

**SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION**

S.F. No. 4392

(SENATE AUTHORS: PUTNAM and Port)

DATE
03/12/2026

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6665 Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; statewide local housing aid; expanding eligible uses of aid;
1.3 modifying the deadline to spend aid on certain eligible uses; amending Minnesota
1.4 Statutes 2024, section 477A.36, subdivisions 4, 6; Minnesota Statutes 2025
1.5 Supplement, section 477A.36, subdivision 5.

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

1.7 Section 1. Minnesota Statutes 2024, section 477A.36, subdivision 4, is amended to read:

1.8 Subd. 4. **Qualifying projects.** (a) Qualifying projects shall 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) outside the metropolitan counties as defined in section 473.121, subdivision 4,
1.15 development of market rate residential rental properties, as defined in section 462A.39,
1.16 subdivision 2, paragraph (d), if the relevant unit of government submits with the report
1.17 required under subdivision 6 a resolution and supporting documentation showing that the
1.18 area meets the requirements of section 462A.39, subdivision 4, paragraph (a);

1.19 (4) projects designed for the purpose of construction, acquisition, rehabilitation,
1.20 demolition or removal of existing structures, construction financing, permanent financing,
1.21 interest rate reduction, refinancing, and gap financing of housing to provide affordable
1.22 housing to households that have incomes which do not exceed, for homeownership projects,
1.23 115 percent of the greater of state or area median income as determined by the United States

2.1 Department of Housing and Urban Development and, for rental housing projects, 80 percent
2.2 of the greater of state or area median income as determined by the United States Department
2.3 of Housing and Urban Development, except that the housing developed or rehabilitated
2.4 with funds under this section must be affordable to the local work force;

2.5 (5) financing the operations and management of financially distressed residential
2.6 properties;

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

2.11 (7) ~~costs of operating~~ emergency shelter ~~facilities~~ facility construction and operations,
2.12 including ~~the costs of providing services~~ service provision.

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

2.22 (c) Gap financing is either:

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

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

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

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

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

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

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

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

3.9 (C) low-fume paint;

3.10 (D) low-chemical carpet; and

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

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

3.14 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2027
 3.15 and thereafter.

3.16 Sec. 2. Minnesota Statutes 2025 Supplement, section 477A.36, subdivision 5, is amended
 3.17 to read:

3.18 Subd. 5. **Use of proceeds.** (a) Any funds distributed under this section must be spent on
 3.19 a qualifying project. If a tier I city or county demonstrates to the Minnesota Housing Finance
 3.20 Agency that the tier I city or county cannot expend funds on a qualifying project by the
 3.21 ~~deadline~~ deadlines imposed by ~~paragraph (b)~~ this subdivision due to factors outside the
 3.22 control of the tier I city or county, funds shall be considered spent on a qualifying project
 3.23 if the funds are transferred to a local housing trust fund. Funds transferred to a local housing
 3.24 trust fund must be spent on a project or household that meets the affordability requirements
 3.25 of subdivision 4, paragraph (a).

3.26 (b) Funds Aid must be spent by ~~December 31 in the third year following the year after~~
 3.27 ~~the aid was received. The requirements of this paragraph are satisfied if funds are:~~

3.28 (1) committed to a qualifying project by December 31 in ~~of~~ the third year following the
 3.29 year ~~after~~ the aid was received; and

3.30 (2) expended by December 31 in ~~of~~ the fourth year following the year ~~after~~ the aid was
 3.31 received.

4.1 (c) Notwithstanding paragraph (b), aid that a recipient will spend on a qualifying
 4.2 affordable housing construction project under subdivision 4, paragraph (a), clause (4), or a
 4.3 qualifying emergency shelter facility construction project under subdivision 4, paragraph
 4.4 (a), clause (7), as documented in the most recent annual report submitted to the Minnesota
 4.5 Housing Finance Agency under subdivision 6, must be committed to the project by December
 4.6 31 of the year following the year the aid was received and expended by December 31
 4.7 of the year following the year the aid was received.

4.8 ~~(e)~~ (d) An aid recipient may not use aid funds to reimburse itself for prior expenditures.

4.9 ~~(d)~~ (e) Any program income generated from funds distributed under this section must
 4.10 be used on a qualifying project.

4.11 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2027
 4.12 and thereafter.

4.13 Sec. 3. Minnesota Statutes 2024, section 477A.36, subdivision 6, is amended to read:

4.14 Subd. 6. **Administration.** (a) The commissioner of revenue must compute the amount
 4.15 of aid payable to each aid recipient under this section. Beginning with aids payable in
 4.16 calendar year 2024, before computing the amount of aid for counties and after receiving
 4.17 the report required by subdivision 3, paragraph (e), the commissioner shall compute the
 4.18 amount necessary to increase the amount in the account or accounts established under that
 4.19 paragraph to \$1,250,000. The amount calculated under the preceding sentence shall be
 4.20 deducted from the amount available to counties for the purposes of certifying the amount
 4.21 of aid to be paid to counties in the following year. By August 1 of each year, the
 4.22 commissioner must certify the amount to be paid to each tier I city and county in the
 4.23 following year. The commissioner must pay statewide local housing aid to tier I cities and
 4.24 counties annually at the times provided in section 477A.015. Before paying the first
 4.25 installment of aid annually, the commissioner of revenue shall transfer to the Minnesota
 4.26 Housing Finance Agency from the funds available for counties, for deposit in the account
 4.27 or accounts established under subdivision 3, paragraph (e), the amount computed in the
 4.28 prior year to be necessary to increase the amount in the account or accounts established
 4.29 under that paragraph to \$1,250,000.

4.30 (b) Beginning in 2025, aid recipients shall submit a report annually, no later than
 4.31 December 1 of each year, to the Minnesota Housing Finance Agency. The report shall
 4.32 include documentation of the location of any unspent funds distributed under this section
 4.33 and of qualifying projects completed or planned with funds under this section. If an aid
 4.34 recipient fails to submit a report, fails to spend funds ~~within the timeline~~ by the deadlines

5.1 imposed under subdivision 5, ~~paragraph (b)~~, uses funds for a project that does not qualify
5.2 under this section, or if an aid recipient fails to meet the requirements of subdivision 5a,
5.3 the Minnesota Housing Finance Agency shall notify the Department of Revenue and the
5.4 aid recipient must repay funds under paragraph (c) by February 15 of the following year.

5.5 (c) By May 15, after receiving notice from the Minnesota Housing Finance Agency, an
5.6 aid recipient must pay to the Minnesota Housing Finance Agency funds the aid recipient
5.7 received under this section if the aid recipient:

5.8 (1) fails to spend the funds ~~within the time allowed~~ by the deadlines imposed under
5.9 subdivision 5, ~~paragraph (b)~~;

5.10 (2) spends the funds on anything other than a qualifying project;

5.11 (3) fails to submit a report documenting use of the funds; or

5.12 (4) fails to meet the requirements of subdivision 5a.

5.13 (d) The commissioner of revenue must stop distributing funds to an aid recipient that
5.14 requests in writing that the commissioner stop payment or that the Minnesota Housing
5.15 Finance Agency reports to have, in three consecutive years, failed to use funds, misused
5.16 funds, or failed to report on its use of funds. A request to stop payment under this paragraph
5.17 must be submitted to the commissioner in the form and manner prescribed by the
5.18 commissioner on or before May 1 of the year prior to the aids payable year in which the
5.19 aid recipient wants the commissioner to stop payment of aid. The commissioner shall not
5.20 stop payment based on a request received after May 1 until aids payable based on certification
5.21 in the following calendar year.

5.22 (e) The commissioner may resume distributing funds to an aid recipient to which the
5.23 commissioner has stopped payments in the year following the August 1 after the Minnesota
5.24 Housing Finance Agency certifies that the city or county has submitted documentation of
5.25 plans for a qualifying project. The commissioner may resume distributing funds to an aid
5.26 recipient to which the commissioner has stopped payments at the request of the recipient
5.27 in the year following the August 1 after the Minnesota Housing Finance Agency certifies
5.28 that the recipient has submitted documentation of plans for a qualifying project.

5.29 (f) By June 1, any funds paid to the Minnesota Housing Finance Agency under paragraph
5.30 (c) must be deposited in the housing development fund. Funds deposited under this paragraph
5.31 are appropriated to the commissioner of the Minnesota Housing Finance Agency for use
5.32 on the family homeless prevention and assistance program under section 462A.204, the

6.1 economic development and housing challenge program under section 462A.33, and the
6.2 workforce and affordable homeownership development program under section 462A.38.

6.3 (g) An eligible Tribal Nation may choose to receive an aid distribution under this section
6.4 by submitting an application under this subdivision. An eligible Tribal Nation which has
6.5 not received a distribution in a prior aids payable year may elect to begin participation in
6.6 the program by submitting an application in the manner and form prescribed by the
6.7 commissioner of revenue by January 15 of the aids payable year. In order to receive a
6.8 distribution, an eligible Tribal Nation must certify to the commissioner of revenue the most
6.9 recent estimate of the total number of enrolled members of the eligible Tribal Nation. The
6.10 information must be annually certified by March 1 in the form prescribed by the
6.11 commissioner of revenue. The commissioner of revenue must annually calculate and certify
6.12 the amount of aid payable to each eligible Tribal Nation on or before August 1 of the aids
6.13 payable year. The commissioner of revenue must pay statewide local housing aid to eligible
6.14 Tribal Nations annually by December 27 of the year the aid is certified.

6.15 **EFFECTIVE DATE.** This section is effective for aids payable in calendar year 2027
6.16 and thereafter.