Sections 462A.221 through 462A.225, as amended.

b. **Agency**: The Dakota County Community Development Agency.

c. **Code**: The Internal Revenue Code of 1986, as amended.

d. **Declaration**: A Declaration of Land Use Restrictive Covenants in a form acceptable to the Agency, imposing restrictions required by Section 42 of the Code on a particular project receiving Tax Credits.

e. **Federally Assisted Building**: As defined by Section 42, any building which is substantially assisted, financed, or operated under section 8 of the United States Housing Act of 1937, Section 221(d)(3), 221(d)(4), or 236 of the National Housing Act, Section 515 of the Housing Act of 1949, or any other housing program administered by the Department of Housing and Urban Development (“HUD”) or by the Department of Agriculture Rural Development (“RD”).

f. **Market Study**: In accordance with Section 42(m)(1)(A)(iii) of the Code, a comprehensive market study of the housing needs of low-income individuals in the area to be served by the project, conducted before the Tax Credit allocation is made, and at the developer’s expense by a disinterested party approved by the Agency.

g. **MHFA**: Minnesota Housing Finance Agency.

h. **Plan**: This Qualified Allocation Plan adopted by the Agency pursuant to Section 42(m)(B) of the Code in connection with the allocation of 2020 Tax Credits.

i. **Section 42**: Section 42 of the Code, as amended, relating to Tax Credits.

j. **Single Room Occupancy**: A unit having one bedroom or less with rents affordable at 30 percent of median income.

k. **Substantial Rehabilitation**: Rehabilitation with a minimum cost that:
1. Equals or exceeds $5,000 per unit, as defined in Minn. Stat. Section 462A.221, Subdivision 5; and

2. Equals or exceed the greater of:
   (a) An average qualified basis amount per low income unit for a building which meets the inflation adjusted amount published by the IRS annually in accordance with Section 42(e)(3)(D) of the Code; or
   (b) An amount that is not less than 20 percent of the adjusted basis of the building, as determined pursuant to Section 42(e)(3) of the Code.

I. **Tax Credit Agencies**: Any entity authorized by the State of Minnesota and Section 42 to allocate Tax Credits in Minnesota.

m. **Tax Credits**: Low income housing tax credits, within the meaning of Section 42 of the Code.

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**ARTICLE 2**

**PURPOSE; AUTHORITY**

Section 2.0 Section 42(m) of the Code, requires Tax Credit Agencies to develop and adopt a qualified allocation plan in connection with the allocation of Tax Credits. This Plan for 2020 sets forth selection criteria that are appropriate to local conditions, priorities and procedures to be used by the Agency in the allocation of Tax Credits to projects and provides procedures the Agency will follow with respect to monitoring noncompliance with the provisions of Section 42 of the Code and in notifying the Internal Revenue Service of such noncompliance.

Section 2.1 The Act provides that the amount of Tax Credits available in Minnesota shall be allocated among MHFA and certain cities and counties or their designees, including the Agency as designee for Dakota County. The Agency anticipates that it will be authorized to allocate approximately $1,065,673 of 2020 Tax Credits pursuant to this Plan.\(^1\)

Section 2.2 This Plan was prepared in accordance with the procedures set forth in Section 42(m) of the Code, and is to be construed and governed under Section 42 of the Code, including applicable Treasury Regulations, and the Act. All applicable restrictions and requirements set forth in Section 42 of the Code and the applicable Treasury Regulations are hereby incorporated by reference as if fully set forth herein and to the extent of any inconsistency between this Plan and Section 42 and applicable regulations, the provisions of Section 42 and applicable regulations will govern.

\(^1\) The estimated 2020 Tax Credit amount was updated with the IRS 2019 population update released on March 18, 2019 and includes the 12.5% boost that was approved in the 2018 Spending Bill. The 12.5% boost will be in effect for the 2018, 2019, 2020 and 2021 allocations. Barring an extension, the Tax Credit annual allocation will revert to the previous levels (adjusted for inflation) in 2022.
ARTICLE 3
GENERAL CONCEPTS

Section 3.0. This Plan sets forth selection criteria which reflects the housing policies of the Agency, which will be used to determine the priorities for the allocation of Tax Credits within Dakota County. This Plan gives preferences as required by Section 42 in allocating Tax Credits among selected projects to:

a. projects serving the lowest income tenants,
b. projects obligated to serve qualified tenants for the longest periods, and
c. projects which are located in a qualified census tract (as defined in Section 42(d)(5)(C) of the Code) and contribute to a concerted community revitalization plan.

As part of the evaluation by or on behalf of the Agency of applications for Tax Credits, the applicant must demonstrate, to the satisfaction of the Agency, that the proposed project is marketable and financially feasible.

In addition, this Plan provides a procedure that the Agency (or an agent or other private contractor of the Agency) will follow in monitoring for noncompliance with the provisions of the Code, including but not limited to monitoring for noncompliance with habitability standards through regular site visits, and in notifying the Internal Revenue Service of such noncompliance of which the Agency becomes aware in accordance with Section 42, Treasury Regulations §1.42-5 and any other applicable regulations.

Section 3.1. The following factors required under Section 42(m)(1)(C) of the Code are incorporated into the selection criteria to allocate Tax Credits to projects:

a. project location,
b. housing needs characteristics,
c. project characteristics, including whether the project includes the use of existing housing as part of a community revitalization plan,
d. sponsor characteristics,
e. tenant populations with special housing needs,
f. whether tenant selection will involve special consideration for persons on public housing waiting lists,
g. tenant populations of individuals with children,
h. projects intended for eventual tenant ownership,
i. the energy efficiency of the project, and
j. the historic nature of the project.

Section 3.2. This Plan provides for the financial feasibility review of each project and its viability as a qualified low-income project throughout the 10-year credit period as of the application date, allocation date, and placed-in-service date, all as required under Section 42(m)(2) of the Code.
Such review is solely for the purpose of allocating Tax Credits and may not be relied upon by an applicant or investor for any other purpose.

As authorized by, the Housing and Economic Recovery Act of 2008, the Agency may increase or “boost” the eligible basis of a particular project for purposes of the allocation of Tax Credit by up to 30% (“Basis Boost”) for designated buildings that are located outside of an established Qualified Census Tract (QCT) or Difficult Development Area (DDA). The Agency will review the financial feasibility of the project and the request for additional Basis Boost in accordance with this Plan.

(This Basis Boost does not apply to buildings which receive automatic Tax Credits because they are financed with tax-exempt bonds.) This Plan establishes standards for the Agency to determine which buildings will be designated for such Basis Boost.

Pursuant to the 2015 Protecting Americans from Tax Hikes Act, Congress made permanent the provisions of Code Section 42(b)(2) which provides 9 percent tax credit rate percentage to all non-federally subsidized new buildings which are placed in service on or after January 1, 2015 (the “9% Tax Credit”).

Section 3.3. This Plan also applies to projects that are tax-exempt bond financed as set forth in Section 42(m)(1)(D) of the Code (the “4% Tax Credit”).

ARTICLE 4
APPLICATION ROUNDS

Section 4.0. The Agency will accept applications on the deadline set by MHFA for the first application competition round. The application deadline for Tax Credits is tentatively scheduled for June 3, 2019 June 4, 2020, however applicants should confirm the actual deadline prior to submission of an application. All applicants applying for the 9% Tax Credit must meet the minimum threshold requirements set forth in Sections 4.1 and 4.2.

Section 4.1 A project for which 9% Tax Credits are being sought must satisfy the following minimum requirements:

a. Under the Act and Minnesota Statutes, Sections 462A.222, Subd 3(d) and 383D.41, Subd. 11, all applicants must meet one of the following threshold types:
1. New construction or Substantial Rehabilitation of projects in which, for the term of the extended use period (term of the Declaration of Land Use Restrictive Covenants (the “Declaration”)), at least 75% of the total tax credit units must be Single Room Occupancy, efficiency, or one bedroom units and which are affordable by households whose income does not exceed 30% of the median income;

2. New construction or Substantial Rehabilitation family housing projects that are not restricted to occupancy by persons 55 years old or older and in which, for the term of the extended use period (term of the Declaration), at least 75% of the tax credit units contain two or more bedrooms and at least one third of the 75% contain three or more bedrooms;

3. Substantial Rehabilitation projects located in neighborhoods targeted by the applicable city for revitalization;

4. Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (term of the Declaration), a percentage of the units are set aside and rented to persons:
   (a) with a serious and persistent mental illness as defined in Minnesota Statutes Section 245.462, Subd. 20(c);
   (b) with a developmental disability as defined in the United States Code, title 42, Section 6001 paragraph (8);
   (c) who have been assessed as drug dependent persons as defined in Minnesota Statutes Section 254A.02, Subd. 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes Section 254A.02, Subd. 2;
   (d) with a brain injury as defined in Minnesota Statutes Section 256B.093, Subd. 4(a); or
   (e) with permanent physical disabilities that substantially limit major life activities, if at least fifty percent (50%) of the units in the project are accessible as provided under Minnesota Rules Chapter 1340.

5. Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of Tax Credits is necessary (1) to prevent the conversion of the project to market rate use project or (2) to remedy physical deterioration of the project which would result in loss of existing federal subsidies;
6. Projects financed by Rural Development, which meet state-wide distribution goals;

7. Up to two projects of the following type: new construction or Substantial Rehabilitation multifamily housing projects that are not restricted to persons who are 55 years old or older and that are located within one of the following areas at the time a reservation for Tax Credits is made:

(a) an area within one-half mile of a completed or planned light rail transitway, bus rapid transitway, or commuter rail station;

(b) an area within one-fourth mile from any stop along a high-frequency local bus line;

(c) an area within one-half mile from a bus stop or station on a high-frequency express route;

(d) an area within one-half mile from a park and ride lot; or

(e) an area within one-fourth mile of a high-service public transportation fixed route stop.

To qualify under this threshold requirement, prior to submitting an application, the applicant must receive written confirmation from the Agency that the project meets the applicable requirements.

For purposes of this threshold requirement, the following terms have the following meanings:

(1) "high-frequency local bus line" means a local bus route providing service at least every 15 minutes and running between 6:00 a.m. and 7:00 p.m. on weekdays and between 9:00 a.m. and 6:00 p.m. on Saturdays;

(2) "high-frequency express route" means an express route with bus service providing six or more trips during at least one of the peak morning hours between 6:00 a.m. and 9:00 a.m. and every ten minutes during the peak morning hour; and

(3) "high-service public transportation fixed route stop" means a stop serviced between 6:00 a.m. and 7:00 p.m. on weekdays and 9:00 a.m. and 6:00 p.m. on Saturdays and with service approximately every 30 minutes during that time.
b. Each project must satisfy the following additional requirements to the Agency’s satisfaction:

1. The Agency’s underwriting standards;
2. Preliminary financing commitments must be in place;
3. The owner/sponsor must have substantial experience and track record in developing successful Tax Credit projects, in the judgement of the Agency. Such experience may typically be demonstrated by the owner/sponsor having developed at least five (5) successful tax credit projects, the Agency may also consider other factors including a smaller number of recent tax credit projects;
4. The project must comply with applicable building, land use and zoning ordinances;
5. The project must propose a number of units and otherwise be consistent with a Market Study; and
6. The costs of intermediaries must not be excessive for a project of its nature and in its location.

c. Applicants must agree to utilize public housing waiting lists in Dakota County in marketing units to the public.

d. Owners of a Tax Credit project must agree to not refuse to rent a unit to a tenant because that tenant has a Section 8 voucher that would be used for a unit in the project. Language prohibiting discrimination based on Section 8 status must be included in the Declaration entered into by the owner with the Agency.

e. The applicant must demonstrate by information in the application that each building in the project is a qualified low-income building under Section 42(c)(2) of the Code.

f. The applicant must agree to enter into a Declaration in form and substance acceptable to the Agency and legal counsel appointed by the Agency. Declarations are enforceable in state court by Housing Credit Agencies and all income-eligible persons and must be recorded in the County in which the project is located.

g. The applicant must agree to resident screening criteria as provided in the Declaration.
h. The applicant (i) for a project applying for 9% Tax Credits, must agree to waive the provisions of Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) which permit the owner to terminate the extended use period, described in Section 42(h)(6)(D) of the Code at the end of the initial 15 year compliance period, and (ii) for a project applying for 4% Tax Credit, must agree not to seek to terminate the extended use period as otherwise permitted under Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) earlier than the later of: (a) 5 years after the close of the initial 15 year compliance period, or (b) if applicant claimed points on the Self-Scoring Worksheet for a longer extended use period, such longer period.

i. The applicant agrees to provide high speed internet access via installation of all appropriate infrastructure and connections for cable, DSL or wireless/data internet service to every unit.

j. The applicant agrees to institute and maintain a written policy prohibiting smoking in all the units and all common areas within the building(s) of the project. The project must include a non-smoking clause in the lease for every unit. Projects will be required to maintain the smoke-free policy for the term of the Declaration.

Section 4.2 All new construction and substantial rehabilitation must meet the basic design requirements set forth in Exhibit C of the Procedural Manual, which include certain energy efficiency standards. Units that are designed to meet the threshold requirements of Section 4.1.a.4. above must comply with the appropriate local, state or federal requirements or building code; e.g. to be considered a handicapped unit, the unit must be designed to meet the standards in the Minnesota State Building Code, Chapter 1341, and be certified as complying by a registered architect.

Section 4.3 The Agency will require that the threshold type under which the applicant applies be included as a requirement in the Declaration.

Section 4.4 Under State law, Tax Credits not committed or allocated by the Agency as of the last day of the first round in each year will be returned to the MHFA.

ARTICLE 5 APPLICATION PROCESS

Section 5.0. The application process for awarding the Tax Credits to projects located in Dakota County consists of the following steps:

a. Each applicant shall notify the Agency of its intent to apply.
b. Each applicant shall complete, sign, date and submit to the Agency no later than the application due date an original application and related documents on forms required by the Agency, including all required fees, deposits and exhibits, all as set forth in the Procedural Manual.

c. The Agency shall review and evaluate the application to:

1. assure that the application is complete.

2. assure that minimum threshold requirements to qualify for Tax Credits have been satisfied.

3. assign points to the project according to the selection priority section of the Scoring Worksheet attached to this Plan as Schedule 1.

4. determine the minimum amount of Tax Credits necessary to make the project financially feasible and viable pursuant to Code Section 42(m)(2)(B).

d. Applicants with initial scores sufficient to receive an allocation of Tax Credits will be required to submit a Market Study, as required under Section 42(m)(1)(A) of the Code.

e. Legal counsel appointed by the Agency shall also review the application.

f. The Agency shall present the project to the Mayor and the staff of the city in which the project is located for review and comment prior to staff recommendation to the Agency. The Agency will consider comments made by the Mayor and/or city staff.

g. The Agency shall make a determination whether to approve or deny a commitment of Tax Credits to the project based upon the findings and selection priority criteria and the requirements of this Plan and the Procedural Manual, provided, however that the Agency reserves the right (but shall not be obligated) to grant priority over higher ranking projects to projects that (i) have previously received Tax Credits and have an annual tax credit shortfall of at least 5 percent, but no more than 50 percent, of the total qualified annual Tax Credit amount and (ii) demonstrate readiness to proceed by having city approvals and all funding commitments in place (other than the Tax Credits the applicant is presently requesting). The Agency shall provide a written explanation, available to the general public, for any allocation of Tax Credits which is not made in accordance with the priorities and selection criteria set forth in this Plan.
h. The applicant shall be required to pay the application, commitment and allocation fees in the amounts and at the times described in the Procedural Manual in effect at the time of application, commitment or allocation, respectively.

i. The applicant shall certify that the project has been placed in service.

j. The Agency shall reevaluate the amount of Tax Credit for the project based on final information provided by the applicant and the final costs at the time the building is placed in service pursuant to Section 42(m)(2)(B) of the Code.

k. Legal counsel appointed by the Agency shall conduct a final review of the application.

l. The Agency issues IRS Form 8609, Low Income Housing Credit Allocation and Certification.

m. Evaluations of the amount of Tax Credit for a project may be completed by a fiscal consultant engaged to act on behalf of the Agency.

n. Applicants with initial scores sufficient to receive an allocation of Tax Credits and which have an identity of interest will be required to provide an as-is appraisal acceptable to the CDA to substantiate the acquisition price reflected in the application.

Section 5.1. The Agency will evaluate project proposals to determine the amount of Tax Credits to be allocated pursuant to Section 42(m)(2)(B) of the Code. In determining the amount of Tax Credits to be allocated, the Agency will consider: the Market Study, the sources and uses of funds and the total financing planned for the project, proceeds or receipts expected to be generated by reason of tax benefits; the percentage of the Tax Credits used for project costs other than costs of intermediaries, and the reasonableness of the developmental and operational costs of the project.

The Agency will also evaluate project proposals to determine whether the Basis Boost is needed for a project to be financially feasible. In making such determination, the Agency will consider whether: (i) the project meets the housing priorities identified by the Agency, as evidenced by a 9% Tax Credit score; and (ii) any funding gaps remain for such projects.

In any event, the Agency will not allocate more Tax Credits to a project, whether or not it is designated for a Basis Boost, than the amount necessary for the financial feasibility of the project and its viability as a qualified low-income housing tax credit project throughout the 10-year credit period.

The Agency’s evaluation of projects and determination of the amount of Tax Credits necessary for the feasibility of the project as provided above shall not be relied upon by any developer or
investor or used in connection with any offering of interests in the entity owning the project, and shall not be construed as a representation or warranty as to the feasibility or viability of the project. There will be three (3) such evaluations prior to delivery by the Agency of executed IRS 8609 Form(s) for the project, which are as follows:

a. At the time of the initial application for a commitment of Tax Credits;

b. At the time of any carryover allocation of Tax Credits; and

c. At the time of the issuance of Form 8609, following the time the building is placed in service.

Prior to each evaluation, the applicant will be required to submit the most recent information about the project and fees as required by the Procedural Manual. Any federal, state or local subsidies anticipated must be documented to the satisfaction of the Agency. Misrepresentations of information will result in failure to issue IRS Form 8609, debarment from participation in the Low Income Housing Tax Credit Program, and possible criminal penalties. At each evaluation, the Agency may reduce the amount of Tax Credits to be allocated to the project or may revoke any Commitment to allocate Tax Credits to the project if it determines that the financial feasibility or viability of the project does not justify the original Tax Credits applied for or committed Tax Credit amount or that the criteria and requirements of this Plan have not been satisfied.

Section 5.3. Selected applicants failing to place a project in service in the year in which a commitment is made may be awarded a carryover allocation of Tax Credits if the Section 42 requirements and the requirements set forth in the Procedural Manual are met, including the Agency’s review and approval of the following documentation:

a. A written attorney’s opinion letter or title policy verifying that the developer is the owner, for tax purposes, or has continued site control of the land and depreciable real property that is be expected to be part of the project; and

b. Either (i) a written certification from a certified public accountant verifying that the owner has incurred costs in an amount greater than ten percent (10%) of the reasonably expected basis of the project determined as of the close of the second calendar year following the year in which the commitment was made, or (ii) evidence acceptable to the Agency that the owner expects to incur such costs by the date which is nine (9) months after the later of the date that the allocation is made or the close of the calendar year in which the allocation is made. The certification must include a statement by the certified public accountant that they are not affiliated with the developer and/or owner of the project.

If the final carryover basis and expenditure information is not available at the time the carryover application is due, the carryover application must include a written estimate of this information prepared by the owner. Final certified public accountant certifications of this information must
be submitted to the Agency prior to the deadlines established under Section 42 and by no later than the submission deadline identified in this Plan and in the Procedural Manual.

Section 5.4. The Agency reserves the right to not allocate any 2021 Tax Credits in 2020.

ARTICLE 6
ADDITIONAL ADMINISTRATIVE PROCEDURES

Section 6.1 No application will be considered for an existing project that contains units that are subsidized by state or federal resources except for (a) troubled projects, as defined by the Agency, the occupancies and/or net revenues of which need to be stabilized, or (b) projects for which the Agency is provided evidence that such project would convert to market rate units if Tax Credits are not awarded.

Section 6.2 As described above, the Agency may elect to give priority in the award of Tax Credits to a project that previously received an award of Tax Credits and has an annual tax credit shortfall of at least 5 percent, but not more than 50 percent of the total qualified annual Tax Credit amount, and that demonstrate readiness to proceed by having city approvals and all funding commitments in place (other than the Tax Credits the applicant is presently requesting).

Section 6.3 No project may be divided into two or more projects during a single application round to receive Tax Credits. Multiple applications, determined by the Agency to be one project, will be returned to the applicant and all fees forfeited. The Agency will consider such factors as ownership entities, affiliated partnerships, sponsor relationships, and the location of projects, if a contiguous site, to determine if multiple applications exists.

Section 6.4 The Agency may elect to not award a partial allocation of Tax Credits to a higher-ranking application but to award the Tax Credits to the next ranking application that can use the balance of the Tax Credits.

Section 6.5 The Agency has no jurisdiction to interpret or administer Section 42 of the Code, except in those instances where it has been delegated under the Code.

Section 6.6 The Agency may consult with MHFA, local communities, PHAs, HRAs, RD and HUD to determine the marketability of projects. The Agency may decline to award Tax Credits to a project if, in the Agency’s discretion, the award of Tax Credits could be materially detrimental to an existing rental property. If necessary, the Agency may require an additional, updated Market Study and will evaluate it using the data from other sources, including Tax Credit project saturation in a community.

Section 6.7 The Agency reserves the right to adjust fees due to changing circumstances in order to cover its costs associated with producing and delivering its Tax Credit Program.
ARTICLE 7
CREDITS FOR BUILDINGS FINANCED BY TAX-EXEMPT BONDS

Section 7.0. Section 42 of the Code provides a separate set of procedures for awarding 4% Tax Credits for projects financed with the proceeds of tax-exempt bonds that receive an allocation of private activity volume cap under Section 146 of the Code. Although such Tax Credits are not counted against the tax credit ceiling cap for the State of Minnesota, developers should be aware that:

a. Section 42(m)(1)(D) of the Code provides, for a project to receive an allocation of 4% Tax Credits, the applicable allocating agency must determine that the project satisfies the requirements for an allocation of 4% Tax Credits under its qualified allocation plan. This Plan applies to all tax exempt bond-financed projects located within Dakota County, other than projects financed with bonds issued by MHFA.

Note: Bond volume cap will not be issued in an amount greater than is financially needed or reasonable for a project to be successful.

An initial determination of whether a project complies with the requirements in this Section 7.0.a will be made by the Agency, and the Agency will issue a letter pursuant to Section 42(m)(1)(D) of the Code, confirming such determination, prior to the issuance of the tax exempt bonds.

The threshold requirements in Section 4.1.a of this Plan do not apply to projects financed with tax-exempt bonds using the 4% Tax Credits. Other threshold requirements that do apply to projects financed with tax-exempt bonds, include, without limitation, the requirement in Section 4.1.h that projects financed with tax-exempt bonds must agree to not seek to terminate the extended use period as otherwise permitted under Section 42(h)(6)(E)(i)(II) and 42(h)(6)(F) any earlier than the later of: (i) 5 years after the close of the initial 15 year compliance period, or (ii) if the applicant claimed points on the Self-Scoring Worksheet for a longer extended use period, such longer period.

In addition, to meeting the threshold requirements set forth in Article 4, the owner must also demonstrate that the project is eligible for not fewer than 15 points to qualify for the 4% Tax Credits under this Plan.

Important: To begin the above application process, the developer must submit to the Agency all documents required for an application of Tax Credits as established by this Plan and the Procedural Manual and any additional information requested by the Agency. The developer must also submit to the Agency the required application fees identified in this Plan and the Procedural Manual.
b. Section 42(m)(2)(D) of the Code provides that in order for a tax-exempt bond financed project to receive an allocation of 4% Tax Credits, the issuer of the bonds must make a determination that the Tax Credit amount does not exceed the amount that the issuer determines is necessary for the financial feasibility of the project and its viability as a qualified housing project throughout the 10-year credit period. The determination by the issuer shall be made in a manner consistent with this Plan and the Procedural Manual. Section 42 requires that the issuer of bonds must consider the following in making such determination:

1. the sources and uses of funds and the total financing planned for the project;
2. any proceeds or receipts expected to be generated by reason of tax benefits;
3. the percentage of the Tax Credit amount used for project costs other than the cost of intermediaries;
4. the reasonableness of the developmental and operational costs of the project; and
5. a comprehensive Market Study of the housing needs of low-income individuals in the area to be served by the project, conducted before the Tax Credit allocation is made, and at the developer’s expense by a disinterested party approved by the Agency.

This determination must be made prior to the issuance of the tax exempt bonds. To the extent the Agency is also the bond issuer, it will issue the letter required by Section 42(m)(2)(D) of the Code.

c. The owner must enter into a Declaration.

d. Subsequent to the project being placed in service, the owner must submit to the Agency an application and appropriate fees for Form 8609 meeting the requirements of this Plan and the Procedural Manual. The owner must also submit to the Agency any other related fees identified in this Plan and the Procedural Manual.

ARTICLE 8
PROJECT SELECTION

Section 8.0 Selection Priorities: The Agency’s selection priorities are set forth in the Scoring Worksheet attached hereto as Schedule 1, provided however, that the Agency reserves
the right (but shall not be obligated) to grant priority over higher ranking projects to projects that: (i) have previously received an award of Tax Credits and have an annual Tax Credit shortfall of at least 5 percent, but no more than 50 percent, of the total qualified annual Tax Credit amount and (ii) 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).

Section 8.1 Preference Priorities: The Agency’s preference priorities shall be as set forth in the Scoring Worksheet attached hereto as Schedule 1.

Section 8.2 Tie Breakers: If two or more projects have an equal number of points, the following will be used to determine selection:

a. The first tie breaker will be the total number of points in the preference priority selection.

b. If a tie still remains, the second tie breaker will be if the city in which the project is located has not received Tax Credits in the last two years;

c. If a tie still remains, the third tie breaker will be the lowest percentage of cost of intermediaries; and

d. If a tie still remains, the Agency shall select the project which best meets the Agency’s housing priorities and Dakota County’s underserved communities.

ARTICLE 9
MONITORING COMPLIANCE WITH LOW-INCOME HOUSING CREDIT REQUIREMENTS

Section 9.0 The Agency will monitor compliance for each project to which it allocates Tax Credits in accordance with Section 42(m)(1)(B)(iii) of the Code and Treasury Regulation Section 1.42-5. To the extent that any provision of this Plan is inconsistent with the provisions of Treasury Regulation Section 1.42-5, as the same may be modified or amended from time to time, the provisions of Treasury Regulation Section 1.42-5 shall govern. This Article 9 is also subject to provisions of the Agency’s compliance monitoring manual and to guidance issued by the Internal Revenue Service regarding compliance monitoring and reporting of non-compliance.

Section 9.1 RECORDKEEPING AND RECORD RETENTION PROVISIONS.

a. RECORDKEEPING. During the 15-year compliance period, the owner of a low-income housing project is required each year to collect and retain records of the following information for each qualified low income building in the project:
1. The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit);

2. The number of occupants in each low-income unit, including minors, but only if rent is determined by the number of occupants in each unit under Section 42(g)(2) (as in effect before the amendments made by the Omnibus Budget Reconciliation Act of 1989). Housing information concerning race, ethnicity, family composition, age, income, use and amount of Section 8 rental assistance or similar assistance, disability status and monthly rental payments of households residing in the project, which information will be required to be provided annually to HUD, beginning in the first quarter of 2010;

3. The percentage of residential rental units in the building that are low-income units, models, offices and management units;

4. The rent charged on each residential rental unit in the building (including any utility allowances), and documentation, including rent rolls, leases and utility allowances per Internal Revenue Service Notice 94-60 issued June 1994;

5. The low-income unit vacancies in the building and information that shows when, and to whom, the next available units were rented;

6. The annual income certification of each low-income tenant per unit;

7. The annual student certification of each low income tenant;

8. Documentation to support each low-income tenant’s income certification (for example, a copy of the tenant’s federal income tax return, Forms W-2, or verifications of income from third parties such as employers or state agencies paying unemployment compensation). Anticipated income of all adult persons expecting to occupy the unit must be verified and included on a Tenant Income Certification prior to occupancy and annually recertified (if applicable) for continued eligibility. (i.e., written third party verification is always preferred.) Income verifications are sent directly to and returned by the source to management, not through the applicant. Specific forms of income verification are in the Procedural Manual. Tenant income is calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937 (Section 8), not in accordance with the determination of gross income for federal income tax liability. In the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement of
this paragraph is satisfied if the public housing authority provides a statement to the building owner declaring that the tenant’s income does not exceed the applicable income limit under Code Section 42(g);

9. The character and use of the nonresidential portion of the building included in the building’s eligible basis under Code Section 42(d) (e.g., tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the project);

10. The eligible basis and qualified basis of the building at the end of the first year of the 10-year credit period; and

11. Any additional records necessary to verify compliance with additional restrictions included in the carryover agreement or Declaration.

b. RECORD RETENTION. The owner of a low-income housing project is required to retain the records described in paragraph 9.1.a of this section for each building in the project for at least six (6) years after the due date (with extensions) for filing the federal income tax return for that year. The records for the first year of the Tax Credit period, however, must be retained for at least six (6) years beyond the due date (with extensions) for filing the federal income tax return for the last year of the 15-year compliance period with respect to the building.

c. INSPECTION RECORD RETENTION PROVISION. Under the inspection record retention provision, the owner of a low-income housing project is required to retain the original local health, safety or building code violation reports or notices that were issued by the state or local government unit for the Agency’s inspection under this section. Retention of the original violation reports or notices is not required once the Agency reviews the violation reports or notice and completes its inspection, unless the violation remains un-corrected.

Section 9.2 CERTIFICATION AND REVIEW

a. CERTIFICATION. The owner of a low-income housing project shall certify at least annually to the Agency that, for the preceding 12-month period --

1. The project meets the requirements of the 20-50 test under Code Section 42(g)(1)(A), the 40-60 test under Code Section 42(g)(1)(B) or the average income test under Code Section 42(g)(1)(C), whichever minimum set-aside test is applicable to the project, and if applicable to the project, the 15-40 test under Code Sections 42(g)(4) and 142(d)(4)(B) for “deep rent skewed” projects;
2. The project complies with the requirements for special set-aside on which the Tax Credit allocation was based;

3. There was no change in the applicable fraction (as defined in Code Section 42(c)(1)(B)) of any building in the project, or that there was a change, and the description of the change;

4. The owner has received an annual income certification and an Annual Student Certification from each low-income tenant and documentation to support that certification, or, in the case of a tenant receiving Section 8 housing assistance payments, the statement from a public housing authority described above, may be accepted as verification of the household’s income. At annual recertification, owner has received an Annual Student Certification and, where applicable, a Tenant Income Certification with supporting documentation from each low income household; or the owner has a re-certification waiver letter from the IRS in good standing;

5. Each low-income unit in the project is rent restricted under Code Section 42(g)(2);

6. No tenants in low-income units were evicted or had their tenancies terminated other than for good cause and no tenants had an increase in the gross rent for a low-income unit not permitted by Section 42;

7. All units in the project are for use by the general public and were used on a non-transient basis (except for transitional housing for the homeless provided under Code Section 42(i)(3)(B)(iii) or single-room-occupancy units rented on a month to month basis under Code Section 42(i)(3)(B)(iv));

8. No finding of discrimination under the Fair Housing Act, 42 U.S.C.A. §§ 3601 – 3619, has occurred for the project. A finding of discrimination includes: an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 C.F.R. 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency 42 U.S.C.A. §3616a(a)(1), or an adverse judgment from a federal court;

9. Each building and each low-income unit in the project is suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making local health, safety, or building code inspections did not issue a violation report for any building or low-income unit in the project. If a violation report or notice was issued by the governmental unit,
the owner must attach a statement summarizing the violation report or notice or a copy of the violation report or notice to the annual certification submitted to the Agency under this section. In addition, the owner must state whether the violation has been corrected;

10. There has been no change in the eligible basis (as defined in Code Section 42(d)) of any building in the project, or that there has been a change, and the nature of the change (e.g., a common area has become commercial space, or a fee is now charged for a tenant facility formerly provided without charge);

11. All tenant facilities included in the eligible basis under Code Section 42(d) of any building in the project, such as swimming pools, other recreational facilities, and parking areas, are provided on a comparable basis without charge to all tenants in the building;

12. If a low-income unit in the project became vacant during the year, that reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units in the project were or will be rented to tenants not having a qualifying income;

13. If the income of tenants of a low-income unit in the project increases above the limit allowed in Code Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the project was or will be rented to tenants having a qualifying income;

14. An extended low-income housing commitment as described in Code Section 42(h)(6) was in effect (for buildings subject to Section 7108(c)(1) of the Revenue Reconciliation Act of 1989, 103 Stat. 2106, 2308-2311), and the project meets the provisions, including any special provisions, of the extended low-income housing commitment, including the requirement under Code Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C.A. § 1437f (for buildings subject to Section 13142(b)(4) of the Omnibus Budget Reconciliation Act of 1993, 107 Stat. 312, 438-439);

15. The project complies with the requirements for all applicable federal or state housing programs (e.g. FmHA assistance, HOME, Section 8 or tax-exempt financing), as applicable;
16. The project is otherwise in compliance with the Code, including any Treasury Regulations, the applicable Qualified Allocation Plan, and all other applicable laws, rules and regulations; and

17. There has been no change in the ownership or management of the project.

b. REVIEW. The Agency shall review the certifications submitted under Section 9.2(a) above for compliance with the requirements of Section 42 of the Code. In addition:

1. An owner of a low-income housing project must submit to the Agency a completed, Agency signed copy of IRS Form 8609 for the first year of the credit period, together with Form 8609-A and Form 8586.

2. The Agency will conduct on-site inspections of all buildings in the project by the end of the second calendar year following the year the last building in the project is placed in service and at least once every three years throughout the Compliance Period. The Agency will also review the tenant income certifications for the number of units as required in Treasury Regulation 1.42-5 and the documentation the owner has received to support those certifications. Less frequent inspections may occur after the 15-year compliance period has expired. Inspect at least twenty percent (20%) of the project’s low income units, and review the low-income certifications, the documentation supporting the certifications, and the rent records for the tenants in those units.

3. The Agency will inspect low-income housing projects once every three (3) years, and review the tenant income certifications for at least twenty percent (20%) of the tenants (and previous tenants, to the extent necessary) and the documentation the owner has received to support those certifications. All projects shall have their first compliance inspection by no later than the year following the first year of the credit period.

Projects to be inspected must be chosen in a manner that will not give owners of low income housing projects advance notice that their records for a particular year will or will not be inspected. The Agency may give an owner reasonable notice than an inspection will occur so that the owner may assemble records (i.e. 1530 days advance notice of inspection).

c. FREQUENCY AND FORM OF CERTIFICATION. The certifications of and review of this section shall be made at least annually through the end of the 15-year compliance period and the additional 15-year Extended Use Period under Section 42(i)(1) of the Code and shall be made under penalty of perjury.
Section 9.3. **INSPECTION PROVISION.** The Agency shall have the right to perform an on-site inspection of any project at least through the end of the term of the Declaration. An inspection will include a physical inspection of any building(s) in the project, any units in the project, and as well as a review of records described above. The auditing provision of this paragraph is required in addition to any inspection of low-income certifications, supporting documents and rent records under Section 9.2.b above.

Section 9.4 **NOTIFICATION OF NONCOMPLIANCE**

a. **GENERAL.** The Agency shall provide the owner of the project notice of noncompliance as set forth in Section 1.42-5(e)(2) of the Treasury Regulations and notice to the Internal Revenue Service as set forth in Section 1.42-5(e)(3) of the Treasury Regulations.

b. **NOTICE TO OWNER.** The Agency shall provide prompt written notice to the owner of a project if the Agency does not receive the certification described in Section 9.2.a hereof or discovers in an audit, inspection or review, or in some other manner, that the project is not in compliance with the Section 42 of the Code.

c. **NOTICE TO INTERNAL REVENUE SERVICE.** Within 45 days after the expiration of the correction period, the Agency will file Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance, with the Internal Revenue Service (as described in Section 9.5 hereof, including extensions permitted under that paragraph). The Agency must check the appropriate box on Form 8823 indicating the nature of the noncompliance or failure to certify and indicating whether or not the owner corrected the noncompliance or failure to certify. If the Agency reports on Form 8823 that a building is entirely out of compliance and will not be in compliance at any time in the future, the Agency need not file Form 8823 in subsequent years to report that building’s noncompliance.

Section 9.5 **CORRECTION PERIOD.** The correction period shall be that period specified in the notice to the owner during which an owner will have the opportunity to supply any missing certifications or bring the project into compliance with the provisions of Section 42. The correction period will be set by the Agency and will not exceed 90 days from the date of the notice to the owner described in 9.4.b. The Agency may extend the correction period up to six (6) months, but only if the Agency determines there is good cause for granting an extension.

Section 9.6 **AUTHORITY RETENTION OF RECORDS.** The Agency must retain records of noncompliance or failure to certify for six (6) years beyond the Agency’s filing of the respective Form 8823. In all other cases, the Agency must retain the certifications and records described in paragraph 9.2.a of this Plan for three (3) years from the end of the calendar year the Agency receives the certifications and records.
Section 9.7  **DELEGATION OF AUTHORITY.**

a.  **GENERAL.** The Agency may retain an agent or other private contractor (the "Authorized Delegate") to perform compliance monitoring. The Authorized Delegate must be unrelated to the owner of any building that the Authorized Delegate monitors. The Authorized Delegate may be delegated all of the functions of the Agency to monitor compliance, except for the responsibility of notifying the Internal Revenue Service under Section 9.4.c hereof. For example, the Authorized Delegate may be delegated the responsibility of reviewing tenant certifications and documentation under Section 9.2.b hereof, the right to inspect buildings as described in Section 9.3 hereof, and the responsibility of notifying building owners of lack of certification of noncompliance under Section 9.4 hereof.

b.  **LIMITATIONS.** In the event the Agency delegates compliance monitoring to an Authorized Delegate, the Agency shall use reasonable diligence to ensure that the Authorized Delegate properly performs the delegated monitoring functions. Delegation by the Agency of compliance monitoring functions to an Authorized Delegate shall not relieve the Agency of its obligation to notify the Internal Revenue Service of any noncompliance of which the Agency becomes aware of.

Section 9.8  **LIABILITY.** Compliance with the requirements of Section 42 is the responsibility of the owner of the building for which the Tax Credit is allowable. The Agency’s obligation to monitor for compliance with the requirements of Section 42 does not make the Agency liable for an owner’s noncompliance under Section 42 or the Declaration.

**ARTICLE 10**
**AMENDMENTS TO PLAN**

This Plan is subject to modification or amendment at any time to ensure that the provisions contained herein conform to the requirements of Section 42 of the Code, applicable State law, and all official interpretations thereof. Such modifications or amendments and the manner of adoption thereof shall not be inconsistent with the Code. Amendments required solely to comply with the Code, applicable regulations or applicable state law as may be approved by the Executive Director.
SCHEDULE 1

SELF-SCORING WORKSHEET
20202021 Housing Tax Credit Program

Applicant Name
Project Name
Project Address/Location
Project City

Please note the following:

1. Documentation of Points
   Indicate the selection and/or preference priority points expected for your project. Where multiple points per section are available please check the appropriate box (□) for points claimed. **Attach directly to this self-scoring worksheet, a separate detailed sheet and documentation that clearly supports points claimed.** The Agency will determine the actual selection points awarded. Points will not be awarded unless documentation is provided along with the application to justify the points claimed.

2. Extended Duration
   Projects requesting 9% Tax Credits: Such projects must maintain the low-income use for a minimum of 30 years. The owner agrees that IRC Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) (which would permit the owner to terminate the restrictions under the Declaration at the end of the 15-year compliance period in the event the Agency does not present the owner with a qualified contract for the acquisition of the project) do not apply to the project, and that the Section 42 income and rent restrictions shall apply for the period of 30 years beginning with the first day of the 15-year compliance period in which the building is part of a qualified low-income housing project.

   **Tax-exempt bond financed projects requesting 4% Tax Credits:** Such projects must maintain the low-income use for a minimum of 20 years, or such longer period for which the applicant claims points on the Self-Scoring Worksheet. The owner agrees that they will not seek to terminate the extended use period as otherwise permitted under IRC Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) earlier than the later of: (a) 5 years after the close of the initial 15 year compliance period, or (b) if the owner claims points on the Self-Scoring Worksheet for a longer extended use period, such longer period.

3. Design Standards
   The project must meet the tax credit Design Standards as specified in the Procedural Guide and be evidenced by a Design Standards Certification form executed by the owner and architect.

4. Declaration of Land Use Restrictive Covenants
   A Declaration covering the rent and income limits and occupancy requirements, **including student eligibility requirements**, must be placed on the building(s) and recorded in the county in which the project is located.

5. Section 8 Voucher Acceptance
   Owners of a Tax Credit project must agree to not refuse to rent a unit to a tenant because that tenant has a Section 8 voucher that would be used for a unit in the project. Language prohibiting discrimination based on Section 8 status must be included in the Declaration entered into by the owner with the Agency. Declarations are enforceable in state court by housing credit agencies and all income-eligible persons.
MINIMUM THRESHOLD REQUIREMENTS

All applicants must meet one of the seven (7) following threshold types. **To qualify for threshold #7 the applicant must have written approval from the CDA prior to submission of the application.** Check one box for project type 1-7 below. In the event Minnesota Statutes are modified to allow additional threshold requirements, this worksheet will be modified accordingly.

1. □ New construction or Substantial Rehabilitation of projects in which, for the term of the Declaration), at least 75% of the total Tax Credit units are Single Room Occupancy, efficiency, or one bedroom units and which are affordable by households whose income does not exceed 30% of the median income.

2. □ New construction or Substantial Rehabilitation family housing projects that are not restricted to occupancy by persons 55 years old or older and in which, for the term of the extended use period (term of the Declaration), at least 75% of the tax credit units contain two or more bedrooms and at least one third of the 75% contain three or more bedrooms.

3. □ Substantial Rehabilitation projects in neighborhoods targeted by the applicable city for revitalization.

4. □ Projects that are not restricted to persons of a particular age group and in which, for the term of the extended use period (term of the Declaration), a percentage of the units are set aside and rented to (check one, if applicable):
   - □ Persons with a serious and persistent mental illness as defined in Minnesota Statutes Section 245.462, Subd. 20(c);
   - □ Persons with a developmental disability as defined in the United States Code, Title 42, Section 6001(8);
   - □ Persons who have been assessed as drug dependent persons as defined in Minnesota Statutes Section 254A.02, Subd. 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in Minnesota Statutes Section 254A.02, Subd. 2;
   - □ Persons with a brain injury as defined in Minnesota Statutes Section 256B.093, Subd. 4(a); or
   - □ Persons with permanent physical disabilities that substantially limit major life activities, if at least fifty percent (50%) of the units in the project are accessible as provided under Minnesota Rules Chapter 1340

5. □ Projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing if the use of Tax Credits is necessary to prevent conversion to market rate use or to remedy physical deterioration of the project which would result in loss of existing federal subsidies.

6. □ Projects financed by Rural Development which meet state-wide distribution goals.

7. □ Up to two projects that are new construction or Substantial Rehabilitation multifamily housing projects that are not restricted to persons 55 years of age or older and that are located within one of the following areas at the time a reservation for Tax Credits is made:
   - □ an area within one-half mile of a completed or planned light rail transitway, bus rapid transitway, or commuter rail station;
   - □ an area within one-fourth mile from any stop along a high-frequency local bus line;
an area within one-half mile from a bus stop or station on a high-frequency express route;

an area within one-half mile from a park and ride lot; or

an area within one-fourth mile of a high-service public transportation fixed route stop;

For purposes of this section, the following terms have the meanings given them:

(1) "high-frequency local bus line" means a local bus route providing service at least every 15 minutes and running between 6:00 a.m. and 7:00 p.m. on weekdays and between 9:00 a.m. and 6:00 p.m. on Saturdays;

(2) "high-frequency express route" means an express route with bus service providing six or more trips during at least one of the peak morning hours between 6:00 a.m. and 9:00 a.m. and every ten minutes during the peak morning hour; and

(3) "high-service public transportation fixed route stop" means a stop serviced between 6:00 a.m. and 7:00 p.m. on weekdays and 9:00 a.m. and 6:00 p.m. on Saturdays and with service approximately every 30 minutes during that time.

**Dakota County CDA Additional Threshold Requirements**

All applicants must meet the following additional threshold requirements. Check boxes below to indicate the acceptance of these requirement:

8. □ The project satisfies the Agency’s underwriting standards and the Agency determines the owner has sufficient experience.
   □ The application demonstrates reasonable operating expenses relative to comparable projects in the past,
   □ The project complies with applicable building, land use and zoning ordinances,
   □ The project is consistent with a Market Study, and
   □ The costs of intermediaries meet the criteria set forth in the Procedural Manual.

9. □ Applicants must agree to utilize public housing waiting lists in Dakota County in marketing units to the public.

10. □ The owner agrees to not refuse to rent a unit to a tenant because that tenant has a Section 8 voucher and that language prohibiting discrimination based on Section 8 status will be included in the Declaration.

11. □ The applicant demonstrates by information submitted in the application that each building in the project is a qualified low-income building under Section 42(c)(2) of the Code.

12. □ The applicant agrees to enter into a Declaration in form and substance acceptable to the Agency and legal counsel appointed by the Agency.

13. □ The applicant agrees to apply resident screening criteria as provided in the Declaration.

14. □ For 9% Tax Credit projects, the applicant agrees to waive the provisions of Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) which permit the owner to terminate the rent and income restrictions under Declaration at the end of the initial 15-year compliance period.

   For 4% Tax Credit projects, the applicant agrees to not seek to terminate the Declaration as permitted under Sections 42(h)(6)(E)(i)(II) and 42(h)(6)(F) earlier than the later of (i) 5 years after the close of the 15 year compliance period, or (ii) such longer period for which applicant claims Tax Credits under the “Long Term Affordability, Tax Exempt Bond Projects Only” category under Selection Priorities.

15. □ The applicant agrees to provide high speed internet access via installation of all appropriate infrastructure and connections for cable, DSL or wireless/data internet service to every unit.
16. ☐ The applicant agrees to institute and maintain a written policy* prohibiting smoking in all the units and all common areas within the building/s of the project. The project must include a non-smoking clause in the lease for every household. Projects will be required to maintain the smoke-free policy for the term of the Declaration.

*A written policy must be submitted with the application and should include procedures regarding transitioning to smoke-free for existing residents and the establishment of smoking areas outside of units and common areas, if applicable. Consequences for tenants violating the smoke-free policy will be determined by the owner and must be included in the written policy for the project.

### SELECTION PRIORITIES

<table>
<thead>
<tr>
<th>a. Selection Criteria</th>
<th>Developer Claimed</th>
<th>Agency Awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Construction</strong></td>
<td>(10 Points)</td>
<td></td>
</tr>
<tr>
<td>1. New construction which increases the supply of affordable rental housing in Dakota County (10 points).</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Preservation and Stabilization of Affordable Housing</strong></th>
<th>(Up to 25 Points)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Preservation of Affordable Housing:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Preservation of Federally Assisted Housing (25 Points):</td>
<td>Points are awarded to projects that preserves low-income housing receiving assistance under Section 8 or Section 236 which, due to mortgage prepayments or expiring rental assistance, would convert to market rate use. The Agency in its sole discretion must agree that a market exists for a conversion to market rate housing.</td>
<td></td>
</tr>
<tr>
<td>OR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Preservation (10 Points):</td>
<td>Points are awarded to projects that preserve the rent and income restrictions under an existing use agreement which, due to expiring affordability periods or proposed Tax Credit qualified contract applications, would convert to market rate use. The Agency, in its sole discretion, will verify that a market exists for a conversion to market rate housing.</td>
<td></td>
</tr>
<tr>
<td>Applicant must agree in writing to continued renewals of the existing project-based housing subsidy payment contract for as long as assistance is available.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| 3. Stabilization of Affordable Housing (5 Points)       |                   |                |
| Points are awarded to projects with existing federally assisted units or previously funded by Tax Credits or deferred loans from the Agency or other public entity, that are not also claiming points in the Preservation of Affordable Housing category which are experiencing trouble with occupancies and/or net revenues which need to be stabilized. | |                |
| Applicants must provide narratives to support the approach of a planned, long term and cost effective stabilization that meets all of the following criteria: | |                |
| i) Suitability for long term stabilization:             |                   |                |
| a. 1845 or more years have passed since initial loan closing or most recent Tax Credit placement in service date; and | |                |
| b. Operating feasibility shows duration of at least 20 years. | | |
AND
   ii) Collaborative relationship in place; points claimed and deemed eligible in the following selection priorities:
      a) Financial Readiness to Proceed, minimum of 6 points; and
      b) Federal/State/Local/Philanthropic/Other Contributions, minimum of 4 points;
AND
   iii) Affordability and Cost Effectiveness
      a) Points claimed and deemed eligible inPreference Priorities b.2 (Serves Lowest Income Tenants/Rent Reduction)

### Readiness to Proceed (Up to 20 Points)

<table>
<thead>
<tr>
<th>Points are awarded to new construction projects that have received all land use and zoning approvals at the time of application. (5 points)</th>
</tr>
</thead>
</table>

5. Financial Readiness (up to 15 points).
Points are awarded to projects that have secured funding commitments for permanent funding sources or have no funding gap at the time of application. Words synonymous with “consider” or “may” award are not valid or acceptable.

The calculation below must exclude all first mortgage financing and anticipated Tax Credit proceeds from the current Tax Credit request. Committed syndication proceeds from previously reserved Tax Credits may be included in the calculation.

Acceptable documentation of syndication proceeds from Tax Credits awarded in a previous cycle/round is an executed agreement or letter of intent from a syndicator/investor which is acceptable to the Agency. The executed agreement or letter of intent must: (1) be current and dated within 15 days of application; (2) contain a projected closing date; (3) contain a projected equity rate for the purchase of the Tax Credits; and (4) contain a detailed explanation of the assumptions being used by the syndicator/investor to arrive at the projected equity price.

| Total eligible funding secured, awarded or committed (exclude first mortgage and syndication proceeds as described above) | $___________ |
| Divided by total development cost less first mortgage and excluded syndication proceeds | $___________ |
| Equals percentage of funds committed, rounded to the nearest tenth | % |

Check box that applies:
- [ ] 70.1% or more of gap funds committed or no gap (15 points)
- [ ] 50.1 – 70.0% of gap funds committed (10 points)
- [ ] 30.1 – 50.0% of gap funds committed (6 points)
- [ ] 10.1 – 30.0% of gap funds committed (2 points)

The documentation must be in the form of a project specific Letter of Intent, city or council/board resolution, letter of approval, or statement of agreement or eligibility. Commitment documentation must state the amount, terms and conditions and be executed or approved by the lender.
or contributor and the applicant. Please see the Procedural Manual Section VIII. A. for additional details.

If points are claimed and the funding is returned/not used the affordability requirements for that (those) funding source(s) will be included in the Declaration.

Federal/State/Local/Philanthropic/Other Contributions (Up to 10 Points)

6. Points are awarded to projects receiving non-capital contributions from a governmental unit; an area employer; and/or a private philanthropic, religious or other charitable organization. Calculate the total using the formula below, and then select the appropriate option.

Identity of Interest exclusion: Contributions from any part of the ownership entity will be considered general partner cash and excluded from the calculation unless the contributions are awarded by a nonprofit charitable organization pursuant to a funding competition or local units of government.

Total non-funding contributions from federal/State/local/philanthropic/other sources $____________
Divided by Total Development Cost $____________
Equals percentage of funding from contributions, rounded to the nearest tenth ____________%

Check box that applies:
- [ ] 20.1% and above of total development costs (10 points)
- [ ] 10.1-20.0% of total development costs (6 points)
- [ ] 5.1-10.0% of total development costs (4 points)

At the time of application, written documentation from the contributor justifying the amount and the terms of the contribution must be provided and be consistent with current market comparable costs. The documentation must be in the form of a project specific Letter of Intent, local governmental resolution, letter of approval, statement of agreement or eligibility, or a memorandum of understanding. The value assigned to donations and in-kind contributions must be consistent with comparable market costs for materials and services.

The documentation must state the amount, terms and conditions and must be executed or approved at a minimum, by the contributor. Documentation containing the words synonymous with “consider” or “may” (as in “may award”) regarding the contribution will not be acceptable. Please see the Procedural Manual Section VIII. A. for additional details.

NOTE: Contributions claimed in this selection criterion cannot be claimed for the permanent sources in the Financial Readiness to Proceed selection criterion.

If points are claimed and the funding is returned/not used the affordability requirements for that (those) funding source(s) will be included in the Declaration.
<table>
<thead>
<tr>
<th>Community Priority Locations  (10 Points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. Points are awarded to projects located on property fully/entirely owned by the Agency, Dakota County, or a municipality in Dakota County at the time of application.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accessible Units  (5 Points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. At least 25% of the units in the project are designed, equipped and set aside for the developmentally, physically or mentally disabled and there is a referral and marketing plan that includes an agreement with an established organization to provide services for such persons.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Owned by Non-Profit or Governmental Unit  (5 Points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. A qualified non-profit or a governmental unit is the sole general partner.</td>
</tr>
</tbody>
</table>

The non-profit must be organized and incorporated in the State of Minnesota and have at least five-year’s experience in Minnesota owning and operating at least 100 units of affordable Tax Credit housing. For a non-profit, a copy of the Certificate of Incorporation from the Secretary of State of Minnesota must be submitted at the time of application. Points will only be given to a local non-profit. To be eligible for points, the non-profit must have Code Section 501(c)(3) approval from IRS at the time of application, and meet the requirements of Section 42(h)(5)(C) of the Code.

These points are awarded because the Agency has an assumption that such organizations have a mission that results in perpetual affordability of the units. Points will not be awarded if the non-profit/governmental organization has been a project sponsor or general partner of a project that had units convert to market rate units in the past three years without the consent of the issuing public agency within Minnesota.

<table>
<thead>
<tr>
<th>Intermediary Costs  (Up to 15 Points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10. Points are awarded to projects with the lowest intermediary costs on a sliding scale based on the percentage of total development costs. For applicants receiving points under this item, this percentage will be enforced at issuance of IRS Form 8609.</td>
</tr>
</tbody>
</table>

Total intermediary costs $__________________
Divided by Total Development Cost $__________________
Equals percentage of costs toward intermediaries, rounded to the nearest tenth _____________%

Check box that applies:
- [ ] 0 – 15.0% of total development cost (15 points)
- [ ] 15.1 – 20.0% of total development cost (10 points)
- [ ] 20.1 – 25.0% of total development cost (2 points)
- [ ] Over 25.0% of total development cost (0 points)
### Homelessness (Up to 15 points)

These units must provide rental assistance or for those units occupied by households without rental assistance that are seeking these points, the gross rent, including an allowance for tenant-paid utilities, cannot exceed the greater of 30 percent of the household’s monthly income or the most current supportive housing standard for the unit size as published by MHFA. Owners must establish and implement policies and procedures to specify the calculation method used to determine the appropriate rent amount and the periodic income recertification used when adjusting rents.

11. **Permanent Supportive Housing Units.** Points are awarded to projects that commit suitable Tax Credit units with supportive services for occupancy by households who are experiencing homelessness. Projects must receive support in writing from the Dakota County Affordable Housing Coalition (AHC) Suburban Metro Area Continuum of Care (SMAC). Applicants claiming points for providing homeless units will be requested to work with the Suburban Metro Area Continuum of Care Homeless Coordinated Entry System, as is reasonable and feasible, to fill those units. Applicants must also provide a written commitment from an appropriate social service agency to provide support services. Contracts for supportive services must be in place prior to closing or Tax Credit commitment.

- Set aside 5% to 9.99%, but no fewer than 2 Tax Credit units (5 points)
- Set aside 10% to 49.99%, but no fewer than 5 Tax Credit units (10 points)*
- Set aside 50% or more, but no fewer than 20 Tax Credit units (15 points)*

*Applicants with a set aside of 10% or more units must also provide a written commitment from an appropriate social service agency to provide on-site support services.

### Rehabilitation Under Community Revitalization Plan (5 Points)
12. Rehabilitation of existing housing as part of a community revitalization plan and that is contributing to the revitalization.

### Eventual Tenant Ownership (1 Point)
13. This point is awarded to projects that include a plan for eventual tenant ownership of 100% of the units.

### Unacceptable Practices (Up to -50 Points)
14. Unacceptable Practices, includes the transfer of ownership of the owner and displacement of Section 8 tenants as described in Section IV.F of the Procedural Manual.
## Access to Transit (Up to 15 Points)

15. Points are awarded to projects located within walking distances of public transit stations and stops. (up to 5 points)
   - Project is located within ½ mile of Red Line transitway stations (including the Burnsville Center station and all stations north) or Orange Line transitway stations (including the Apple Valley Transit Station and all stations north) (5 points); or
   - Project is located within ½ mile of a park and ride (with bus service), a bus route stop, or a Minnesota Valley Transit Authority (MVTA) bus route where the bus is able to stop (3 points).

At the time of application, the applicant must submit a map identifying the location of the project with exact walking distances to the eligible public transit station/stop and include a copy of the route.

16. Ten (10) points are awarded to projects approved by the Agency to qualify under the minimum threshold requirement #7.

## Long Term Affordability, Tax Exempt Bond Projects only (5 or 10 Points)

17. Applications seeking 9% Tax Credits are not eligible to claim points through this Long Term Affordability criteria. Only applications seeking 4% Tax Credits are eligible to claim points under this criteria.

Points are awarded to 4% Tax Credit projects which agree to extend the long term affordability of the project and maintain the duration of the low-income use for:
   - A minimum of 25 years (i.e. a 10-year extended use period) to receive 5 points; or
   - A minimum of 30 years (i.e., a 15-year extended use period) to receive 10 points.

## Preference Priorities

<table>
<thead>
<tr>
<th></th>
<th>Developer Claims</th>
<th>Agency Awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>b.</td>
<td>PREFERENCE PRIORITIES</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Previous Tax Credit Commitment/Reservation. Points are awarded to projects that have a prior commitment/reservation of Tax Credits, were not fully funded in a previous round, and require additional Tax Credits to make the project feasible. (30 points)</td>
<td></td>
</tr>
</tbody>
</table>
2. Points are awarded to projects that will serve the lowest income tenants (50% or less of area median adjusted by unit size) with gross rents not to exceed 30% of income and agree to maintain the deeper rent structure for the duration of the Declaration. (Up to 15 Points)

Applicants may choose any combination of the following rent limitations for the project, but may not count any unit more than once. This selection will restrict rents only (tenant incomes will not be restricted to the following levels by claiming points in this section).

Check the box that applies.

- 100% of Tax Credit units at the rents for 50% of AMI: 15 points
- 75% of Tax Credit units at the rents for 40% of AMI: 15 points
- 75% of Tax Credit units at the rents for 50% of AMI: 10 points
- 50% of Tax Credit units at the rents for 40% of AMI: 10 points
- 50% of Tax Credit units at the rents for 50% of AMI: 5 points

3. Points will be awarded to projects located in a Qualified Census Tract and are part of a cooperatively developed plan that provides for community revitalization. (5 Points)

IMPORTANT:

All units with rents restricted per b.2. above must meet the applicable area median rent for a minimum of ten (10) years. After the expiration of the first ten (10) year period rents may be increased up to the 60% rent limit (or 50%, if the minimum set-aside election was for a project with at least 20% of the units for families at 50% of area median income) over the following periods with increases not to exceed the amount listed in the table below.

<table>
<thead>
<tr>
<th>Year</th>
<th>30% of 50% AMI Rent Levels</th>
<th>30% of 40% AMI Rent Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10</td>
<td>30% of 50%</td>
<td>30% of 40%</td>
</tr>
<tr>
<td>11</td>
<td>30% of 53%</td>
<td>30% of 45%</td>
</tr>
<tr>
<td>12</td>
<td>30% of 57%</td>
<td>30% of 50%</td>
</tr>
<tr>
<td>13</td>
<td>30% of 60%</td>
<td>30% of 55%</td>
</tr>
<tr>
<td>14</td>
<td>-</td>
<td>30% of 60%</td>
</tr>
</tbody>
</table>
SELF-SCORING WORKSHEET CERTIFICATION:
Under penalty of perjury, the Applicant hereby certifies the information provided in the Self-Scoring Worksheet is true and accurate.

By: __________________________________________
    Signature

    ________________________________
    Print or type name and title of signatory

Of: _______________________________________
    Name of Managing/General Partner

Date: _______________________________________

Annual GREATER MSP Update – Informational

Meeting Date: 2/11/2020
Department: Community & Economic Development
Prepared By: Lisa Alfson
Contact: Lisa Alfson
Contact Phone: 651-675-4467

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
• Receive annual GREATER MSP update.

SUMMARY
GREATER MSP is a public-private partnership whose mission is to stimulate economic growth and prosperity in the Minneapolis-St. Paul region. GREATER MSP provides vision, strategy, resources and staff support to governments and organizations involved with job creation, regional marketing, business recruitment and retention, and talent/workforce attraction.

The Dakota County Community Development Agency (CDA), on behalf of Dakota County, has been an investor in GREATER MSP since 2011. As part of our investment, the CDA is provided one seat on the GREATER MSP Board (as approved by the GREATER MSP Board). In 2019, Commissioner Gaylord represented Dakota County on the GREATER MSP Board and was re-appointed to this seat again for 2020.

GREATER MSP assist with the implementation of the several economic development initiatives outlined in the Dakota County Economic Development Strategy. Through participating in GREATER MSP, the strategic initiatives of 1) creating prospect response capacity (i.e. working with site selectors); 2) undertaking development-related resource and policy capacity (i.e. MSP Regional Dashboard, Make.It.MSP workforce resource and efforts, etc.); and 3) enhance image, marketing and branding.

Peter Frosch, GREATER MSP CEO, will present at the February 11 meeting to provide the CDA Board with an update on the progress GREATER MSP made in the last year and what to expect in 2020.
**Economic Development Strategy Update And Adoption Of 2020 Workplan**

<table>
<thead>
<tr>
<th>Meeting Date:</th>
<th>2/11/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department:</td>
<td>Community &amp; Economic Development</td>
</tr>
<tr>
<td>Prepared By:</td>
<td>Lisa Alfson</td>
</tr>
<tr>
<td>Contact:</td>
<td>Lisa Alfson</td>
</tr>
<tr>
<td>Contact Phone:</td>
<td>651-675-4467</td>
</tr>
</tbody>
</table>

**Fiscal/FTE Impact:**
- [ ] None
- [ ] Amount included in current budget
- [ ] Budget amendment requested
- [ ] FTE included in current complement
- [x] New FTE(s) requested
- [ ] Other

**PURPOSE/ACTION REQUESTED**
- Update the Board of Commissioners on work of the County/CDA Economic Development Steering Committee.
- Discuss and adopt proposed 2020 economic development workplan.

**SUMMARY**
The Dakota County Economic Development Strategy (Attachment A) was reaffirmed by the CDA Board of Commissioners as part of the 2018-2020 CDA Strategic Plan adopted on June 20, 2017. The Economic Development (ED) Strategy was developed with the concept of utilizing County and CDA resources in the areas of economic, workforce, and community development to support a healthy, dynamic and sustainable economy. The goal of the ED Strategy is to have a collaborative, organized and accountable approach to economic development.

The County/CDA ED Steering Committee was formed in late 2017 with the purpose to annually identify activities to implement the ED Strategy in conjunction with our partners (cities, chambers, utilities, educational institutions). This group meets monthly to discuss the roles and responsibilities of Dakota County and CDA in economic development and further the work of the ED Strategy. In November 2018, the CDA Board of Commissioners approved the first ED workplan to help guide the work of the County/CDA ED Steering Committee (Resolution #18-6067). The 2019 ED workplan fourth quarter report is attached for review (Attachment B).

The County/CDA ED Steering Committee has drafted the 2020 economic development workplan, with proposed economic development activities to further advance the County Economic Development Strategy (Attachment C).

**RECOMMENDATION**
The Economic Development Steering Committee, comprised of CDA and Dakota County staff, recommends the CDA Board of Commissioners approve the 2020 economic development workplan.

**EXPLANATION OF FISCAL/FTE IMPACT**
Funds for economic development activities are discussed annually during the CDA’s budget process. Funds are allocated in the FYE20 budget and will be determined in FYE21 for 2020 ED workplan initiatives.
WHEREAS, the Dakota County CDA Board of Commissioners reaffirmed the Dakota County Economic Development Strategy as part of the 2018-2020 CDA Strategic Plan adopted on June 20, 2017; and

WHEREAS, the Economic Development Strategy consists of a vision, six guiding principles, and six strategic initiatives that identify the roles of the County and CDA in economic development; and

WHEREAS, as part of the Economic Development Strategy, an internal, non-decision making Economic Development Steering Committee was formed comprised of appropriate staff from the County and CDA; and

WHEREAS, the Economic Development Steering Committee has been meeting monthly since October 2017; and

WHEREAS, the Economic Development Steering Committee has drafted the proposed 2020 economic development workplan, outlining the strategic activities and milestones to achieve in 2020.

NOW, THEREFORE, BE IT RESOLVED by the Dakota County Community Development Agency Board of Commissioners, That the 2020 economic development workplan is approved, as follows:

**Strategic Initiative: Invest in Transportation and Transit Networks**
- Review, comment on County 2040 workplan from an economic development perspective.

**Strategic Initiative: Coordinate Strategic Infrastructure and Land Development**
- Implement EPA Coalition Brownfields Assessment Grant.
- Continue monitoring efforts of Dakota Broadband (DBB).
- Assist with marketing and ongoing monitoring of three Opportunity Zones in Dakota County.

**Strategic Initiative: Link Workforce Development and Economic Development**
- Monitor and evaluate Dakota County’s participate in 2019/2020 CEO Next Program.
- Organize at least two Good For Business visits.
- Support annual workforce events.

**Strategic Initiative: Enhance image, marketing, and branding**
- Raise Dakota County profile through collaboration, promotion, and increased internal and external communications.

**Strategic Initiative: Provide quality workforce housing**
- Continue to finance and develop levy-supported housing.

**Strategic Initiative: Strengthen development related-research and policy capacity**
- Review and evaluate Dakota County tax abatement policy.
Dakota County Economic Development Strategy

Vision

We envision Dakota County as a globally competitive economy that is vigorous, diversified and innovative, providing opportunity and prosperity for businesses and residents alike, while sustaining a healthy environment and a superior quality of life.

Guiding Principles

- Dakota County government will take a collaborative approach to economic development internally and externally, working among County departments and agencies, as well as with cities and other partners. Care will be taken to avoid duplication.

- County government will plan for and invest in critical infrastructure (e.g. transportation, telecommunications) and other competitive advantages that support economic growth and vitality.

- Dakota County government may choose to be involved in economic development projects that
  - are highly visible and regionally significant in the Twin Cities metro area;
  - are physically located in more than one community;
  - involve county and state roads;
  - create a significant employment, infrastructure or tax base impact;
  - demonstrate a positive return on investment, OR
  - preserve, enhance or remediate environmental quality.

- County government may develop economic development initiatives to respond to the need for specialized expertise and economies of scale (i.e. workforce housing, brownfield remediation, telecommunications, workforce development).

- Dakota County government will use research and policy development as a framework to guide and evaluate economic development strategies and actions.

- County government will consider workforce, employment, and tax base development to enhance long-term plans and investment decisions.

Strategic Initiatives

1. Invest in Transportation and transit networks
2. Coordinate strategic infrastructure and land development
3. Link workforce development and economic development
4. (a) Create prospect response capacity. (b) Enhance image, marketing, and branding.
5. Provide quality workforce housing
6. Strengthen development related-research and policy capacity
## CDA/County 2019 Economic Development Workplan UPDATE

### 1. Strategic Initiative: Coordinate strategic infrastructure and land development

<table>
<thead>
<tr>
<th>Strategic Activity</th>
<th>Milestones</th>
<th>Q4 Report</th>
</tr>
</thead>
</table>
| **A. Apply for 2019 EPA Brownfield Assessment Grant funds** | 1. Develop Brownfields Assessment Coalition & Coalition Advisory Committee (January)  
2. Work with Stantec (Consultant) on development of grant during weekly calls (January)  
3. Submit grant (by January 31)  
4. If awarded, develop work plan and convene coalition advisory committee | In November, staff sought formal acceptance of EPA Cooperative Agreement and amending agreement with environmental consultant professional (Stantec) to implement EPA grants. In December, CDA and County staff attended the National Brownfields Conference in Los Angeles to assist with implementation of grant. |
| **B. Update the brownfield site inventory, focusing on economic development and housing opportunities** | 1. Develop comprehensive maps that help cities and developers identify potential brownfield redevelopment opportunities.  
2. IF awarded EPA funds, we can utilize $$ to do more work with inventory, focusing on ED and housing opportunities | Refinement and evaluation of inventory for EPA grant continued in Q4 and will be finalized at end of Q1 in 2020. |
| **C. Continue working with Cities to understand City prioritized redevelopment areas and consider potential collaborations** | 1. Define prioritized area  
2. Meet with each city individually to obtain list of prioritized redevelopment areas  
3. Discuss pros and cons of aligning city-identified priority areas with CDA and County funding (RIG, ELF) | Staff continued to work on efforts to prioritize development sites identified as part of EPA grant. Prioritization will be finalized in Q1 2020, and then CDA and County staff will determine how this prioritization aligns with County and CDA redevelopment priorities. |
| **D. Evaluation and Redesign of RIG program** | 1. Develop options for RIG program (Jan - Feb)  
2. Present options to CDA Board (March) | Two RIG applications, one from West St. Paul (Thompson Oaks) and one from Hastings (planning) were considered and approved by the CDA Board on November 19. No new applications were received Q4. |
<table>
<thead>
<tr>
<th>Strategic Activity</th>
<th>Milestones</th>
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</thead>
<tbody>
<tr>
<td>E. Creation of Dakota Broadband</td>
<td>1. Lisa attend DBB Executive Committee meetings to monitor discussions on CNet. 2. Assist with development and implementation of CNet.</td>
<td>DBB Executive Committee continued to meet monthly with CDA staff in attendance. C-Net subcommittee met in October and November, with CDA staff in attendance.</td>
</tr>
<tr>
<td>F. Opportunity Zones</td>
<td>Monitor activities and potential activites in Dakota County Opportunity Zones.</td>
<td>CDA staff attended the annual NACCED (National Association for County Community &amp; Economic Development) conference in mid-October where opportunity zones were a significant topic. Much concern from NACCED staff and members about ensuring affordable housing and other community needs are prioritized in opportunity zones.</td>
</tr>
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</table>
### 2. Strategic Initiative: Link workforce development and economic development

<table>
<thead>
<tr>
<th>Strategic Activity</th>
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</table>
| **A. Support awareness of workforce-related tools and resources for employers in the region** | 1. Mark Jacobs to distribute regular written communications on tools and resources available to employers in the region.  
2. Measure effort by number of organizations (i.e. Chambers, cities, community colleges) that use Mark's information in their own communications. | Dakota/Scott Workforce Development Board (D/S WDB) sent out **5 email blasts** to employers & chambers of commerce in Q4. Topics included top residential homebuilders in area; employers needed for realty services; and five resources for employers looking to connect with job seekers. In addition, **D/S WDB staff posted many times on LinkedIn**, including: Top Women-Owned Businesses in Dakota and Scott counties (736 views); unemployment chart and info (421 views); and WDB Annual Award Recipients.  
**D/S WDB staff held five major events/meetings** during Q4 including meeting of Dakota and Scott Chamber of Commerce Presidents along with CDAs on October 30; Legislative and Employers Awards Luncheon on December 7; and Hosted DHS' hiring refugee, asyless, and other immigrant traning at Burnsville CareerForce location. |

### 3. Strategic Initiative: Create prospect response capacity

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<tr>
<th>Strategic Activity</th>
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</thead>
</table>
| **A. Research developing an Economic Gardening program** | 1. Research economic gardening programs in MN (Feb)  
2. Meet and learn from peer counties about economic gardening (Feb)  
3. Draft proposal for Dakota County economic gardening program for ED Steering Committee review (March)  
4. Prepare information for Board (April)  
5. If recommended by Committee, propose economic gardening program in FYE20 CDA Budget (May/June)  
6. If recommended and funded, implement July 2019 | CEO Next program officially began Thursday, November 21. |
### 3. Strategic Initiative: Create prospect response capacity

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| B. Work with partners to develop economic development links and presence on County and CDA websites for business audiences | 1. Research and review peer county websites (Q2)  
2. Develop content options for County and CDA websites. Review with ED Steering Committee (summer 2019)  
3. Implement Fall 2019 | ED website workgroup met October 1 to review, refine content. Content was finalized in Q4. Website pages will be done by end of Q1 2020. |
| C. Open To Business | 1. Continue to work with cities and Open To Business to have best program for everyone. 2019 is year 2 of a 3 year agreement with OTB.  
2. Address marketing issues.  
3. Address communication concerns. | Q4 report is attached. Interviews were held in early October to hire the next OTB Advisor for Dakota County. CDA staff sat in on final interviews. Karen Schaffhausen was hired as the new OTB Advisor and began October 28. Karen was introduced to CDA Board at the November 19 Board meeting. |
### 4. Strategic Initiative: Enhance image, marketing and branding

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<tr>
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</table>
| **A. GREATER MSP Investment** | 1. GREATER MSP present to CDA Board (January)  
2. CDA Board decide to fund/not fund GREATER MSP (February)  
3. If funded, staff obtain quarterly updates from PAC member (Kim Lindquist)  
4. Attend GREATER MSP events and trainings, as applicable | CDA staff met end December 18 with GREATER MSP leadership to discuss organizational structure and proposed public investor fee increase. |
| **B. Discuss approaches to promoting County to business audiences** | 1. Monitor Chamber efforts for marketing/branding Dakota County  
2. Continue dialogue with cities on this effort, tying in the work of the website improvements. | October 1 - CDA staff attended the LV Manufacturing Appreciation event. October 30- CDA staff attended the MNCAR EXPO in Minneapolis to promote Dakota County to brokers and developers. |

### 5. Strategic Initiative: Provide quality workforce housing

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</thead>
</table>
| **A. Prepare a finance and development plan for levy support housing** | 1. Preliminary discussion with CDA Board on levy supported housing, focusing on financial and legal feasibility (Feb)  
2. Analyze potential sites, financial structures, product types (Q1 - Q2)  
3. Make decisions on site, finances, product (Q2-Q3)  
4. Develop rent structure (Q3)  
5. City approvals, bidding of work, etc. | Staff continued to work with the cities of WSP and IGH as CDA developed site plans. |

### Other Activities Undertaken by Committee

<table>
<thead>
<tr>
<th>Items not on Work Plan but undertaken by Committee</th>
<th>Q4 Report</th>
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<tbody>
<tr>
<td>CDA staff attended meeting of Scott Chambers and Dakota Chambers (all 6 represented), Workforce Development Board staff, and Scott CDA staff on 10/30 to discuss the counties' role in economic development. Next meeting scheduled for Jan 2020.</td>
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</table>
### PROPOSED County/CDA 2020 Economic Development Workplan MILESTONES & TIMEFRAMES

#### 1. Strategic Initiative: Invest in Transportation and Transit Networks

<table>
<thead>
<tr>
<th>Strategic Activity</th>
<th>Action</th>
<th>Milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. County 2040 transportation plan</td>
<td>Review, Comment</td>
<td>1. Receive regular updates on progress of 2040 transportation plan</td>
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<tr>
<td></td>
<td></td>
<td>2. Provide comments on draft plan (Q2)</td>
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#### 2. Strategic Initiative: Coordinate Strategic Infrastructure and Land Development

<table>
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<tr>
<th>Strategic Activity</th>
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</tr>
</thead>
<tbody>
<tr>
<td>A. EPA Coalition Brownfields Assessment Grant</td>
<td>Implement</td>
<td>1. Hold kick-off workshops with coalition members and Brownfield Advisory Committee (BAC) (Q1)</td>
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<td></td>
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<td>2. Refine and prioritize site inventory; seek approval from EPA and/or State to investigate sites (Q1 - Q2)</td>
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<td>3. Conduct assessments (Phase I) on 8 sites (Q2-Q4)</td>
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<td></td>
<td>4. Begin applying prioritization criteria to the Brownfield and Contaminated Sites Inventory to identify potential projects outside of the Coalition and BAC city boundaries (Q4)</td>
</tr>
<tr>
<td>B. Dakota Broadband (DBB)</td>
<td>Ongoing Monitoring</td>
<td>1. Participate in Dakota Broadband Executive Committee</td>
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<td></td>
<td></td>
<td>2. Monitor implementation of C-Net</td>
</tr>
<tr>
<td>C. Opportunity Zones (OZs)</td>
<td>Marketing, Monitoring</td>
<td>1. Continue to monitor activities and potential activities in Dakota County Opportunity Zones (OZs)</td>
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<tr>
<td></td>
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<td>2. Connect development efforts in OZs with EPA Brownfield Assessment grant activities</td>
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<td>3. Work with cities to market OZs to developers and others</td>
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#### 3. Strategic Initiative: Link Workforce Development and Economic Development

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<tr>
<th>Strategic Activity</th>
<th>Action</th>
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</tr>
</thead>
<tbody>
<tr>
<td>A. CEO Next Program</td>
<td>Monitor, Evaluate</td>
<td>1. Attend monthly CEO Forums</td>
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<td>2. Regularly communicate with CEO Next participants</td>
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<td>3. Evaluate continued participation and propose recommendation to CDA Board of Commissioners (Q2)</td>
</tr>
<tr>
<td>B. Good For Business Visits</td>
<td>Organize</td>
<td>1. Organize efforts for County Board to meet with at least two employers in 2020</td>
</tr>
</tbody>
</table>
C. Workforce Events

| Support | 1. Financially support one workforce development board (WDB) event annually (CDA)  
2. County and CDA promote WDB events via social media, professional organizations, peer connections  
3. ED Steering Committee members attend WDB events |

4. Strategic Initiative: Create Prospect Response Capacity

<table>
<thead>
<tr>
<th>Strategic Activity</th>
<th>Action</th>
<th>Milestones</th>
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</thead>
</table>
| A. GREATER MSP Investment | Increase active role | 1. GREATER MSP present to CDA Board (February)  
2. CDA Board decide to fund/not fund GREATER MSP (March)  
3. Attend GREATER MSP events and trainings, as applicable (ongoing) |
| B. Open To Business | Support | 1. Onboard new Open To Business (OTB) Advisor  
2. Assist OTB Advisor with informational group sessions  
3. Connect OTB with County Library as another way to support small businesses through the library system |

5. Strategic Initiative: Enhance image, marketing, and branding

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</table>
| A. Raise Dakota County profile | Collaboration, Promote, Increase Communications | 1. Send out quarterly communications to Board highlighting economic development activities throughout the County. Include both County & CDA work, include city newsletters and communications  
2. Attend at least two economic development-related regional events to promote Dakota County  
3. Staff attend professional organization and peer meetings (meetings with city transportation, meetings with city community development staff, etc.)  
4. CDA renew membership with all six Dakota County Chambers, participate equally among Chambers’ events |
### 6. Strategic Initiative: Provide Quality Workforce Housing

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<thead>
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<th>Strategic Activity</th>
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<th>Milestones</th>
</tr>
</thead>
</table>
| A. Levy-supported Housing           | Finance, Develop        | 1. Seek city approvals for WSP studio/one bedroom project (Q1)  
|                                     |                         | 2. If approved, bid construction for WSP project (Q2 - Q4)  
|                                     |                         | 3. Finalize concept development plan for IGH one/two/three bedroom project (Q1)  
|                                     |                         | 4. Present IGH concept development plan to city staff for feedback (Q2)  |

### 7. Strengthen Development Related-Research and Policy Capacity

<table>
<thead>
<tr>
<th>Strategic Activity</th>
<th>Action</th>
<th>Milestones</th>
</tr>
</thead>
</table>
| A. County Tax Abatement Policy      | Review, evaluate    | 1. Review current County Abatement Policy (Q1, Q2)  
|                                     |                      | 2. Research other county abatement policy (Q2, Q3)  
|                                     |                      | 3. Provide input to Commissioners (Q3, Q4)  |

*Red Font indicates new activities, actions and/or milestones for 2020*
Housing Development Update – Informational

Meeting Date: 2/11/2020
Department: Housing Development
Prepared By: Kari Gill
Contact: Kari Gill
Contact Phone: 651-675-4477

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
• Updated on housing development activities.

SUMMARY
Deputy Executive Director Kari Gill will provide updates on CDA housing developments.

RECOMMENDATION
N/A – Informational Only

EXPLANATION OF FISCAL/FTE IMPACT
N/A
HOUSING DEVELOPMENTS

WEST ST. PAUL
Gateway Site

# of UNITS: 60

- Proposed concept plan for the West St. Paul Gateway Site includes two 60-unit buildings.
- Submitted an application for the first building in January.
- Attended a City Council work session;
- Revising plans and resubmitting in February.

EAGAN
Housing for Homeless Veterans

# of UNITS: 20

- Working on site and unit plans.
- Met with city staff in January.
- Evaluating different site plans.
- Met MHFA to explore financing options.
- Evaluating a 55+ with Veteran’s Preference model.
- Goal is to submit an application to the city by late winter/early spring.
INVER GROVE HEIGHTS
Concord Site

# of UNITS: 40

- CDA staff met with city staff in early January to talk about options that would meet city goals for the area.
- Considering financing options that could include tax credits.
- Number of units to be determined.
- Mix of one, two, and three bedroom units.
- Architect is revising plans.
- Will meet with city staff again.
Executive Director’s Update – Informational

Meeting Date: 2/11/2020
Department: Administration
Prepared By: Kaili Braa
Contact: Tony Schertler
Contact Phone: 651-675-4432

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

- Agency updates.

SUMMARY

Executive Director Tony Schertler will provide updates regarding topics related to agency operations and a preview of items that will be on the March 17, 2020 CDA Board meeting agenda.

RECOMMENDATION

N/A – Informational Only

EXPLANATION OF FISCAL/FTE IMPACT

N/A

Executive Director’s Comments:  
☐ Recommend Action  ☐ Item Type-Consent
☐ Do Not Recommend Action  ☐ Item Type-Discussion
☐ Reviewed-No Recommendation  ☒ Item Type-Informational
☒ Reviewed-Information Only
☐ Submitted at Commissioner Request

Strategic Plan Priorities:

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

---

Executive Director

Department Director