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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

1.1 A bill for an act

1.2 relating to real property; prohibiting corporate entities, developers, and contractors

1.3 from converting single-family homes into a rental property unit; proposing coding

1.4 for new law in Minnesota Statutes, chapter 500.

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

1.6 Section 1. **[500.35] SINGLE FAMILY HOME RENTAL BY CORPORATE ENTITIES**

1.7 **RESTRICTED.**

1.8 Subdivision 1. Purpose. The legislature finds that it is in the interests of the state to

1.9 encourage and protect home ownership and the single-family home as a basic housing

1.10 option, to allow families increased access to housing through homeownership, for families

1.11 to build equity and wealth through their housing, and to enhance and promote the stability

1.12 and well-being of families and society in Minnesota.

1.13 Subd. 2. Definitions. (a) For purposes of this section, the following terms have the

1.14 meanings given.

1.15 (b) "Affordable housing" means at least two-thirds of its units are rented to an individual

1.16 or family with an annual income of up to 50 percent of the area median income as determined

1.17 by the United States Department of Housing and Urban Development, adjusted for family

1.18 size, that is paying no more than 30 percent of annual income on rent.

1.19 (c) "Corporate entity" means any partnership, corporation, limited liability company,

1.20 pension or investment fund, or trust but does not include a nonprofit corporation, a family

1.21 trust, or a family limited liability company.

1.22 (d) "Commissioner" means the commissioner of the Minnesota Housing Finance Agency.

2.1 (e) "Family limited liability company" means a limited liability company meeting the
2.2 following standards:

2.3 (1) it has no more than five members;

2.4 (2) all its members are natural persons or family trusts;

2.5 (3) all of its members who are natural persons or spouses of natural persons are related
2.6 to each other within the third degree of kindred according to the rules of civil law; and

2.7 (4) its revenue from rent or any other means is paid directly from one member to another.

2.8 (f) "Family trust" means:

2.9 (1) a trust in which:

2.10 (i) a majority of the current beneficiaries are persons or spouses of persons who are
2.11 related to each other within the third degree of kindred according to the rules of civil law;

2.12 (ii) all of the current beneficiaries are natural persons or nonprofit corporations or trusts
2.13 described in Internal Revenue Code, section 170(c), as amended; and

2.14 (iii) one of the current beneficiaries or a person related to a current beneficiary within
2.15 the third degree of kindred according to the rules of civil law is residing at the property
2.16 subject to the trust; or

2.17 (2) a charitable remainder trust as defined in Internal Revenue Code, section 664, as
2.18 amended, or a charitable lead trust as set forth in Internal Revenue Code, section 170(f).

2.19 (g) "Nonprofit corporation" means a nonprofit corporation organized under state nonprofit
2.20 corporation or trust law or qualified for tax-exempt status under federal tax law that was
2.21 incorporated for the purpose of providing affordable housing.

2.22 (h) "Pension or investment fund" means a pension or employee welfare benefit fund,
2.23 however organized; a mutual fund; a life insurance company separate account; a common
2.24 trust of a bank or other trustee established for the investment and reinvestment of money
2.25 contributed to it; a real estate investment trust; or an investment company as defined in
2.26 United States Code, title 15, section 80a-3.

2.27 (i) "Real estate developer" means a business that is engaged in real estate development
2.28 or construction.

2.29 (j) "Residential building contractor" has the meaning given in section 326B.802,
2.30 subdivision 11.

3.1 Subd. 3. **Single-family home rental restricted; exemption.** (a) No corporate entity,
3.2 real estate developer, or residential building contractor shall:

3.3 (1) directly or indirectly purchase, own, build, acquire, or otherwise obtain any interest
3.4 in property classified as class 1a under section 273.13, subdivision 22; and

3.5 (2) subsequently convert the property into nonhomestead residential real estate containing
3.6 one rental unit.

3.7 (b) A corporate entity, real estate developer, or residential building contractor may
3.8 petition the commissioner for an exemption from paragraph (a). The commissioner may
3.9 issue an exemption if the entity meets the following criteria:

3.10 (1) the exemption would not contradict the purpose of this section; and

3.11 (2) the petitioning entity would not have an impact upon the availability of affordable
3.12 housing.

3.13 (c) The commissioner shall review annually each entity, developer, or contractor that is
3.14 issued an exemption under this paragraph to ensure that the entity continues to meet the
3.15 criteria in paragraph (b), clauses (1) and (2). If an entity, developer, or contractor fails to
3.16 meet the criteria, the commissioner shall withdraw the exemption and the entity is subject
3.17 to enforcement proceedings under subdivision 4. The commissioner shall submit a report
3.18 with a list of each entity that is issued an exemption under this paragraph to the chairs and
3.19 ranking minority members of the senate and house of representatives housing policy
3.20 committees by October 1 of each year.

3.21 Subd. 4. **Enforcement.** If the attorney general has reason to believe that a corporate
3.22 entity, real estate developer, or residential building contractor is violating this section, the
3.23 attorney general shall commence an action in the district court in which any real property
3.24 relative to such violation is situated. The attorney general shall file for record with the county
3.25 recorder or the registrar of titles of each county in which any portion of said property is
3.26 located a notice of the pendency of the action as provided in section 557.02. If the court
3.27 finds that the property in question is being held in violation of subdivision 3, it shall enter
3.28 an order so declaring. The attorney general shall file for record any such order with the
3.29 county recorder or the registrar of titles for the county in which the property is located.
3.30 Thereafter, the corporate entity shall have a period of one year from the date of the order
3.31 to divest itself of the property. The aforementioned one-year limitation period shall be
3.32 deemed a covenant running with the title to the property against the entity, developer,
3.33 contractor, assignee, or successor. Any property not so divested within the time prescribed
3.34 shall be sold at public sale in the manner prescribed by law for the foreclosure of a mortgage

- 4.1 by action. In addition, any prospective or threatened violation may be enjoined by an action
- 4.2 brought by the attorney general in the manner provided by law.