



Dakota County
Community Development
Agency

DAKOTA COUNTY CDA

HOUSING TAX CREDIT

2026 PROCEDURAL MANUAL (Amended)

T. State Volume Limits

Each state is limited to the amount of 9% Tax Credits it may allocate annually. The State of Minnesota has established a formula by which it will suballocate a portion of its Tax Credits and publishes an estimate of its suballocation prior to allocation in Round 1. **The CDA's 9% 2026 per capita volume limit is estimated to be approximately \$1,171,8431,347,184.¹**

Projects with tax-exempt bond financing, which are subject to a separate volume limitation, are not counted against the state 9% Tax Credit volume limit. (See Article 7 of the QAP and Section IX of this Manual for further details.)

U. Recapture

The CDA reserves the right to recapture Tax Credits from projects that do not provide evidence satisfactory to the CDA of progress toward completion of the project in accordance with the construction schedule (submitted at initial application and updated at carryover), or for noncompliance with the terms of the commitment or allocation.

Part of the Tax Credit will also be recaptured if the qualified basis at the close of any year is less than the amount of such basis at the close of the preceding taxable year, or if the minimum number of qualified low-income units is not maintained for the Extended Use Period.

V. Market Study

Code Section 42(m)(1)(A)(iii) requires that all Tax Credit projects conduct a comprehensive market study before an allocation or commitment is made. The study must examine the housing needs of low-income individuals in the area to be served by a developer's Tax Credit project and must be conducted by a disinterested party, at the developer's expense, who is approved by the housing credit agency. (Also refer to the Market Study Guidelines on the Minnesota Housing website.)

W. Tenant Ownership

The CDA will review projects incorporating eventual tenant ownership provisions in accordance with Code Section 42(h)(6) and IRS Revenue Ruling 95-49. It is the responsibility of the applicant to provide the CDA with any additional information or clarification as may be necessary. The CDA requires projects proposing an eventual tenant ownership component must have 100% of the project's units specified for this ownership component. Projects proposing eventual tenant ownership for less than 100% of the units will not be considered for an allocation of Tax Credits. (See also Section VIII.A.21.)

¹ This estimate uses the 2026 Tax Credit amount provided by Minnesota Housing on [February-7October 22](#), 2025.

Rehabilitation projects must also meet these codes and standards unless a waiver is granted by CDA. **Requests for waiver of any of the applicable requirements must be submitted to the CDA in writing prior to application submission.** Applicants not requesting necessary waivers prior to submission of the application may be assessed up to -25 penalty points for Unacceptable Practices as described in Section IV.G. of this Procedural Manual.

Additional selection points are awarded to proposed projects for the inclusion of additional development features (refer to QAP Schedule 1.)

The architect must certify on the final working plan that all the applicable standards and development features have been incorporated into the plans.

G. State Prevailing Wage

The 2024 Minnesota Legislative Session included a policy modification to require prevailing wage reporting for Low-Income Housing Tax Credit (HTC) projects (Minnesota Statutes, 116J.871). Multifamily housing projects consisting of more than ten units that receive allocations (9%) or awards (4%) of HTCs are required to provide certified payroll reporting to HTC allocating agencies and the HTC allocating agencies will follow new notification obligations related to these reporting requirements. This is effective for developments selected for HTC awards or allocations on or after January 1, 2025.

~~Please refer to Minnesota Housing's website on Prevailing Wage for additional information and reporting requirements.~~ Prevailing wage is the minimum hourly wage employers must pay classes of workers who work on constructions projects where public dollars are used to fund the construction. Projects receiving HTC awards or allocations will use Commercial The state-prevailing wage rates set by the Minnesota Department of Labor and Industry (DLI), with one exception. The Minnesota State Senate passed SF2298, that allows the use of the Residential Carpenter labor category if no other state financing or funding is involved in the project until December 31, 2027. Specifically,

(a) An allocating agency, as defined in Minnesota Statutes, section 116J.871, subdivision 1, paragraph (f), may adopt a policy or ordinance utilizing the applicable carpenter rate for residential construction under federal David-Bacon and Related Acts for wood frame carpenter work as defined in paragraph (b). This paragraph only applies to projects subject to prevailing wage requirements pursuant to Minnesota Statutes, section 116J.871, subdivision 2, where any financial; assistance, as defined in Minnesota Statutes, section 116J.871, subdivision 1, paragraph (c), consists solely of allocations or awards of low-income housing tax credits as provided in Minnesota Statutes, section 462A.222, and where the project does not receive any other state financing or funding.

(b) For purposes of this section, "wood frame carpenter work" means carpenter work as described in Minnesota Rules, part 5200.1102, subpart 4, performed in the erection, remodeling, or finishing of a structure of up to six stories, or any portion thereof, that is wood framed and intended for residential use.

For additional information on state prevailing wage, visit the Minnesota Department of Labor and Industry (DLI) Prevailing Wage Information webpage. ~~Please refer to Minnesota Housing's website on Prevailing Wage for additional information and reporting requirements.~~

Certification, Reporting and, Record Keeping Requirements:

1. ~~The Minnesota Department of Labor and Industry~~ Prevailing Wage Certification Form is required. ~~The appropriate form will be provided on the Minnesota Housing Prevailing Wage webpage or from the program manager.~~ The developer submits the signed certification form directly to DLI and must provide an executed copy to the CDA prior to closing or execution of a loan or grant contract.
2. ~~Contracts with contractors, subcontractors, and lower-tier subcontractors must include prevailing wage contract language and attach the relevant Dakota County Prevailing wage rates to all bids and contracts.~~
3. Prevailing Wage Reporting Requirements. While performing work on the project, the employer shall furnish a Certified Payroll Report to the CDA every two weeks ~~throughout the construction period. The CDA requires payroll submissions via LCPtracker. This report can be found on the DLI website and is linked within this document.~~ Questions regarding completion of the payroll reports should be directed to DLI. DLI is responsible for all aspects of state prevailing wage, including answering developer questions.
- 2.4. ~~The~~ Certified Payroll Report must include an oath and a signature by an owner or officer of the employer ~~and. Additionally, the Certified Payroll Report must~~ state the wages and benefits paid to each employee during the preceding weeks specifying for each employee:

- Name
- Identifying number
- Prevailing wage master job classification
- Hours worked each day
- Total hours; rate of pay
- Gross amount earned
- Each deduction for taxes
- Total deductions
- Net pay for week
- Dollars contributed per hour for each benefit, including name and address of administrator
- Benefit account number
- Telephone number for health and welfare, vacation or holiday, apprenticeship training, pension, and other benefit programs

See Minn. Stat. 177.30(a)(6) and (7) for full record keeping and reporting requirements.

~~Draw requests cannot be approved and funds cannot be disbursed if the project is not current on providing the Certified Payroll Report.~~

HTC Carryover allocation cannot be approved if the project has closed and is not current on providing the Certified Payroll Report.

IRS Form 8609: Low-Income Housing Credit Allocation and Certification cannot be issued if the project has not provided the required Certified Payroll Reports

24. **Other Documents.** Provide such documents and instruments as are necessary and as may be required by the CDA.
25. **Allocation Fee.** Submit the non-refundable Allocation Fee, based on the annual Tax Credit allocation amount (if not already paid at Carryover application) and CDA Counsel Fee (See Section X.) Complete a Fee Remittance Form and attach with the payment.

IX. TAX EXEMPT PROJECTS SEEKING TAX CREDITS

A. General

Section 42 of the Code establishes a separate set of procedures to obtain 4% Tax Credits through the issuance of tax-exempt bonds.² Although the Tax Credits are not counted in the Tax Credit volume cap for the State of Minnesota, developers of projects should be aware of the information contained in Article 7 of the CDA's QAP.

Section 42(m)(1)(D) of the Code provides that in order for a project to receive an allocation of Tax Credits through the issuance of tax-exempt volume limited bonds, the project must satisfy the requirements of the QAP applicable to the area in which the project is located. The Minnesota Housing QAP applies to all projects for which Minnesota Housing is the issuer of the bonds and all other projects for which the issuer is not located within an area covered by a suballocator QAP.

The project must comply with the QAP that is in effect for the calendar year in which the tax-exempt bonds that require an allocation of the state's volume cap for private activity bonds were first issued. If those tax-exempt bonds are issued on a short-term basis, the year the tax-exempt bonds are reissued on a long-term basis may occur any time after the year the tax-exempt bonds were first issued. The effective QAP will always be the QAP for the year in which the tax-exempt bonds were first issued.

If, however, the principal amount of the tax-exempt bonds first issued is not sufficient to finance at least 50%the required minimum percentage of the aggregate basis of the building and the land it is located on, the project would not be eligible to apply for Tax Credits in connection with the initial bond issue. In that event these requirements would apply when tax-exempt bonds are issued in a principal amount that, together with the first issue of tax-exempt bonds, is sufficient to finance at least 50%the required minimum percentage of that aggregate basis of the building and the land it is located on. The "Required minimum percentage" is established by federal law and is subject to changes in federal law. For each project, the CDA will determine and apply the minimum percentage required by federal law in accordance with federal effective dates.

Subject to any future changes in federal law, the required following minimum percentage are apply:

1. The required minimum percentage is 25%, if
 - a. A project is placed in service after December 31, 2025, and

² Tax-exempt volume limited bonds are "residential rental bonds" that are taken into account under the state ceiling on the aggregate face amount of tax-exempt private activity bonds pursuant to Section 146 of the IRC. Residential rental bonds are exempt facility bonds issued pursuant to Section 142(d) of the IRC to finance a qualified residential rental project.

b. At least 5% of the aggregate basis of the building and land is finance with bonds issued after December 31, 2025.

2. For all other projects, the required minimum percentage is 50%.

NOTE: Developers should also be aware of the requirements of Minn. Statutes Section 474A.047 including subdivision 1, which require the extension of existing U.S. Department of Housing and Urban Development (HUD) Housing Assistance Payment (HAP) contracts to the full extent available.

Tax Credit applications for 4% Tax Credits must be submitted in the manner required by this Manual (see Section IX.B below) and must comply with the CDA's submission requirements, as well in accordance with the Dakota County CDA Housing Finance Policy. All applicants must utilize forms supplied by the CDA or Minnesota Housing, where indicated. The application materials can be found on the CDA website (www.dakotacda.org) and on Minnesota Housing's Multifamily Common Application and Tax Credits webpages (www.mnhousing.gov).

Prior to submitting an application, submit a Notice of Intent to Apply to kkugel@dakotacda.org. Following submission of the Intent to Apply a Box.com account will be created for the electronic application submission of the electronic application materials for a preliminary determination and subsequent placed in service application. The application and all required submissions must be separately indexed in the order of the documents listed below, complete and legible, or the application or submission will be returned.

Pre-Application and Minimum Threshold for 4% Tax Credit Projects: An applicant for 4% Tax Credits must demonstrate the project is eligible for not less than 25 points under the Self-Scoring Worksheet of the QAP prior to the establishment of the bond public hearing. Applicants must submit all necessary pre-application documentation in order for staff to make a preliminary determination of eligibility. At a minimum, pre-application documents include:

- Multifamily Workbook
- Self-Scoring Worksheet – corresponding with the year in which the bond issuance is anticipated
- Scoring documentation
- Other documents and instruments as may be required by the CDA

Projects that do not score a minimum of 25 points under the Self-Scoring Worksheet of the QAP are not eligible for a private activity bond allocation award. If the private activity bond allocation for Dakota County is over-subscribed, the CDA, at its discretion will prioritize projects based upon total points received pursuant to the QAP, geographic location, the readiness of the project to proceed, the amount and term of the private activity bond allocation requested, and the overall feasibility of the project.

Upon approval of the project by the Dakota County CDA Board of Commissioners, the applicant will be required to close on the project by no later than 180 days from the date of the bond public hearing. If the project does not close within the time allotted, the CDA will in its sole discretion make a determination whether or not to grant a one-time extension to allow up to 12 months after the public hearing, or require the applicant to relinquish the bond allocation.

B. Application for 4% Tax Credits and for Issuance of Preliminary Determination Letter

At least 45 days prior to the issuance of tax-exempt volume limited bonds in an amount sufficient enough to finance at least 50%the required minimum percentage of the aggregate basis of the building and land, the applicant **must submit to the CDA all documents required for an application for 4% Tax Credits under Section VIII.A of this Manual** and any additional information requested by the CDA. See the QAP for additional details.

Additionally, prior to bond issuance, the developer must submit to the CDA the items listed below and any additional information requested by the CDA for issuance of a Preliminary Determination letter by the CDA pursuant to Section 42(m)(1)(D).

1. **Election of Applicable Percentage** . Provide a written statement indicating the developer's preference to elect the applicable percentage at the time the tax exempt obligation is made (month bonds are issued) or at the time the building is placed in service.
2. **Building Identification Number (BIN) Request Form (HTC 31)**. Submit a BIN Request Form (HTC 31) to the CDA to receive BIN numbers.
3. **Evidence of State Allocation of Tax-Exempt Bond Volume Cap**. If the issuer of the bonds is not the CDA, provide evidence from the issuer of the bonds that the project received an approval of an allocation of tax-exempt bond volume cap detailing the amount of bonds, date of allocation, and approval by entity that will issue the bonds.
4. **Bond Preliminary Determination Letter**. If the issuer of the bonds is not the CDA, the initial submission must include a preliminary determination issued by the issuer of the bonds addressing the tax credit dollar amount and project costs pursuant to Section 42(m)(2)(D) of the Code. See the QAP for additional details. For projects electing the Average Income Test, this letter or other documentation from the bond issuer must provide written approval referencing the specific Average Income Test rent and income designations.
5. **Gross Rent Floor Election Form (HTC 34)**. Provide a fully executed Election of Gross Rent Floor form (HTC 34).
6. **Application Fees**. The developer must submit an application fee, CDA counsel fee and a Fee Remittance Form at the time of application. (See Section X.A and X.E.) A Preliminary Determination fee must be submitted to the CDA prior to release of the letter (See Section X.F).

Based upon the submission of documents, the CDA will prepare a letter with its preliminary determination pursuant to Section 42(m)(1)(D) as to whether the project satisfies the requirements for allocation of a Tax Credit dollar amount under the QAP. **This process may take six weeks or more from the time the full 4% Tax Credit application package is submitted. All applicants should develop their timelines and schedules accordingly.**

C. Election of Applicable Percentage