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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 2676

03/06/2023 Authored by Stephenson, Frazier, Norris, Hudella, Koegel and others
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to housing; limiting rent increases in certain low-income rental projects
1.3 that use residential rental bonds; amending Minnesota Statutes 2022, sections
1.4 273.128, subdivision 1; 474A.047, subdivision 1.

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

1.6 Section 1. Minnesota Statutes 2022, section 273.128, subdivision 1, is amended to read:

1.7 Subdivision 1. Requirement. (a) Low-income rental property classified as class 4d
1.8 under section 273.13, subdivision 25, is entitled to valuation under this section if at least
1.9 20 percent of the units in the rental housing property meet any of the following qualifications:

1.10 (1) the units are subject to a housing assistance payments contract under Section 8 of
1.11 the United States Housing Act of 1937, as amended;

1.12 (2) the units are rent-restricted and income-restricted units of a qualified low-income
1.13 housing project receiving tax credits under section 42(g) of the Internal Revenue Code;

1.14 (3) the units are financed by the Rural Housing Service of the United States Department
1.15 of Agriculture and receive payments under the rental assistance program pursuant to section
1.16 521(a) of the Housing Act of 1949, as amended; or

1.17 (4) the units are subject to rent and income restrictions under the terms of financial
1.18 assistance provided to the rental housing property by the federal government or the state of
1.19 Minnesota, or a local unit of government, as evidenced by a document recorded against the
1.20 property.

1.21 (b) An applicant claiming the valuation under this section must certify to the Housing
1.22 Finance Agency that the applicant will not increase rents by more than five percent on any

2.1 unit in the rental property during the 12-month period beginning the day the applicant applies  
 2.2 for certification and ending on the last day of the taxable year that the applicant is entitled  
 2.3 to the valuation under this section.

2.4 (c) The restrictions must require assisted units to be occupied by residents whose  
 2.5 household income at the time of initial occupancy does not exceed 60 percent of the greater  
 2.6 of area or state median income, adjusted for family size, as determined by the United States  
 2.7 Department of Housing and Urban Development. The restriction must also require the rents  
 2.8 for assisted units to not exceed 30 percent of 60 percent of the greater of area or state median  
 2.9 income, adjusted for family size, as determined by the United States Department of Housing  
 2.10 and Urban Development.

2.11 Sec. 2. Minnesota Statutes 2022, section 474A.047, subdivision 1, is amended to read:

2.12 Subdivision 1. **Eligibility.** (a) An issuer may only use the proceeds from residential  
 2.13 rental bonds if the proposed project meets the following requirements:

2.14 (1) the proposed residential rental project meets the requirements of section 142(d) of  
 2.15 the Internal Revenue Code regarding the incomes of the occupants of the housing; ~~and~~

2.16 (2) the maximum rent for at least 20 percent of the units in the proposed residential rental  
 2.17 project do not exceed the area fair market rent or exception fair market rents for existing  
 2.18 housing, if applicable, as established by the federal Department of Housing and Urban  
 2.19 Development. The rental rates of units in a residential rental project for which project-based  
 2.20 federal assistance payments are made are deemed to be within the rent limitations of this  
 2.21 clause; and

2.22 (3) the rents at the proposed residential rental project are not increased more than five  
 2.23 percent during any 12-month period.

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

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

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

- 3.1 (i) the level described in Minnesota Rules, part 4900.0010, subpart 7, item A, subitem
- 3.2 (2), effective May 1, 1997; or
- 3.3 (ii) the level of project reserves available prior to the bond issue, provided that additional
- 3.4 money is available to accomplish repairs and replacements needed at the time of bond issue.