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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. **2880**

01/31/2022 Authored by Hausman, Her, Lillie, Elkins and Franke
The bill was read for the first time and referred to the Committee on Housing Finance and Policy
02/24/2022 Adoption of Report: Amended and re-referred to the Committee on Taxes

1.1 A bill for an act

1.2 relating to housing; creating various grant programs to fund municipal housing

1.3 projects and initiatives; creating an excise tax imposed on the sale of residential

1.4 property when the buyer is a corporate entity; authorizing housing and

1.5 redevelopment authorities and economic development authorities to impose a

1.6 mortgage registry and deed taxes; authorizing housing infrastructure bonds to

1.7 finance affordable housing to low-income households; authorizing the issuance

1.8 of additional housing infrastructure bonds; adding workforce housing as an eligible

1.9 project for housing and redevelopment authorities; creating standards and

1.10 procedures for municipal relocation assistance programs; modifying regulations

1.11 on revenue derived from tax increments in tax increment financing districts;

1.12 appropriating money; authorizing the sale and issuance of bonds; amending

1.13 Minnesota Statutes 2020, sections 462A.37, subdivision 2, by adding a subdivision;

1.14 469.002, subdivision 12, by adding a subdivision; Minnesota Statutes 2021

1.15 Supplement, sections 462A.37, subdivision 5; 469.1763, subdivision 2; proposing

1.16 coding for new law in Minnesota Statutes, chapters 116J; 426; 462A; 471;

1.17 proposing coding for new law as Minnesota Statutes, chapter 287A.

1.18 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.19 Section 1. **[116J.4315] GREATER MINNESOTA HOUSING INFRASTRUCTURE**

1.20 **GRANT PROGRAM.**

1.21 Subdivision 1. Grant program established. The commissioner may make grants to

1.22 cities to provide up to 50 percent of the capital costs of public infrastructure necessary for

1.23 an eligible workforce housing development project. The commissioner may make a grant

1.24 award only after determining that nonstate resources are committed to complete the project.

1.25 The nonstate contribution may be either cash or in kind. In-kind contributions may include

1.26 the value of the site, whether the site is prepared before or after the law appropriating money

1.27 for the grant is enacted.

2.1 Subd. 2. **Definitions.** (a) For the purposes of this section, the following terms have the
2.2 meanings given.

2.3 (b) "City" means a statutory or home rule charter city located outside the metropolitan
2.4 area, as defined in section 473.121, subdivision 2.

2.5 (c) "Housing infrastructure" means publicly owned physical infrastructure necessary to
2.6 support housing development projects, including but not limited to sewers, water supply
2.7 systems, utility extensions, streets, wastewater treatment systems, storm water management
2.8 systems, and facilities for pretreatment of wastewater to remove phosphorus.

2.9 Subd. 3. **Eligible projects.** Housing projects eligible for a grant under this section may
2.10 be single-family or multifamily housing developments, and either owner-occupied or a
2.11 rental.

2.12 Subd. 4. **Application.** (a) The commissioner must develop forms and procedures for
2.13 soliciting and reviewing applications for grants under this section. At a minimum, a city
2.14 must include in its application a resolution of the city council certifying that the required
2.15 nonstate match is available. The commissioner must evaluate complete applications for
2.16 funding for eligible projects to determine that:

2.17 (1) the project is necessary to increase sites available for housing development that will
2.18 provide adequate housing stock for the current or future workforce; and

2.19 (2) the increase in workforce housing will result in substantial public and private capital
2.20 investment in the city in which the project would be located.

2.21 (b) The determination of whether to make a grant for a site is within the discretion of
2.22 the commissioner, subject to this section. The commissioner's decisions and application of
2.23 the criteria are not subject to judicial review, except for abuse of discretion.

2.24 Subd. 5. **Maximum grant amount.** A city may receive no more than \$30,000 per lot
2.25 for single-family, duplex, triplex, or fourplex housing developed, and no more than \$60,000
2.26 per lot for multifamily housing with more than four units per building. A city may receive
2.27 no more than \$500,000 in two years for one or more housing developments.

2.28 Subd. 6. **Cancellation of grant; return of grant money.** If after five years, the
2.29 commissioner determines that a project has not proceeded in a timely manner and is unlikely
2.30 to be completed, the commissioner must cancel the grant and require the grantee to return
2.31 all grant money awarded for that project.

2.32 Subd. 7. **Appropriation.** Grant money returned to the commissioner is appropriated to
2.33 the commissioner to make additional grants under this section.

3.1 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.2 Sec. 2. **[287A.03] REAL ESTATE EXCISE TAX.**

3.3 Subdivision 1. **Imposition.** (a) A tax is imposed on the sale of real property classified
3.4 as class 1a under section 273.13, subdivision 22, when the buyer is a corporate entity. For
3.5 the purposes of this section, "corporate entity" means any partnership, corporation, or limited
3.6 liability company.

3.7 (b) Payment of the tax is due and payable immediately at the time of sale and must be
3.8 collected with the taxes imposed under chapter 287. The tax is the obligation of the buyer.

3.9 Subd. 2. **Rates.** The tax imposed under subdivision 1 is at the following rates:

3.10 (1) ... percent of the portion of the selling price less than or equal to \$200,000;

3.11 (2) ... percent of the portion of the selling price above \$200,000 and less than or equal
3.12 to \$350,000;

3.13 (3) ... percent of the portion of the selling price above \$350,000 and less than or equal
3.14 to \$500,000;

3.15 (4) ... percent of the portion of the selling price above \$500,000.

3.16 Subd. 3. **Deposit of funds.** (a) All taxes paid to the county treasurer must be apportioned,
3.17 97 percent to the general fund of the state and three percent to the county revenue fund.

3.18 (b) On or before the 20th day of each month, the county treasurer shall determine and
3.19 pay to the commissioner of revenue for deposit in the state treasury and credit to the general
3.20 fund the state's portion of the receipts from this tax during the preceding month subject to
3.21 the electronic payment requirements of section 270C.42. The county treasurer shall provide
3.22 any related reports requested by the commissioner of revenue.

3.23 Subd. 4. **Violations; civil penalties.** (a) Any buyer liable for the tax imposed by this
3.24 section who fails to pay the full amount of tax owed, unless the failure is shown to be due
3.25 to reasonable cause, is liable for a civil penalty of \$..... or 100 percent of the tax for each
3.26 such failure, whichever is less.

3.27 (b) Any person or entity who willfully attempts to evade or defeat the tax imposed under
3.28 this section or the payment thereof shall, in addition to the penalty provided in subdivision
3.29 1, be liable for a penalty of 50 percent of the total amount of the underpayment of the tax.

3.30 Subd. 5. **Exemptions.** The following entities are exempt from the tax imposed under
3.31 this section:

4.1 (1) a corporate entity that owns fewer than four class 1a nonhomesteaded residential
4.2 properties;

4.3 (2) a corporate entity that is a community land trust under section 462A.31; and

4.4 (3) a nonprofit corporation under chapter 317A.

4.5 **EFFECTIVE DATE.** This section is effective July 1, 2022.

4.6 Sec. 3. **[426.101] HOUSING AND REDEVELOPMENT AUTHORITY; AUTHORITY**
4.7 **TO IMPOSE MORTGAGE REGISTRY TAX AND DEED TAX.**

4.8 Subdivision 1. **Authority to impose tax.** A city or county in which a housing authority
4.9 has been created under section 469.003 or 469.004 or in which an economic development
4.10 authority created under section 469.091 exercises the powers of a housing and redevelopment
4.11 authority may by ordinance impose either a mortgage registry tax, a deed tax, or both, as
4.12 specified in this section. The ordinance must establish a separate fund in the city treasury
4.13 or county treasury into which all of the tax revenues imposed under this section shall be
4.14 deposited. A tax imposed under this section is in addition to the taxes imposed under chapter
4.15 287.

4.16 Subd. 2. **Mortgage registry tax.** (a) A city or county described under subdivision 1 may
4.17 impose a tax on the privilege of recording a mortgage at a rate of 0.0001 percent of the debt
4.18 or the portion of a debt that is secured by a recorded mortgage of real property located within
4.19 the relevant city or county. The person liable for the tax is the mortgagor. The tax is not
4.20 imposed on the lawful interest amounts that may accrue with respect to a debt. The tax does
4.21 not apply to documents exempt under section 287.04.

4.22 (b) On or before the 20th day of each month, the county treasurer shall:

4.23 (1) in the case of a tax imposed by a city under this subdivision, determine and pay the
4.24 receipts to the city treasurer for deposit in the appropriate fund in the city treasury; or

4.25 (2) in the case of a tax imposed by a county under this subdivision, deposit the receipts
4.26 in the appropriate fund in the county treasury.

4.27 Subd. 3. **Deed tax.** (a) A city or county described under subdivision 1 may impose a tax
4.28 on each deed or instrument by which any real property located in the relevant city or county
4.29 is granted, assigned, transferred, or otherwise conveyed. The tax applies against the net
4.30 consideration. For the purposes of the tax, the conversion of a corporation to a limited
4.31 liability company, a limited liability company to a corporation, a partnership to a limited

5.1 partnership, a limited partnership to another limited partnership or other entity, or a similar
5.2 conversion of one entity to another does not grant, assign, transfer, or convey real property.

5.3 (b) When a deed tax of .0033 percent of the net consideration of a sale or transfer is
5.4 determined under section 287.21, subdivision 1, a deed tax of .0001 percent of the net
5.5 consideration of the sale or transfer is determined under this subdivision. The person liable
5.6 for the tax is the person liable for deed tax under section 287.24. The tax does not apply to
5.7 documents upon which a \$1.65 deed tax is determined under chapter 287 or to documents
5.8 exempt under section 287.22.

5.9 (c) On or before the 20th day of each month, the county treasurer shall:

5.10 (1) in the case of a tax imposed by a city under this subdivision, determine and pay the
5.11 receipts to the city treasurer for deposit in the appropriate fund in the city treasury; or

5.12 (2) in the case of a tax imposed by a county under this subdivision, deposit the receipts
5.13 in the appropriate fund in the county treasury.

5.14 Subd. 4. **Violations; civil penalties.** The penalties under section 287.13 apply to a tax
5.15 imposed under this section.

5.16 Sec. 4. Minnesota Statutes 2020, section 462A.37, subdivision 2, is amended to read:

5.17 Subd. 2. **Authorization.** (a) The agency may issue up to \$30,000,000 in aggregate
5.18 principal amount of housing infrastructure bonds in one or more series to which the payment
5.19 made under this section may be pledged. The housing infrastructure bonds authorized in
5.20 this subdivision may be issued to fund loans, or grants for the purposes of clause (4), on
5.21 terms and conditions the agency deems appropriate, made for one or more of the following
5.22 purposes:

5.23 (1) to finance the costs of the construction, acquisition, and rehabilitation of supportive
5.24 housing for individuals and families who are without a permanent residence;

5.25 (2) to finance the costs of the acquisition and rehabilitation of foreclosed or abandoned
5.26 housing to be used for affordable rental housing and the costs of new construction of rental
5.27 housing on abandoned or foreclosed property where the existing structures will be demolished
5.28 or removed;

5.29 (3) to finance that portion of the costs of acquisition of property that is attributable to
5.30 the land to be leased by community land trusts to low- and moderate-income home buyers;

5.31 (4) to finance the acquisition, improvement, and infrastructure of manufactured home
5.32 parks under section 462A.2035, subdivision 1b;

6.1 (5) to finance the costs of acquisition, rehabilitation, adaptive reuse, or new construction
6.2 of senior housing;

6.3 (6) to finance the costs of acquisition and rehabilitation of federally assisted rental
6.4 housing and for the refinancing of costs of the construction, acquisition, and rehabilitation
6.5 of federally assisted rental housing, including providing funds to refund, in whole or in part,
6.6 outstanding bonds previously issued by the agency or another government unit to finance
6.7 or refinance such costs; ~~and~~

6.8 (7) to finance the costs of acquisition, rehabilitation, adaptive reuse, or new construction
6.9 of single-family housing; and

6.10 (8) to finance the costs of construction, acquisition, and rehabilitation of permanent
6.11 housing that is affordable to households with incomes at or below 50 percent of the area
6.12 median income. "Area median income" means the area median income for the applicable
6.13 county or metropolitan area as published by the United States Department of Housing and
6.14 Urban Development, as adjusted for household size.

6.15 (b) Among comparable proposals for permanent supportive housing, preference shall
6.16 be given to permanent supportive housing for veterans and other individuals or families
6.17 who:

6.18 (1) either have been without a permanent residence for at least 12 months or at least four
6.19 times in the last three years; or

6.20 (2) are at significant risk of lacking a permanent residence for 12 months or at least four
6.21 times in the last three years.

6.22 (c) Among comparable proposals for senior housing, the agency must give priority to
6.23 requests for projects that:

6.24 (1) demonstrate a commitment to maintaining the housing financed as affordable to
6.25 seniors;

6.26 (2) leverage other sources of funding to finance the project, including the use of
6.27 low-income housing tax credits;

6.28 (3) provide access to services to residents and demonstrate the ability to increase physical
6.29 supports and support services as residents age and experience increasing levels of disability;

6.30 (4) provide a service plan containing the elements of clause (3) reviewed by the housing
6.31 authority, economic development authority, public housing authority, or community

7.1 development agency that has an area of operation for the jurisdiction in which the project
7.2 is located; and

7.3 (5) include households with incomes that do not exceed 30 percent of the median
7.4 household income for the metropolitan area.

7.5 (d) Of comparable proposals for permanent housing, the agency must give preference
7.6 to projects that will provide housing that is affordable to households at or below 30 percent
7.7 of the area median income.

7.8 (e) To the extent practicable, the agency shall balance the loans made between projects
7.9 in the metropolitan area and projects outside the metropolitan area. Of the loans made to
7.10 projects outside the metropolitan area, the agency shall, to the extent practicable, balance
7.11 the loans made between projects in counties or cities with a population of 20,000 or less,
7.12 as established by the most recent decennial census, and projects in counties or cities with
7.13 populations in excess of 20,000.

7.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

7.15 Sec. 5. Minnesota Statutes 2020, section 462A.37, is amended by adding a subdivision to
7.16 read:

7.17 Subd. 2i. **Additional authorization.** In addition to the amount authorized in subdivisions
7.18 2 to 2h, the agency may issue up to \$400,000,000 in housing infrastructure bonds in one or
7.19 more series to which the payments under this section may be pledged.

7.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

7.21 Sec. 6. Minnesota Statutes 2021 Supplement, section 462A.37, subdivision 5, is amended
7.22 to read:

7.23 **Subd. 5. **Additional appropriation.**** (a) The agency must certify annually to the
7.24 commissioner of management and budget the actual amount of annual debt service on each
7.25 series of bonds issued under this section.

7.26 (b) Each July 15, beginning in 2015 and through 2037, if any housing infrastructure
7.27 bonds issued under subdivision 2a remain outstanding, the commissioner of management
7.28 and budget must transfer to the housing infrastructure bond account established under section
7.29 462A.21, subdivision 33, the amount certified under paragraph (a), not to exceed \$6,400,000
7.30 annually. The amounts necessary to make the transfers are appropriated from the general
7.31 fund to the commissioner of management and budget.

8.1 (c) Each July 15, beginning in 2017 and through 2038, if any housing infrastructure
8.2 bonds issued under subdivision 2b remain outstanding, the commissioner of management
8.3 and budget must transfer to the housing infrastructure bond account established under section
8.4 462A.21, subdivision 33, the amount certified under paragraph (a), not to exceed \$800,000
8.5 annually. The amounts necessary to make the transfers are appropriated from the general
8.6 fund to the commissioner of management and budget.

8.7 (d) Each July 15, beginning in 2019 and through 2040, if any housing infrastructure
8.8 bonds issued under subdivision 2c remain outstanding, the commissioner of management
8.9 and budget must transfer to the housing infrastructure bond account established under section
8.10 462A.21, subdivision 33, the amount certified under paragraph (a), not to exceed \$2,800,000
8.11 annually. The amounts necessary to make the transfers are appropriated from the general
8.12 fund to the commissioner of management and budget.

8.13 (e) Each July 15, beginning in 2020 and through 2041, if any housing infrastructure
8.14 bonds issued under subdivision 2d remain outstanding, the commissioner of management
8.15 and budget must transfer to the housing infrastructure bond account established under section
8.16 462A.21, subdivision 33, the amount certified under paragraph (a). The amounts necessary
8.17 to make the transfers are appropriated from the general fund to the commissioner of
8.18 management and budget.

8.19 (f) Each July 15, beginning in 2020 and through 2041, if any housing infrastructure
8.20 bonds issued under subdivision 2e remain outstanding, the commissioner of management
8.21 and budget must transfer to the housing infrastructure bond account established under section
8.22 462A.21, subdivision 33, the amount certified under paragraph (a). The amounts necessary
8.23 to make the transfers are appropriated from the general fund to the commissioner of
8.24 management and budget.

8.25 (g) Each July 15, beginning in 2022 and through 2043, if any housing infrastructure
8.26 bonds issued under subdivision 2f remain outstanding, the commissioner of management
8.27 and budget must transfer to the housing infrastructure bond account established under section
8.28 462A.21, subdivision 33, the amount certified under paragraph (a). The amounts necessary
8.29 to make the transfers are appropriated from the general fund to the commissioner of
8.30 management and budget.

8.31 (h) Each July 15, beginning in 2022 and through 2043, if any housing infrastructure
8.32 bonds issued under subdivision 2g remain outstanding, the commissioner of management
8.33 and budget must transfer to the housing infrastructure bond account established under section
8.34 462A.21, subdivision 33, the amount certified under paragraph (a). The amounts necessary

9.1 to make the transfers are appropriated from the general fund to the commissioner of
9.2 management and budget.

9.3 (i) Each July 15, beginning in 2023 and through 2044, if any housing infrastructure
9.4 bonds issued under subdivision 2h remain outstanding, the commissioner of management
9.5 and budget must transfer to the housing infrastructure bond account established under section
9.6 462A.21, subdivision 33, the amount certified under paragraph (a). The amounts necessary
9.7 to make the transfers are appropriated from the general fund to the commissioner of
9.8 management and budget.

9.9 (j) Each July 15, beginning in 2024 and through 2045, if any housing infrastructure
9.10 bonds issued under subdivision 2i remain outstanding, the commissioner of management
9.11 and budget must transfer to the housing infrastructure bond account established under section
9.12 462A.21, subdivision 33, the amount certified under paragraph (a). The amounts necessary
9.13 to make the transfers are appropriated from the general fund to the commissioner of
9.14 management and budget.

9.15 ~~(j)~~ (k) The agency may pledge to the payment of the housing infrastructure bonds the
9.16 payments to be made by the state under this section.

9.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

9.18 Sec. 7. **[462A.41] HOUSING COST REDUCTION INCENTIVE PROGRAM.**

9.19 Subdivision 1. **Grant program established.** The agency shall establish and administer
9.20 the housing cost reduction incentive program for the purpose of reimbursing cities for fee
9.21 waivers or reductions provided to qualified multifamily housing developments and
9.22 single-family, owner-occupied housing developments through local fee waiver and
9.23 inclusionary housing programs.

9.24 Subd. 2. **Definitions.** (a) For the purposes of this section, the following terms have the
9.25 meanings given.

9.26 (b) "Applicant" means any statutory or home rule charter city and any county.

9.27 (c) "Inclusionary housing program" means a program that requires at least ... percent of
9.28 new construction to be affordable to households with incomes at or below 80 percent of the
9.29 area median income for multifamily housing developments or 115 percent of the area median
9.30 income for single-family, owner-occupied housing developments.

10.1 (d) "Local fee waiver program" means a program established by a statutory or home
10.2 rule charter city that waives or reduces fees for developers of qualified multifamily housing
10.3 developments and single-family, owner-occupied housing developments.

10.4 (e) "Multifamily housing development" has the meaning given in section 462C.02,
10.5 subdivision 5, except that only new construction qualifies.

10.6 (f) "Program" means the housing cost reduction incentive program established in this
10.7 section.

10.8 (g) "Single-family, owner-occupied housing" has the meaning given in section 462C.02,
10.9 subdivision 4, except that only new construction qualifies.

10.10 Subd. 3. **Application.** (a) The agency must develop forms and procedures for soliciting
10.11 and reviewing applications for grants under this section. At a minimum, a city must include
10.12 in its application information about the local fee waiver and inclusionary housing programs
10.13 under which the fee waivers or reductions were issued.

10.14 (b) The agency must evaluate complete applications for funding for reimbursement for
10.15 eligible fee waivers or reductions to determine whether the fee waiver or reduction is
10.16 necessary to increase the number of multifamily housing developments and single-family,
10.17 owner-occupied housing developments within the applicant's boundaries.

10.18 (c) The determination of whether to award a grant for reimbursement of fee waivers or
10.19 reductions is within the discretion of the agency, subject to this section. The agency's
10.20 decisions and application of the criteria are not subject to judicial review, except for abuse
10.21 of discretion.

10.22 Subd. 4. **Grant amount.** The commissioner may award grants to applicants in an amount
10.23 up to 50 percent of the amount of the development impact fee waived or reduced for a
10.24 qualified rental housing development. A city may receive no more than \$..... per multifamily
10.25 housing development or single-family, owner-occupied housing.

10.26 Sec. 8. Minnesota Statutes 2020, section 469.002, subdivision 12, is amended to read:

10.27 Subd. 12. **Project.** "Project" means a housing project, a housing development project,
10.28 a workforce housing project, or a redevelopment project, or any combination of those
10.29 projects. The term "project" also may be applied to all real and personal property, assets,
10.30 cash, or other funds, held or used in connection with the development or operation of the
10.31 project. The term "project" also includes an interest reduction program authorized by section
10.32 469.012, subdivision 7.

11.1 Sec. 9. Minnesota Statutes 2020, section 469.002, is amended by adding a subdivision to
11.2 read:

11.3 Subd. 25. **Workforce housing project.** (a) "Workforce housing project" means any
11.4 work or undertaking by an authority located in an eligible project area to develop market
11.5 rate residential rental properties, as defined in section 462A.39, subdivision 2, paragraph
11.6 (d), or single-family housing as defined under section 462C.02, subdivision 4.

11.7 (b) For the purposes of this paragraph, "eligible project area" means an area that meets
11.8 the criteria under section 462A.39, subdivisions 2, paragraph (b), and 4, paragraph (a).

11.9 Sec. 10. Minnesota Statutes 2021 Supplement, section 469.1763, subdivision 2, is amended
11.10 to read:

11.11 **Subd. 2. Expenditures outside district.** (a) For each tax increment financing district,
11.12 an amount equal to at least 75 percent of the total revenue derived from tax increments paid
11.13 by properties in the district must be expended on activities in the district or to pay bonds,
11.14 to the extent that the proceeds of the bonds were used to finance activities in the district or
11.15 to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other
11.16 than redevelopment districts for which the request for certification was made after June 30,
11.17 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not
11.18 more than 25 percent of the total revenue derived from tax increments paid by properties
11.19 in the district may be expended, through a development fund or otherwise, on activities
11.20 outside of the district but within the defined geographic area of the project except to pay,
11.21 or secure payment of, debt service on credit enhanced bonds. For districts, other than
11.22 redevelopment districts for which the request for certification was made after June 30, 1995,
11.23 the pooling percentage for purposes of the preceding sentence is 20 percent. The revenues
11.24 derived from tax increments paid by properties in the district that are expended on costs
11.25 under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating
11.26 the percentages that must be expended within and without the district.

11.27 (b) ~~In the case of a housing district, a housing project, as defined in section 469.174,~~
11.28 ~~subdivision 11, is an activity in the district.~~ The following are considered activities in the
11.29 district:

11.30 (1) a housing project, as defined in section 469.174, subdivision 11; and

11.31 (2) a transfer of increments to an affordable housing trust fund established pursuant to
11.32 section 462C.16 for expenditures made in conformity with the political subdivision's

12.1 ordinance and policy establishing the trust fund. Any transfers made pursuant to this clause
12.2 are not subject to the annual reporting requirements imposed by section 469.175.

12.3 (c) All administrative expenses are for activities outside of the district, except that if the
12.4 only expenses for activities outside of the district under this subdivision are for the purposes
12.5 described in paragraph (d), administrative expenses will be considered as expenditures for
12.6 activities in the district.

12.7 (d) The authority may elect, in the tax increment financing plan for the district, to increase
12.8 by up to ~~ten~~ 25 percentage points the permitted amount of expenditures for activities located
12.9 outside the geographic area of the district under paragraph (a). As permitted by section
12.10 469.176, subdivision 4k, the expenditures, including the permitted expenditures under
12.11 paragraph (a), need not be made within the geographic area of the project. Expenditures
12.12 that meet the requirements of this paragraph are legally permitted expenditures of the district,
12.13 notwithstanding section 469.176, subdivisions 4b, 4c, and 4j. To qualify for the increase
12.14 under this paragraph, the expenditures must:

12.15 (1) be used exclusively to assist housing that meets the requirement for a qualified
12.16 low-income building, as that term is used in section 42 of the Internal Revenue Code; and

12.17 (2) not exceed the qualified basis of the housing, as defined under section 42(c) of the
12.18 Internal Revenue Code, less the amount of any credit allowed under section 42 of the Internal
12.19 Revenue Code; and

12.20 (3) be used to:

12.21 (i) acquire and prepare the site of the housing;

12.22 (ii) acquire, construct, or rehabilitate the housing; or

12.23 (iii) make public improvements directly related to the housing; or

12.24 (4) be used to develop housing:

12.25 (i) if the market value of the housing does not exceed the lesser of:

12.26 (A) 150 percent of the average market value of single-family homes in that municipality;

12.27 or

12.28 (B) \$200,000 for municipalities located in the metropolitan area, as defined in section
12.29 473.121, or \$125,000 for all other municipalities; and

12.30 (ii) if the expenditures are used to pay the cost of site acquisition, relocation, demolition
12.31 of existing structures, site preparation, and pollution abatement on one or more parcels, if
12.32 the parcel contains a residence containing one to four family dwelling units that has been

13.1 vacant for six or more months and is in foreclosure as defined in section 325N.10, subdivision
13.2 7, but without regard to whether the residence is the owner's principal residence, and only
13.3 after the redemption period has expired; or

13.4 (5) to assist owner-occupied housing that meets the requirements of section 469.1761,
13.5 subdivision 2.

13.6 (e) The authority under paragraph (d), clause (4), expires on December 31, 2016.
13.7 Increments may continue to be expended under this authority after that date, if they are used
13.8 to pay bonds or binding contracts that would qualify under subdivision 3, paragraph (a), if
13.9 December 31, 2016, is considered to be the last date of the five-year period after certification
13.10 under that provision.

13.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.

13.12 Sec. 11. **[471.9994] RELOCATION ASSISTANCE FOR AFFORDABLE HOUSING**
13.13 **UNIT TENANTS.**

13.14 **Subdivision 1. Definitions.** (a) For the purposes of this section, the following terms have
13.15 the meanings given.

13.16 (b) "Affordable housing unit" means a rental unit that rents for an amount that is
13.17 affordable to households whose income at the time of initial occupancy does not exceed 50
13.18 percent of the greater of area or state median income, adjusted for family size, as determined
13.19 by the United States Department of Housing and Urban Development.

13.20 (c) "City" means a statutory or home rule charter city.

13.21 **Subd. 2. Relocation assistance.** (a) A city may by ordinance require a property owner
13.22 to provide relocation assistance consistent with the provisions of Code of Federal Regulations,
13.23 title 49, sections 24.201 to 24.209, to tenants of affordable housing units upon the sale;
13.24 demolition; substantial rehabilitation, whether due to code enforcement or any other reason;
13.25 or change of use of the property in which the affordable housing units are located when the
13.26 property owner changes the units in the property from affordable housing units to market
13.27 rate units.

13.28 (b) A city that adopts an ordinance under this subdivision must adopt policies, procedures,
13.29 or regulations to implement the requirements of the ordinance. Such policies, procedures,
13.30 or regulations must include provisions for an administrative hearing process to timely resolve
13.31 disputes between tenants and property owners relating to relocation assistance or unlawful
13.32 detainer actions during relocation. A party who feels aggrieved by a decision of the

14.1 administrative hearing process may appeal within 15 days as provided for civil actions in
14.2 district court.

14.3 Subd. 3. **Notice of transfer of ownership.** A city may by ordinance require an owner
14.4 of property that includes an affordable housing unit to provide written notice of transfer of
14.5 ownership of the property to the tenant of each affordable housing unit.

14.6 Sec. 12. **APPROPRIATION; HOUSING COST REDUCTION INCENTIVE**
14.7 **PROGRAM.**

14.8 \$..... in fiscal year 2023 is appropriated from the general fund to the commissioner of
14.9 the Minnesota Housing Finance Agency for deposit in the housing development fund for
14.10 grants to cities and counties under Minnesota Statutes, section 462A.41, for reimbursement
14.11 of fee waivers or reductions to qualified housing developments. This is a onetime
14.12 appropriation.

14.13 Sec. 13. **MINNESOTA HOUSING FINANCE AGENCY; CHALLENGE PROGRAM.**

14.14 \$22,425,000 in fiscal year 2023 is appropriated from the general fund to the commissioner
14.15 of the Minnesota Housing Finance Agency for deposit in the housing development fund for
14.16 the economic development and housing challenge program under Minnesota Statutes, section
14.17 462A.33.

14.18 **EFFECTIVE DATE.** This section is effective July 1, 2022.

14.19 Sec. 14. **HOUSING INFRASTRUCTURE GRANT PROGRAM.**

14.20 \$2,500,000 in fiscal year 2023 is appropriated from the general fund to the commissioner
14.21 of employment and economic development for grants under the greater Minnesota housing
14.22 infrastructure grant program under Minnesota Statutes, section 116J.4315.

14.23 **EFFECTIVE DATE.** This section is effective the day following final enactment.

14.24 Sec. 15. **HOUSING FINANCE AGENCY; NOAH APPROPRIATION.**

14.25 Subdivision 1. **Naturally Occurring Affordable Housing; appropriation.** \$50,000,000
14.26 in fiscal year 2023 is appropriated from the general fund to the Minnesota Housing Finance
14.27 Agency: (1) to make loans or grants to owners of Naturally Occurring Affordable Housing
14.28 (NOAH) preservation properties that have demonstrated experience and capacity in owning
14.29 and operating quality and well-managed affordable housing, or (2) to make a grant to a
14.30 statewide intermediary to make loans or grants for the same purposes. A loan or grant must

15.1 be used to acquire and rehabilitate a NOAH property that the agency or the statewide
15.2 intermediary determines is at risk of increased rents and that is occupied by tenants at risk
15.3 of involuntary displacement. The agency shall determine how much of the appropriation
15.4 may be used for grants and how much for loans. This appropriation is available until June
15.5 30, 2025.

15.6 Subd. 2. **Requirements; terms.** (a) A funding applicant must demonstrate that the
15.7 applicant will have sufficient capital and capital reserves to improve and maintain the
15.8 property for the term of the loan if funding is in the form of a loan, but in all cases for at
15.9 least 15 years.

15.10 (b) A funding recipient must be contractually obligated by means of a deed restriction
15.11 to maintain for at least 15 years one of the following three levels of affordability:

15.12 (1) at least 75 percent of the units must be at rents affordable to households with incomes
15.13 at or less than 80 percent of the area median income and at least 51 percent of units must
15.14 be at rents affordable to households with incomes at or less than 60 percent of the area
15.15 median income;

15.16 (2) at least 15 percent of the units, or 15 units, whichever is fewer, must be at rents
15.17 affordable to households with incomes at or less than 30 percent of the area median income,
15.18 and at least 51 percent of the units must be at rents affordable to households with incomes
15.19 at or less than 60 percent of the area median income; or

15.20 (3) at least 75 percent of the units must be at rents affordable to households with incomes
15.21 at 50 percent or less of the area median income, and 100 percent of the units must be at
15.22 rents affordable to households with incomes at or less than 80 percent of the area median
15.23 income.

15.24 (c) A funding applicant must provide to the agency or statewide intermediary
15.25 administering the grant and loan program the details of the total financing package.

15.26 (d) Properties that receive funds must accept vouchers under section 8 of the United
15.27 States Housing Act of 1937, as amended, if the subsidy payment standard is no more than
15.28 five percent below marketplace rent levels.

15.29 (e) The agency or statewide intermediary may require other criteria and application
15.30 information that will promote NOAH preservation.

15.31 (f) A loan or grant may be for up to 40 percent of the total acquisition cost of the NOAH
15.32 property but no more than \$50,000 per individual rental housing unit acquired.

16.1 (g) The agency, or the statewide intermediary making loans or grants under this section,
16.2 may give priority to applications that reserve at least 15 units to provide homes for homeless
16.3 households.

16.4 (h) A loan may have a term of up to 15 years at no- or low-interest rates at the discretion
16.5 of the agency or statewide intermediary.

16.6 Subd. 3. **Report.** A recipient of a grant or loan under this section must report to the
16.7 agency or statewide intermediary information required by the agency as a condition of the
16.8 loan or grant.

16.9 **Sec. 16. PUBLIC HOUSING REHABILITATION.**

16.10 Subdivision 1. **Appropriation.** \$100,000,000 is appropriated from the bond proceeds
16.11 fund to the Minnesota Housing Finance Agency for transfer to the housing development
16.12 fund to finance the costs of rehabilitation to preserve public housing under Minnesota
16.13 Statutes, section 462A.202, subdivision 3a. For the purposes of this section, "public housing"
16.14 means housing for low-income persons and households financed by the federal government
16.15 and publicly owned. Priority may be given to proposals that maximize federal or local
16.16 resources to finance the capital costs and requests that prioritize health, safety, and energy
16.17 improvements. The priority in Minnesota Statutes, section 462A.202, subdivision 3a, for
16.18 projects to increase the supply of affordable housing and the restrictions of Minnesota
16.19 Statutes, section 462A.202, subdivision 7, do not apply to this appropriation.

16.20 Subd. 2. **Bond sale.** To provide the money appropriated in this section from the bond
16.21 proceeds fund, the commissioner of management and budget shall sell and issue bonds of
16.22 the state in an amount up to \$100,000,000 in the manner, upon the terms, and with the effect
16.23 prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota
16.24 Constitution, article XI, sections 4 to 7.

16.25 **EFFECTIVE DATE.** This section is effective the day following final enactment.

16.26 **Sec. 17. LOCAL HOUSING TRUST FUND GRANTS.**

16.27 (a) \$10,000,000 in fiscal year 2023 is appropriated from the general fund to the
16.28 commissioner of the Minnesota Housing Finance Agency for deposit in the housing
16.29 development fund for grants to local housing trust funds established under Minnesota
16.30 Statutes, section 462C.16, to incentivize local funding. This is a onetime appropriation.

16.31 (b) A grantee is eligible to receive a grant amount equal to 100 percent of the public
16.32 revenue committed to the local housing trust fund from any source other than the state or

17.1 federal government, up to \$150,000, and in addition, an amount equal to 50 percent of the
17.2 public revenue committed to the local housing trust fund from any source other than the
17.3 state or federal government that is more than \$150,000 but not more than \$300,000.

17.4 (c) \$100,000 of this appropriation is for technical assistance grants to local and regional
17.5 housing trust funds. A housing trust fund may apply for a technical assistance grant at the
17.6 time and in the manner and form required by the agency. The agency shall make grants on
17.7 a first-come, first-served basis. A technical assistance grant must not exceed \$5,000.

17.8 (d) A grantee must use grant funds within eight years of receipt for purposes (1)
17.9 authorized under Minnesota Statutes, section 462C.16, subdivision 3, and (2) benefiting
17.10 households with incomes at or below 115 percent of the state median income. A grantee
17.11 must return any grant funds not used for these purposes within eight years of receipt to the
17.12 commissioner of the Minnesota Housing Finance Agency for deposit into the housing
17.13 development fund.

17.14 **EFFECTIVE DATE.** This section is effective July 1, 2022.

17.15 Sec. 18. **APPROPRIATION; PILOT PROGRAM FOR HOUSING**
17.16 **INFRASTRUCTURE GRANTS.**

17.17 \$5,000,000 in fiscal year 2023 is appropriated from the general fund to the commissioner
17.18 of the Minnesota Housing Finance Agency for a pilot program to provide grants to
17.19 municipalities for up to 50 percent of the costs of infrastructure that would otherwise be
17.20 required to be paid by the developer for new housing developments. The grants shall be
17.21 limited to 16 housing units in the municipality and a maximum of \$12,000 per housing unit.
17.22 This appropriation is onetime and available until June 30, 2023.