

This Document can be made available in alternative formats upon request

State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 5025

04/20/2026 Authored by Howard
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 taxation; local government aids; allowing counties to spend housing
1.3 aid payments on expenses of administering qualifying aid expenditures; amending
1.4 Minnesota Statutes 2024, sections 477A.35, subdivision 4; 477A.36, subdivision
1.5 4.

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

1.7 Section 1. Minnesota Statutes 2024, section 477A.35, subdivision 4, is amended to read:

1.8 Subd. 4. Qualifying projects. (a) Qualifying projects include:

1.9 (1) emergency rental assistance for households earning less than 80 percent of area
1.10 median income as determined by the United States Department of Housing and Urban
1.11 Development;

1.12 (2) financial support to nonprofit affordable housing providers in their mission to provide
1.13 safe, dignified, affordable and supportive housing;

1.14 (3) projects designed for the purpose of construction, acquisition, rehabilitation,
1.15 demolition or removal of existing structures, construction financing, permanent financing,
1.16 interest rate reduction, refinancing, and gap financing of housing to provide affordable
1.17 housing to households that have incomes which do not exceed, for homeownership projects,
1.18 115 percent of the greater of state or area median income as determined by the United States
1.19 Department of Housing and Urban Development, and for rental housing projects, 80 percent
1.20 of the greater of state or area median income as determined by the United States Department
1.21 of Housing and Urban Development, except that the housing developed or rehabilitated
1.22 with funds under this section must be affordable to the local work force;

2.1 (4) financing the operations and management of financially distressed residential
2.2 properties;

2.3 (5) funding of supportive services or staff of supportive services providers for supportive
2.4 housing as defined by section 462A.37, subdivision 1. Financial support to nonprofit housing
2.5 providers to finance supportive housing operations may be awarded as a capitalized reserve
2.6 or as an award of ongoing funding; ~~and~~

2.7 (6) costs of operating emergency shelter facilities, including the costs of providing
2.8 services; and

2.9 (7) costs incurred by counties in administering qualifying projects under this subdivision,
2.10 except that administrative costs may not exceed percent of aid received under this
2.11 section. Costs incurred in transferring aid payments to a local housing trust fund as provided
2.12 in subdivision 5, paragraph (a), are not eligible under this clause, but costs incurred in
2.13 expending funds transferred to a local housing trust fund are a qualifying project under this
2.14 section, subject to the percentage limit in the preceding sentence.

2.15 (b) Recipients must prioritize projects that provide affordable housing to households
2.16 that have incomes which do not exceed, for homeownership projects, 80 percent of the
2.17 greater of state or area median income as determined by the United States Department of
2.18 Housing and Urban Development, and for rental housing projects, 50 percent of the greater
2.19 of state or area median income as determined by the United States Department of Housing
2.20 and Urban Development. Priority may be given to projects that: reduce disparities in home
2.21 ownership; reduce housing cost burden, housing instability, or homelessness; improve the
2.22 habitability of homes; create accessible housing; or create more energy- or water-efficient
2.23 homes.

2.24 (c) Gap financing is either:

2.25 (1) the difference between the costs of the property, including acquisition, demolition,
2.26 rehabilitation, and construction, and the market value of the property upon sale; or

2.27 (2) the difference between the cost of the property and the amount the targeted household
2.28 can afford for housing, based on industry standards and practices.

2.29 (d) If aid under this section is used for demolition or removal of existing structures, the
2.30 cleared land must be used for the construction of housing to be owned or rented by persons
2.31 who meet the income limits of paragraph (a).

3.1 (e) If an aid recipient uses the aid on new construction of a building containing more
 3.2 than four units, the loan recipient must construct, convert, or otherwise adapt the building
 3.3 to include:

3.4 (1) the greater of: (i) at least one unit; or (ii) at least five percent of units that are
 3.5 accessible units, and each accessible unit includes at least one roll-in shower, water closet,
 3.6 and kitchen work surface meeting the requirements of section 1002 of the current State
 3.7 Building Code Accessibility Provisions for Dwelling Units in Minnesota; and

3.8 (2) the greater of: (i) at least one unit; or (ii) at least five percent of units that are
 3.9 sensory-accessible units that include:

3.10 (A) soundproofing between shared walls for first and second floor units;

3.11 (B) no florescent lighting in units and common areas;

3.12 (C) low-fume paint;

3.13 (D) low-chemical carpet; and

3.14 (E) low-chemical carpet glue in units and common areas.

3.15 Nothing in this paragraph relieves a project funded by this section from meeting other
 3.16 applicable accessibility requirements.

3.17 **EFFECTIVE DATE.** This section is effective for aids payable in 2027 and thereafter.

3.18 Sec. 2. Minnesota Statutes 2024, section 477A.36, subdivision 4, is amended to read:

3.19 Subd. 4. **Qualifying projects.** (a) Qualifying projects shall include:

3.20 (1) emergency rental assistance for households earning less than 80 percent of area
 3.21 median income as determined by the United States Department of Housing and Urban
 3.22 Development;

3.23 (2) financial support to nonprofit affordable housing providers in their mission to provide
 3.24 safe, dignified, affordable and supportive housing;

3.25 (3) outside the metropolitan counties as defined in section 473.121, subdivision 4,
 3.26 development of market rate residential rental properties, as defined in section 462A.39,
 3.27 subdivision 2, paragraph (d), if the relevant unit of government submits with the report
 3.28 required under subdivision 6 a resolution and supporting documentation showing that the
 3.29 area meets the requirements of section 462A.39, subdivision 4, paragraph (a);

3.30 (4) projects designed for the purpose of construction, acquisition, rehabilitation,
 3.31 demolition or removal of existing structures, construction financing, permanent financing,

4.1 interest rate reduction, refinancing, and gap financing of housing to provide affordable
4.2 housing to households that have incomes which do not exceed, for homeownership projects,
4.3 115 percent of the greater of state or area median income as determined by the United States
4.4 Department of Housing and Urban Development and, for rental housing projects, 80 percent
4.5 of the greater of state or area median income as determined by the United States Department
4.6 of Housing and Urban Development, except that the housing developed or rehabilitated
4.7 with funds under this section must be affordable to the local work force;

4.8 (5) financing the operations and management of financially distressed residential
4.9 properties;

4.10 (6) funding of supportive services or staff of supportive services providers for supportive
4.11 housing as defined in section 462A.37, subdivision 1. Financial support to nonprofit housing
4.12 providers to finance supportive housing operations may be awarded as a capitalized reserve
4.13 or as an award of ongoing funding; ~~and~~

4.14 (7) costs of operating emergency shelter facilities, including the costs of providing
4.15 services; and

4.16 (8) costs incurred by counties in administering qualifying projects under this subdivision,
4.17 except that administrative costs may not exceed percent of aid received under this
4.18 section. Costs incurred in transferring aid payments to a local housing trust fund as provided
4.19 in subdivision 5, paragraph (a), are not eligible under this clause, but costs incurred in
4.20 expending funds transferred to a local housing trust fund are a qualifying project under this
4.21 section, subject to the percentage limit in the preceding sentence.

4.22 (b) Recipients must prioritize projects that provide affordable housing to households
4.23 that have incomes that do not exceed, for homeownership projects, 80 percent of the greater
4.24 of state or area median income as determined by the United States Department of Housing
4.25 and Urban Development, and for rental housing projects, 50 percent of the greater of state
4.26 or area median income as determined by the United States Department of Housing and
4.27 Urban Development. Priority may be given to projects that: reduce disparities in home
4.28 ownership; reduce housing cost burden, housing instability, or homelessness; improve the
4.29 habitability of homes; create accessible housing; or create more energy- or water-efficient
4.30 homes.

4.31 (c) Gap financing is either:

4.32 (1) the difference between the costs of the property, including acquisition, demolition,
4.33 rehabilitation, and construction, and the market value of the property upon sale; or

5.1 (2) the difference between the cost of the property and the amount the targeted household
5.2 can afford for housing, based on industry standards and practices.

5.3 (d) If aid under this section is used for demolition or removal of existing structures, the
5.4 cleared land must be used for the construction of housing to be owned or rented by persons
5.5 who meet the income limits of paragraph (a).

5.6 (e) If an aid recipient uses the aid on new construction of a building containing more
5.7 than four units, the loan recipient must construct, convert, or otherwise adapt the building
5.8 to include:

5.9 (1) the greater of: (i) at least one unit; or (ii) at least five percent of units that are
5.10 accessible units, and each accessible unit includes at least one roll-in shower, water closet,
5.11 and kitchen work surface meeting the requirements of section 1002 of the current State
5.12 Building Code Accessibility Provisions for Dwelling Units in Minnesota; and

5.13 (2) the greater of: (i) at least one unit; or (ii) at least five percent of units that are
5.14 sensory-accessible units that include:

5.15 (A) soundproofing between shared walls for first and second floor units;

5.16 (B) no florescent lighting in units and common areas;

5.17 (C) low-fume paint;

5.18 (D) low-chemical carpet; and

5.19 (E) low-chemical carpet glue in units and common areas.

5.20 Nothing in this paragraph relieves a project funded by this section from meeting other
5.21 applicable accessibility requirements.

5.22 **EFFECTIVE DATE.** This section is effective for aids payable in 2027 and thereafter.