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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 4194

02/22/2024 Authored by Howard and Kozlowski
The bill was read for the first time and referred to the Committee on Capital Investment
03/07/2024 Adoption of Report: Re-referred to the Committee on Housing Finance and Policy

1.1 A bill for an act
1.2 relating to housing; expanding eligible uses of housing infrastructure bonds;
1.3 authorizing the issuance of additional housing infrastructure bonds; amending
1.4 Minnesota Statutes 2022, section 462A.37, by adding a subdivision; Minnesota
1.5 Statutes 2023 Supplement, section 462A.37, subdivisions 1, 2, 5.

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

1.7 Section 1. Minnesota Statutes 2023 Supplement, section 462A.37, subdivision 1, is
1.8 amended to read:

1.9 Subdivision 1. Definitions. (a) For purposes of this section, the following terms have
1.10 the meanings given.

1.11 (b) "Abandoned property" has the meaning given in section 117.025, subdivision 5.

1.12 (c) "Community land trust" means an entity that meets the requirements of section
1.13 462A.31, subdivisions 1 and 2.

1.14 (d) "Debt service" means the amount payable in any fiscal year of principal, premium,
1.15 if any, and interest on housing infrastructure bonds and the fees, charges, and expenses
1.16 related to the bonds.

1.17 (e) "Foreclosed property" means residential property where foreclosure proceedings
1.18 have been initiated or have been completed and title transferred or where title is transferred
1.19 in lieu of foreclosure.

1.20 (f) "Housing infrastructure bonds" means bonds issued by the agency under this chapter
1.21 that:

2.1 (1) are qualified 501(c)(3) bonds, within the meaning of section 145(a) of the Internal
2.2 Revenue Code;

2.3 (2) finance qualified residential rental projects within the meaning of section 142(d) of
2.4 the Internal Revenue Code; or

2.5 (3) are tax-exempt bonds that are not private activity bonds, within the meaning of
2.6 section 141(a) of the Internal Revenue Code, for the purpose of financing or refinancing
2.7 affordable housing authorized under this chapter.

2.8 (g) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended.

2.9 (h) "Recapitalization" means financing to address the physical and financial needs of a
2.10 distressed building, including but not limited to restructuring and forgiveness of amortizing
2.11 and deferred debt, such as debt forgiveness, principal paydown, interest rate write-down,
2.12 debt deferral, mortgage forbearance, deferred maintenance, security services, property
2.13 insurance, renovations, supportive services reserves, or property reserves to ensure stable
2.14 property operations or extend the life of a building.

2.15 ~~(h)~~ (i) "Senior" means a person 55 years of age or older.

2.16 ~~(i)~~ (j) "Senior household" means a household with one or more senior members and with
2.17 an annual combined income not greater than 50 percent of:

2.18 (1) the metropolitan area median income for persons in the metropolitan area; or

2.19 (2) the statewide median income for persons outside the metropolitan area.

2.20 ~~(j)~~ (k) "Senior housing" means housing intended and operated for occupancy by senior
2.21 households with at least 80 percent of the units occupied by senior households, and for
2.22 which there is publication of, and adherence to, policies and procedures that demonstrate
2.23 an intent by the owner or manager to provide housing for seniors. Senior housing may be
2.24 developed in conjunction with and as a distinct portion of mixed-income senior housing
2.25 developments that use a variety of public or private financing sources.

2.26 (l) "Subsidized housing" means any residential property owned by a nonprofit entity
2.27 that:

2.28 (1) is subject to an agreement to restrict incomes of eligible residents or the rents charged
2.29 to residents; or

2.30 (2) received an initial construction or acquisition subsidy by the state of Minnesota,
2.31 including through allocations of federal funds by a state agency or political subdivision of
2.32 the state.

3.1 ~~(k)~~ (m) "Supportive housing" means housing that is not time-limited and provides or
 3.2 coordinates with linkages to services necessary for residents to maintain housing stability
 3.3 and maximize opportunities for education and employment.

3.4 Sec. 2. Minnesota Statutes 2023 Supplement, section 462A.37, subdivision 2, is amended
 3.5 to read:

3.6 Subd. 2. **Authorization.** (a) The agency may issue up to \$30,000,000 in aggregate
 3.7 principal amount of housing infrastructure bonds in one or more series to which the payment
 3.8 made under this section may be pledged. The housing infrastructure bonds authorized in
 3.9 this subdivision may be issued to fund loans, or grants for the purposes of clauses (4) and
 3.10 (7), on terms and conditions the agency deems appropriate, made for one or more of the
 3.11 following purposes:

3.12 (1) to finance the costs of the construction, acquisition, ~~and~~ rehabilitation of,
 3.13 recapitalization, and capitalization of property reserves that fund supportive housing services,
 3.14 coordinated delivery of front desk services, and security services of supportive housing
 3.15 where at least 50 percent of the units are for individuals and families who are without a
 3.16 permanent residence or are at risk of losing their permanent residence;

3.17 (2) to finance the costs of the acquisition and rehabilitation of foreclosed or abandoned
 3.18 housing to be used for affordable rental housing, affordable home ownership, and the costs
 3.19 of new construction of rental housing on abandoned or foreclosed property where the existing
 3.20 structures will be demolished or removed;

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

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

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

3.27 (6) to finance the costs of acquisition, rehabilitation, recapitalization, and replacement
 3.28 of federally assisted rental housing and for the refinancing of costs of the construction,
 3.29 acquisition, recapitalization, and rehabilitation of federally assisted rental housing, including
 3.30 providing funds to refund, in whole or in part, outstanding bonds previously issued by the
 3.31 agency or another government unit to finance or refinance such costs;

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

4.1 (8) to finance the costs of construction, acquisition, recapitalization, and rehabilitation
4.2 of permanent housing that is affordable to households with incomes at or below 50 percent
4.3 of the area median income for the applicable county or metropolitan area as published by
4.4 the Department of Housing and Urban Development, as adjusted for household size;

4.5 (9) to finance the costs of construction, acquisition, recapitalization, rehabilitation,
4.6 conversion, and development of cooperatively owned housing created under chapter 308A
4.7 or 308B that is affordable to low- and moderate-income households; and

4.8 (10) to finance the costs of recapitalization of existing units of subsidized housing that
4.9 are restricted to households with incomes at or below 60 percent of the area median income,
4.10 to prevent displacement, stabilize communities, and avert the loss of affordable homes.

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

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

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

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

4.20 (1) demonstrate a commitment to maintaining the housing financed as affordable to
4.21 senior households;

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

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

4.27 (4) include households with incomes that do not exceed 30 percent of the median
4.28 household income for the metropolitan area.

4.29 (d) To the extent practicable, the agency shall balance the loans made between projects
4.30 in the metropolitan area and projects outside the metropolitan area. Of the loans made to
4.31 projects outside the metropolitan area, the agency shall, to the extent practicable, balance
4.32 the loans made between projects in counties or cities with a population of 20,000 or less,

5.1 as established by the most recent decennial census, and projects in counties or cities with
5.2 populations in excess of 20,000.

5.3 (e) Among comparable proposals for permanent housing, the agency must give preference
5.4 to projects that will provide housing that is affordable to households at or below 30 percent
5.5 of the area median income.

5.6 (f) If a loan recipient uses the loan for new construction or substantial rehabilitation as
5.7 defined by the agency on a building containing more than four units, the loan recipient must
5.8 construct, convert, or otherwise adapt the building 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, as defined by section 1002 of the current State Building Code Accessibility
5.11 Provisions for Dwelling Units in Minnesota, and include at least one roll-in shower; and

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

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

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

5.16 (C) low-fume paint;

5.17 (D) low-chemical carpet; and

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

5.19 Nothing in this paragraph relieves a project funded by the agency from meeting other
5.20 applicable accessibility requirements.

5.21 (g) For fiscal years 2025 and 2026, the agency must give priority to preservation or
5.22 recapitalization projects. For fiscal year 2027, the agency must give equal priority to
5.23 preservation or recapitalization projects. The agency must engage and receive input from
5.24 community stakeholders, advocates, and developer partners annually when considering
5.25 project priorities.

5.26 (h) A loan recipient that is an owner-operator of a project is entitled to a reasonable cash
5.27 flow to support ongoing reporting, oversight, and operations of the project.

5.28 Sec. 3. Minnesota Statutes 2022, section 462A.37, is amended by adding a subdivision to
5.29 read:

5.30 Subd. 2j. **Additional authorization.** In addition to the amount authorized in subdivisions
5.31 2 to 2i, the agency may issue up to \$500,000,000, of which no more than \$250,000,000

6.1 may be issued in one fiscal year, in one or more series to which the payments under this
6.2 section may be pledged.

6.3 Sec. 4. Minnesota Statutes 2023 Supplement, section 462A.37, subdivision 5, is amended
6.4 to read:

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

6.8 (b) Each July 15, beginning in 2015 and through 2037, if any housing infrastructure
6.9 bonds issued under subdivision 2a, or housing infrastructure bonds issued to refund those
6.10 bonds, remain outstanding, the commissioner of management and budget must transfer to
6.11 the housing infrastructure bond account established under section 462A.21, subdivision 33,
6.12 the amount certified under paragraph (a), not to exceed \$6,400,000 annually. The amounts
6.13 necessary to make the transfers are appropriated from the general fund to the commissioner
6.14 of management and budget.

6.15 (c) Each July 15, beginning in 2017 and through 2038, if any housing infrastructure
6.16 bonds issued under subdivision 2b, or housing infrastructure bonds issued to refund those
6.17 bonds, remain outstanding, the commissioner of management and budget must transfer to
6.18 the housing infrastructure bond account established under section 462A.21, subdivision 33,
6.19 the amount certified under paragraph (a), not to exceed \$800,000 annually. The amounts
6.20 necessary to make the transfers are appropriated from the general fund to the commissioner
6.21 of management and budget.

6.22 (d) Each July 15, beginning in 2019 and through 2040, if any housing infrastructure
6.23 bonds issued under subdivision 2c, or housing infrastructure bonds issued to refund those
6.24 bonds, remain outstanding, the commissioner of management and budget must transfer to
6.25 the housing infrastructure bond account established under section 462A.21, subdivision 33,
6.26 the amount certified under paragraph (a), not to exceed \$2,800,000 annually. The amounts
6.27 necessary to make the transfers are appropriated from the general fund to the commissioner
6.28 of management and budget.

6.29 (e) Each July 15, beginning in 2020 and through 2041, if any housing infrastructure
6.30 bonds issued under subdivision 2d, or housing infrastructure bonds issued to refund those
6.31 bonds, remain outstanding, the commissioner of management and budget must transfer to
6.32 the housing infrastructure bond account established under section 462A.21, subdivision 33,
6.33 the amount certified under paragraph (a). The amounts necessary to make the transfers are
6.34 appropriated from the general fund to the commissioner of management and budget.

7.1 (f) Each July 15, beginning in 2020 and through 2041, if any housing infrastructure
7.2 bonds issued under subdivision 2e, or housing infrastructure bonds issued to refund those
7.3 bonds, remain outstanding, the commissioner of management and budget must transfer to
7.4 the housing infrastructure bond account established under section 462A.21, subdivision 33,
7.5 the amount certified under paragraph (a). The amounts necessary to make the transfers are
7.6 appropriated from the general fund to the commissioner of management and budget.

7.7 (g) Each July 15, beginning in 2022 and through 2043, if any housing infrastructure
7.8 bonds issued under subdivision 2f, or housing infrastructure bonds issued to refund those
7.9 bonds, remain outstanding, the commissioner of management and budget must transfer to
7.10 the housing infrastructure bond account established under section 462A.21, subdivision 33,
7.11 the amount certified under paragraph (a). The amounts necessary to make the transfers are
7.12 appropriated from the general fund to the commissioner of management and budget.

7.13 (h) Each July 15, beginning in 2022 and through 2043, if any housing infrastructure
7.14 bonds issued under subdivision 2g, or housing infrastructure bonds issued to refund those
7.15 bonds, remain outstanding, the commissioner of management and budget must transfer to
7.16 the housing infrastructure bond account established under section 462A.21, subdivision 33,
7.17 the amount certified under paragraph (a). The amounts necessary to make the transfers are
7.18 appropriated from the general fund to the commissioner of management and budget.

7.19 (i) Each July 15, beginning in 2023 and through 2044, if any housing infrastructure
7.20 bonds issued under subdivision 2h, or housing infrastructure bonds issued to refund those
7.21 bonds, remain outstanding, the commissioner of management and budget must transfer to
7.22 the housing infrastructure bond account established under section 462A.21, subdivision 33,
7.23 the amount certified under paragraph (a). The amounts necessary to make the transfers are
7.24 appropriated from the general fund to the commissioner of management and budget.

7.25 (j) Each July 15, beginning in 2025 and through 2046, if any housing infrastructure
7.26 bonds issued under subdivision 2j, or housing infrastructure bonds issued to refund those
7.27 bonds, remain outstanding, the commissioner of management and budget must transfer to
7.28 the housing infrastructure bond account established under section 462A.21, subdivision 33,
7.29 the amount certified under paragraph (a). The amounts necessary to make the transfers are
7.30 appropriated from the general fund to the commissioner of management and budget.

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

8.1 Sec. 5. **REVISOR INSTRUCTION.**

8.2 If SF ... or another substantively similar bill that establishes a new cooperative chapter
8.3 coded as chapter 308C is enacted during the 2024 legislative session, the revisor of statutes
8.4 must add "308C" to the list of chapters referenced in section 462A.37, subdivision 2,
8.5 paragraph (a), item (9), as amended in section 2.