

SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION

S.F. No. 1469

(SENATE AUTHORS: DRAHEIM)

DATE
02/25/2021

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562

Introduction and first reading
 Referred to Housing Finance and Policy
 See First Special Session 2021, HF4

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to housing; housing finance agency; adopting housing finance agency

1.3 policy provisions; expanding eligibility requirements for certain affordable housing,

1.4 workforce housing, and disaster recovery programs; increasing the agency debt

1.5 limit; increasing the individual and family household income limits under the

1.6 community land trusts program; expanding requirements and uses for the

1.7 rehabilitation loan program; making technical and conforming changes; amending

1.8 Minnesota Statutes 2020, sections 12A.09, subdivision 3; 273.11, subdivision 12;

1.9 462A.05, subdivisions 14, 14a; 462A.07, subdivision 2; 462A.204, subdivision 3;

1.10 462A.22, subdivision 1; 462A.30, subdivision 9; 462A.37, subdivisions 1, 2;

1.11 462A.38, subdivision 1; 462A.39, subdivisions 2, 5.

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

1.13 **ARTICLE 1**

1.14 **AFFORDABLE HOUSING ELIGIBILITY**

1.15 Section 1. Minnesota Statutes 2020, section 12A.09, subdivision 3, is amended to read:

1.16 Subd. 3. **Capacity building grants.** Grants may be made under section 462A.21,

1.17 subdivision 3b₂;

1.18 (1) to local units of government, including regional consortia, in the disaster area and;

1.19 (2) to nonprofit organizations; and

1.20 (3) to federally recognized American Indian tribes or subdivisions located in Minnesota,

1.21 and tribal housing corporations

1.22 working in the disaster area to assess housing and related needs, develop and implement

1.23 community or regional plans to meet those needs, and provide capacity to implement recovery

1.24 plans.

2.1 **EFFECTIVE DATE.** This section is effective August 1, 2021.

2.2 Sec. 2. Minnesota Statutes 2020, section 462A.07, subdivision 2, is amended to read:

2.3 Subd. 2. **Technical assistance; residential housing.** It may provide general technical
2.4 services and support to assist in the planning, processing, design, construction or
2.5 rehabilitation, and inspection of residential housing for occupancy by persons and families
2.6 of low and moderate income and to increase the capacity of entities to meet the housing
2.7 needs in the state.

2.8 **EFFECTIVE DATE.** This section is effective August 1, 2021.

2.9 Sec. 3. Minnesota Statutes 2020, section 462A.204, subdivision 3, is amended to read:

2.10 Subd. 3. **Set aside.** At least one grant must be awarded in an area located outside of the
2.11 metropolitan area. A county, a group of contiguous counties jointly acting together, a tribe,
2.12 a group of tribes, or a community-based nonprofit organization ~~with a sponsoring resolution~~
2.13 ~~from each of the county boards of the counties located within its operating jurisdiction~~ may
2.14 apply for and receive grants ~~for areas located outside the metropolitan area.~~

2.15 **EFFECTIVE DATE.** This section is effective August 1, 2021.

2.16 Sec. 4. Minnesota Statutes 2020, section 462A.38, subdivision 1, is amended to read:

2.17 Subdivision 1. **Establishment.** A workforce and affordable homeownership development
2.18 program is established to award homeownership development grants to:

2.19 (1) cities;

2.20 (2) counties;

2.21 (3) tribal governments;

2.22 (4) nonprofit organizations;

2.23 (5) cooperatives created under chapter 308A or 308B; and

2.24 (6) community land trusts created for the purposes outlined in section 462A.31,
2.25 subdivision 1,

2.26 for development of workforce and affordable homeownership projects. The purpose of the
2.27 program is to increase the supply of workforce and affordable, owner-occupied multifamily
2.28 or single-family housing throughout Minnesota.

2.29 **EFFECTIVE DATE.** This section is effective August 1, 2021.

Sec. 5. Minnesota Statutes 2020, section 462A.39, subdivision 2, is amended to read:

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

(b) "Eligible project area" means a home rule charter or statutory city located outside of the metropolitan area as defined in section 473.121, subdivision 2, with a population exceeding 500; a community that has a combined population of 1,500 residents located within 15 miles of a home rule charter or statutory city located outside the metropolitan area as defined in section 473.121, subdivision 2; federally recognized tribal reservations; or an area served by a joint county-city economic development authority.

(c) "Joint county-city economic development authority" means an economic development authority formed under Laws 1988, chapter 516, section 1, as a joint partnership between a city and county and excluding those established by the county only.

(d) "Market rate residential rental properties" means properties that are rented at market value, including new modular homes, new manufactured homes, and new manufactured homes on leased land or in a manufactured home park, and may include rental developments that have a portion of income-restricted units.

(e) "Qualified expenditure" means expenditures for market rate residential rental properties including acquisition of property; construction of improvements; and provisions of loans or subsidies, grants, interest rate subsidies, public infrastructure, and related financing costs.

EFFECTIVE DATE. This section is effective August 1, 2021.

Sec. 6. Minnesota Statutes 2020, section 462A.39, subdivision 5, is amended to read:

Subd. 5. **Allocation.** The amount of a grant or deferred loans may not exceed 25 percent of the rental housing development project cost. The commissioner shall not award a grant or deferred loans to ~~a city~~ an eligible project area without certification by the ~~city~~ eligible project area that the amount of the grant or deferred loans shall be matched by:

(1) a local unit of government;

(2) a business, or;

(3) a nonprofit organization; or

(4) a federally recognized tribe

with \$1 for every \$2 provided in grant or deferred loans funds.

4.1 **EFFECTIVE DATE.** This section is effective August 1, 2021.

4.2 **ARTICLE 2**

4.3 **GRANT AND LOAN CRITERIA AND USES**

4.4 Section 1. Minnesota Statutes 2020, section 462A.05, subdivision 14, is amended to read:

4.5 Subd. 14. **Rehabilitation loans.** It may agree to purchase, make, or otherwise participate
4.6 in the making, and may enter into commitments for the purchase, making, or participation
4.7 in the making, of eligible loans for rehabilitation, with terms and conditions as the agency
4.8 deems advisable, to persons and families of low and moderate income, and to owners of
4.9 existing residential housing for occupancy by such persons and families, for the rehabilitation
4.10 of existing residential housing owned by them. The loans may be insured or uninsured and
4.11 may be made with security, or may be unsecured, as the agency deems advisable. The loans
4.12 may be in addition to or in combination with long-term eligible mortgage loans under
4.13 subdivision 3. They may be made in amounts sufficient to refinance existing indebtedness
4.14 secured by the property, if refinancing is determined by the agency to be necessary to permit
4.15 the owner to meet the owner's housing cost without expending an unreasonable portion of
4.16 the owner's income thereon. No loan for rehabilitation shall be made unless the agency
4.17 determines that the loan will be used primarily to make the housing more desirable to live
4.18 in, to increase the market value of the housing, for compliance with state, county or municipal
4.19 building, housing maintenance, fire, health or similar codes and standards applicable to
4.20 housing, or to accomplish energy conservation related improvements. In unincorporated
4.21 areas and municipalities not having codes and standards, the agency may, solely for the
4.22 purpose of administering the provisions of this chapter, establish codes and standards. ~~Except~~
4.23 ~~for accessibility improvements under this subdivision and subdivisions 14a and 24, clause~~
4.24 ~~(1), no secured loan for rehabilitation of any owner-occupied property shall be made in an~~
4.25 ~~amount which, with all other existing indebtedness secured by the property, would exceed~~
4.26 ~~110 percent of its market value, as determined by the agency.~~ No loan under this subdivision
4.27 for the rehabilitation of owner-occupied housing shall be denied solely because the loan
4.28 will not be used for placing the owner-occupied residential housing in full compliance with
4.29 all state, county, or municipal building, housing maintenance, fire, health, or similar codes
4.30 and standards applicable to housing. Rehabilitation loans shall be made only when the
4.31 agency determines that financing is not otherwise available, in whole or in part, from private
4.32 lenders upon equivalent terms and conditions. Accessibility rehabilitation loans authorized
4.33 under this subdivision may be made to eligible persons and families without limitations
4.34 relating to the maximum incomes of the borrowers if:

(1) the borrower or a member of the borrower's family requires a level of care provided in a hospital, skilled nursing facility, or intermediate care facility for persons with developmental disabilities;

(2) home care is appropriate; and

(3) the improvement will enable the borrower or a member of the borrower's family to reside in the housing.

The agency may waive any requirement that the housing units in a residential housing development be rented to persons of low and moderate income if the development consists of four or less dwelling units, one of which is occupied by the owner.

EFFECTIVE DATE. This section is effective August 1, 2021.

Sec. 2. Minnesota Statutes 2020, section 462A.05, subdivision 14a, is amended to read:

Subd. 14a. **Rehabilitation loans; existing owner-occupied residential housing.** It may make loans to persons and families of low and moderate income to rehabilitate or to assist in rehabilitating existing residential housing owned and occupied by those persons or families. Rehabilitation may include replacement of manufactured homes. No loan shall be made unless the agency determines that the loan will be used primarily for rehabilitation work necessary for health or safety, essential accessibility improvements, or to improve the energy efficiency of the dwelling. No loan for rehabilitation of owner-occupied residential housing shall be denied solely because the loan will not be used for placing the residential housing in full compliance with all state, county or municipal building, housing maintenance, fire, health or similar codes and standards applicable to housing. The amount of any loan shall not exceed the lesser of (a) a maximum loan amount determined under rules adopted by the agency not to exceed ~~\$27,000~~ \$35,000, or (b) the actual cost of the work performed, or (c) that portion of the cost of rehabilitation which the agency determines cannot otherwise be paid by the person or family without the expenditure of an unreasonable portion of the income of the person or family. Loans made in whole or in part with federal funds may exceed the maximum loan amount to the extent necessary to comply with federal lead abatement requirements prescribed by the funding source. In making loans, the agency shall determine the circumstances under which and the terms and conditions under which all or any portion of the loan will be repaid and shall determine the appropriate security for the repayment of the loan. Loans pursuant to this subdivision may be made with or without interest or periodic payments.

EFFECTIVE DATE. This section is effective August 1, 2021.

6.1 Sec. 3. Minnesota Statutes 2020, section 462A.22, subdivision 1, is amended to read:

6.2 Subdivision 1. **Debt ceiling.** The aggregate principal amount of general obligation bonds
6.3 and notes which are outstanding at any time, excluding the principal amount of any bonds
6.4 and notes refunded by the issuance of new bonds or notes, shall not exceed the sum of
6.5 \$5,000,000,000.

6.6 **EFFECTIVE DATE.** This section is effective August 1, 2021.

6.7 Sec. 4. Minnesota Statutes 2020, section 462A.37, subdivision 1, is amended to read:

6.8 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have
6.9 the meanings given.

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

6.11 (c) "Community land trust" means an entity that meets the requirements of section
6.12 462A.31, subdivisions 1 and 2.

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

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

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

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

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

6.25 ~~(3) finance the construction or rehabilitation of single-family houses that qualify for~~
6.26 ~~mortgage financing within the meaning of section 143 of the Internal Revenue Code; or~~

6.27 ~~(4)~~ (3) are tax-exempt bonds that are not private activity bonds, within the meaning of
6.28 section 141(a) of the Internal Revenue Code, for the purpose of financing or refinancing
6.29 affordable housing authorized under this chapter.

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

(h) "Senior" means a person 55 years of age or older ~~with an annual income not greater than 50 percent of:~~

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective August 1, 2021.

Sec. 5. Minnesota Statutes 2020, section 462A.37, subdivision 2, is amended to read:

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

(1) to finance the costs of the construction, acquisition, and rehabilitation of supportive housing for individuals and families who are without a permanent residence;

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

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

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

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

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

(7) to finance the costs of acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing.

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

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

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

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

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

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

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

~~(4) provide a service plan containing the elements of clause (3) reviewed by the housing authority, economic development authority, public housing authority, or community~~

9.1 ~~development agency that has an area of operation for the jurisdiction in which the project~~
9.2 ~~is located; and~~

9.3 ~~(5)~~ (4) include households with incomes that do not exceed 30 percent of the median
9.4 household income for the metropolitan area.

9.5 To the extent practicable, the agency shall balance the loans made between projects in the
9.6 metropolitan area and projects outside the metropolitan area. Of the loans made to projects
9.7 outside the metropolitan area, the agency shall, to the extent practicable, balance the loans
9.8 made between projects in counties or cities with a population of 20,000 or less, as established
9.9 by the most recent decennial census, and projects in counties or cities with populations in
9.10 excess of 20,000.

9.11 **EFFECTIVE DATE.** This section is effective August 1, 2021.

9.12 **ARTICLE 3**

9.13 **TECHNICAL AND CONFORMING CHANGES**

9.14 Section 1. Minnesota Statutes 2020, section 273.11, subdivision 12, is amended to read:

9.15 Subd. 12. **Community land trusts.** (a) A community land trust, as defined under chapter
9.16 462A, is (i) a community-based nonprofit corporation organized under chapter 317A, which
9.17 qualifies for tax exempt status under 501(c)(3), or (ii) a "city" as defined in section 462C.02,
9.18 subdivision 6, which has received funding from the Minnesota housing finance agency for
9.19 purposes of the community land trust program. The Minnesota Housing Finance Agency
9.20 shall set the criteria for community land trusts.

9.21 ~~(b) All occupants of a community land trust building must have a family income of less~~
9.22 ~~than 80 percent of the greater of (1) the state median income, or (2) the area or county~~
9.23 ~~median income, as most recently determined by the Department of Housing and Urban~~
9.24 ~~Development.~~ Before the community land trust can rent or sell a unit to an applicant, the
9.25 community land trust shall verify to the satisfaction of the administering agency or the city
9.26 that the family income of each person or family applying for a unit in the community land
9.27 trust building is within the income criteria provided in this paragraph. The administering
9.28 agency or the city shall verify to the satisfaction of the county assessor that the occupant
9.29 meets the income criteria under this paragraph. The property tax benefits under paragraph
9.30 (c) shall be granted only to property owned or rented by persons or families within the
9.31 qualifying income limits. The family income criteria and verification is only necessary at
9.32 the time of initial occupancy in the property.

(c) A unit which is owned by the occupant and used as a homestead by the occupant qualifies for homestead treatment as class 1a under section 273.13, subdivision 22. A unit which is rented by the occupant and used as a homestead by the occupant shall be class 4a or 4b property, under section 273.13, subdivision 25, whichever is applicable. Any remaining portion of the property not used for residential purposes shall be classified by the assessor in the appropriate class based upon the use of that portion of the property owned by the community land trust. The land upon which the building is located shall be assessed at the same classification rate as the units within the building, provided that if the building contains some units assessed as class 1a and some units assessed as class 4a or 4b, the market value of the land will be assessed in the same proportions as the value of the building.

EFFECTIVE DATE. This section is effective August 1, 2021.

Sec. 2. Minnesota Statutes 2020, section 462A.30, subdivision 9, is amended to read:

Subd. 9. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" means persons or families whose income does not exceed:

(1) ~~80~~ 115 percent of the greater of state median income, or area or county median income as determined by the Department of Housing and Urban Development; or

(2) the amount that qualifies the organization for tax exempt status under United States Code, title 26, section 501(c)(3), whichever is less.

EFFECTIVE DATE. This section is effective August 1, 2021.