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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 685

- 01/23/2023 Authored by Agbaje, Howard, Norris, Reyer, Hassan and others
- 02/02/2023 The bill was read for the first time and referred to the Committee on Housing Finance and Policy
- 02/02/2023 Adoption of Report: Re-referred to the Committee on Judiciary Finance and Civil Law
- 02/13/2024 By motion, recalled and re-referred to the Committee on Housing Finance and Policy
- 03/11/2024 Adoption of Report: Amended and re-referred to the Committee on Judiciary Finance and Civil Law

1.1 A bill for an act

1.2 relating to housing; restricting residential rentals by corporate home owners;

1.3 proposing coding for new law in Minnesota Statutes, chapter 500.

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

1.5 Section 1. **[500.35] SINGLE-FAMILY HOME RENTALS; CORPORATE**

1.6 **RESTRICTIONS.**

1.7 Subdivision 1. Definitions. (a) For purposes of this section, the following terms have

1.8 the meanings given.

1.9 (b) "Corporate owner" includes any person, partnership, company, corporation, or

1.10 organization. Corporate owner does not include an individual who is a natural person, a

1.11 married couple, or a trust for the benefit of a natural person, married couple, or a trust where

1.12 the majority of the beneficiaries are related by law.

1.13 (c) "Residential tenant" has the meaning given in section 504B.001, subdivision 12.

1.14 Subd. 2. Single-family home rentals restricted. (a) The owner of a single-family home

1.15 is prohibited from renting the home out to a residential tenant when:

1.16 (1) the owner has a property interest in ten or more single-family nonhomestead properties

1.17 that have a current residential tenant, or are available for rent or have been rented within

1.18 the last 12 months by a residential tenant; and

1.19 (2) the owner is not a named exception to this restriction under subdivision 3.

2.1 (b) "Homestead" has the meaning given in chapter 273. A property that is classified as
2.2 class 1a under section 273.13, subdivision 22, is an exempt property and should not be
2.3 counted as a property under paragraph (a), clause (1).

2.4 Subd. 3. **Exceptions; exemptions.** (a) The owner of a single-family home is exempt
2.5 from the residential rental restriction in subdivision 1, if the owner is:

2.6 (1) a local, state, or federal unit of government, including a state or federal agency;

2.7 (2) a land trust as defined by section 462A.31;

2.8 (3) a nonprofit as defined by chapter 317A;

2.9 (4) a corporation primarily engaged in housing development through the construction
2.10 and rehabilitation of single-family residences; or

2.11 (5) a mortgage note holder that owns the single-family residences through foreclosure.

2.12 (b) If a person who is renting a single-family home as a short-term rental for less than
2.13 30 days and is in compliance with any state and local regulations governing short-term
2.14 rentals, then that home is not considered a residential tenancy for the purposes of this section.

2.15 (c) A corporate owner may apply for an exemption from subdivision 2 with the
2.16 commissioner of the Housing Finance Agency. The commissioner may issue an exemption
2.17 if the exemption to the corporate owner would not have an impact upon the availability of
2.18 affordable housing. The commissioner shall have 60 days from the time an application for
2.19 exemption is filed to determine if the exemption shall be granted. The corporate owner may
2.20 make a request for reconsideration if the application has been denied and the commissioner
2.21 or their appointee must meet with the corporate owner within ten days of the request for
2.22 reconsideration and make a determination on that request within 20 days of the request. The
2.23 commissioner shall review annually each corporate owner that is issued an exemption under
2.24 this paragraph to ensure that owner continues to meet the criteria. If a corporate owner fails
2.25 to meet the criteria, the commissioner shall withdraw the exemption and the corporate owner
2.26 is subject to enforcement proceedings under subdivision 4. The commissioner shall submit
2.27 a report with a list of each corporate owner that is issued an exemption under this paragraph
2.28 to the chairs and ranking minority members of the senate and house of representatives
2.29 housing policy committees by October 1 of each year.

2.30 Subd. 4. **Enforcement.** (a) If the attorney general or a local government has reason to
2.31 believe that a corporate owner has violated this section, or has taken substantial steps to
2.32 purchase real property with the intent to rent that property in violation of subdivision 2,
2.33 then the attorney general shall commence an action in the district court in which any real

3.1 property related to the violation is situated. The attorney general or local government shall
3.2 file for record with the county recorder or the registrar of titles of each county in which any
3.3 portion of said property is located a notice of the pendency of the action as provided in
3.4 section 557.02.

3.5 (b) If the court finds that the business entity violated subdivision 2, it shall enter an order
3.6 for injunctive relief, declaratory relief, damages, and when reasonable, court costs and
3.7 attorney fees.

3.8 (c) The parties may agree to a settlement that allows the sale of an earlier acquired rental
3.9 property owned by a corporate owner in violation of this section and the agreement shall
3.10 require the corporate owner to follow the divestment requirements of this section including
3.11 the opportunity to purchase requirements in subdivision 5.

3.12 (d) A corporate owner found to have violated this section by a court must first provide
3.13 notice of sale to the current renters and an opportunity to purchase consistent with subdivision
3.14 5. The corporate owners shall have one year from the date of the entry of judgment to divest
3.15 itself of the property unless a purchase agreement with the renters is in place. The business
3.16 entity must cease the rental of the real property within one year of the entry of judgment
3.17 unless the tenant's lease at the time of the entry for judgment provides for a longer rental
3.18 period, the rental period is extended to prevent hardship to the tenant, or there is a purchase
3.19 agreement with the current renter under subdivision 5 in place. In no instance shall the real
3.20 property be rented more than two years after the entry of judgment.

3.21 (e) If the real property is not divested as required within the time prescribed, then the
3.22 attorney general or local government may begin a condemnation proceeding on the real
3.23 property consistent with chapter 117. Real property subject to a civil action under this section
3.24 must be sold to an owner who will occupy the home consistent with the law in this section.
3.25 If a corporate owner failed to provide the current tenant of the property with an opportunity
3.26 to purchase under subdivision 5, the attorney general shall follow the requirements of
3.27 subdivision 5 prior to a sale under chapter 117.

3.28 Subd. 5. **Divestment purchase option.** (a) No corporate owner may accept any offer
3.29 for the sale, lease, or transfer of a property found to be in violation of this section without
3.30 first giving 60 days' written notice by certified mail, return receipt requested, of the proposed
3.31 sale to each resident of the single-family home. The corporate owner must in good faith
3.32 consider the offer of a residential tenant prior to listing the property for sale.

4.1 (b) The notice required under this subdivision must be dated and indicate the price,
4.2 terms, and conditions of an acceptable offer to sell, lease, or transfer the single-family home.
4.3 The notice must include the following verbatim statement:

4.4 "The owner is required to sell this home consistent with Minnesota Statutes, section
4.5 500.35. The price, terms, and conditions of the offer are listed below. The owner will consider
4.6 in good faith any offer submitted within 60 days of the date of this notice by a resident
4.7 before listing the property for sale to the public. The owner will negotiate in good faith with
4.8 any residents of the property. [List of price, terms, and conditions.]"

4.9 (c) Nothing in this section prevents a residential tenant from making an offer on the
4.10 property or purchasing the home after the home has been listed for sale to the public.

4.11 **EFFECTIVE DATE.** This section is effective August 1, 2024. Corporate owners who
4.12 own more than ten residential rental properties shall have two years to divest of properties
4.13 in violation of this section from the date of enactment.