



REQUEST FOR ACTION

Support for 2026 Low-Income Housing Tax Credit Application

MEETING DATE:

June 15, 2026

ORIGINATING DEPT:

Community Development

AGENDA SECTION:

Consent Agenda

PRESENTER:

Brent Svenby

Action Requested:

Authorizing a letter of support for the Aeon II project application being submitted to Minnesota Housing as part of the 2026 Multifamily Consolidated RFP.

Report Narrative:

Minnesota Housing issues an annual Multifamily Consolidated Request for Proposals (RFP)/Housing Tax Credit program, which serves as a "one-stop shop" by combining multiple multifamily housing funding sources into a single application process. The RFP process is highly competitive, and developers work to maximize their application score by meeting as many scoring criteria as possible. Applications for the 2026 Multifamily Consolidated RFP are due on July 16, 2026, with funding awards typically announced in December.

Developers can earn additional points in the application scoring process by providing documentation of support from the municipality where the project is located. Earlier this year, the Coalition for Rochester Area Housing distributed the City's process for obtaining municipal support, along with its Notice of Funding Availability. Only one developer submitted a request for consideration through this process.

Aeon Phase II

The Liner project is a proposed 59-unit apartment building with a proposed daycare facility located on the west end of the West Transit Village. The development includes a mix of one-bedroom (8), two-bedroom (33), three-bedroom (11), and four-bedroom (7) units. All 59 units will be income-restricted and affordable, serving households with incomes ranging from those receiving project-based rental assistance up to 60% of Area Median Income (AMI).

Based on the City's evaluation criteria, the project scored 87 out of a possible 100 points. The developer intends to submit a dual application to Minnesota Housing through the Consolidated RFP process, seeking consideration under both the 9% and 4% Housing Tax Credit programs. As part of the City's support documentation, letters typically identify a potential amount of Tax Increment Financing (TIF) assistance that may be available to a project, subject to a demonstration of financial need and confirmation of a funding gap. At this stage, the staff has not completed a detailed financial review of the project. Aeon has requested a commitment from the City for up to \$4.9 million in TIF assistance.

Based on preliminary projections, the project itself is expected to generate approximately \$1 million in tax increment. However, in 2025, the City established TIF District #84-1, which encompasses the entire West Transit Village and allows increment generated by other developments within the district to be used to support eligible project costs. A comprehensive financial review of the project has not yet been

completed. As a result, staff is not prepared to support the requested \$4.9 million TIF commitment at this time. Instead, staff recommends identifying a potential TIF assistance amount of \$1,086,000, which reflects the estimated increment the project would generate on its own. Any future TIF assistance beyond that amount would be subject to additional financial analysis and City approval.

Priorities & Foundational Principles:

Affordable Living

Economic Vibrancy & Growth Management

Policy Considerations & DEI Impact:

The City strives to promote and provide diverse and affordable housing options for residents. Providing letters of support for developments seeking housing tax credits will hopefully provide them with enough points, in a very competitive applicant pool, to rise to the top and be awarded housing tax credits to help in financing the development.

1. Support the development of housing affordable to households earning 50% AMI - 2020 Maxfield Olmsted County Housing Needs Assessment
2. Further affordable living by supporting housing variety - City Council Priority
3. Support all people having fair and equal access to adequate, affordable housing, now and in the future - Comprehensive Plan: 2040 Planning 2 Succeed.

Providing supporting documentation for the applicants supports the community alignment of diversity, equity, and inclusion through furthering socioeconomic equity. The Maxfield Housing Needs Assessment identified several housing gaps in our community, one being the need to create more housing affordable to households earning 50% AMI, which both of these developments address. Although many solutions are needed to support our housing needs, creating affordable housing for lower-income households provides access and stability, enabling them to thrive and contribute to our community. The potential negative impact on socioeconomic equity of this program is the possibility of rent increases and households paying set rents determined by Minnesota Housing, which are more than 30% of their income.

Prior Legislative Actions & Community Engagement:

Annual request of the City to provide support on projects submitting an application through the Minnesota Housing Consolidated RFP.

Fiscal & Resource Impact:

There is no fiscal impact associated with providing a letter of support.

Alternative Action(s):

No alternative actions are suggested at this time.

Prepared By:

Brent Svenby

Attachments:

[Location Map - Aeon II](#)

[Letter - Aeon II Support Letter](#)