

SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION

S.F. No. 3790

(SENATE AUTHORS: DRAHEIM, Koran and Housley)

DATE	D-PG	OFFICIAL STATUS
02/27/2020	5044	Introduction and first reading
		Referred to Agriculture, Rural Development, and Housing Policy
03/04/2020	5240	Comm report: To pass and re-referred to Agriculture, Rural Development, and Housing Finance

- 1.1 A bill for an act
- 1.2 relating to housing; modifying criteria for housing grants and loans; amending
- 1.3 Minnesota Statutes 2019 Supplement, sections 462A.24; 462A.37, subdivision 2;
- 1.4 474A.061, subdivision 2a; 474A.091, subdivision 3.
- 1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
- 1.6 Section 1. Minnesota Statutes 2019 Supplement, section 462A.24, is amended to read:
- 1.7 **462A.24 CONSTRUCTION; GRANTS AND LOANS; PRIORITIES.**
- 1.8 (a) This chapter is necessary for the welfare of the state of Minnesota and its inhabitants;
- 1.9 therefore, it shall be liberally construed to effect its purpose.
- 1.10 (b) To the extent practicable, the agency shall award grant and loan amounts with a
- 1.11 reasonable balance between nonmetropolitan and metropolitan areas of the state.
- 1.12 (c) Beginning with applications made in response to requests for proposals issued after
- 1.13 July 1, 2020, after final decisions are made on applications for programs of the agency, the
- 1.14 results of any quantitative scoring system used to rank applications shall be posted on the
- 1.15 agency website.
- 1.16 (d) The agency shall award points in the agency's decision-making criteria for all
- 1.17 programs of the agency based on how quickly a project can be constructed.
- 1.18 (e) The agency shall not finance a housing project when the cost-per-unit of state-financed
- 1.19 housing is greater than the cost of a median single family house in the municipality or
- 1.20 township where the housing project is to be constructed.

2.1 Sec. 2. Minnesota Statutes 2019 Supplement, section 462A.37, subdivision 2, is amended
2.2 to read:

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

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

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

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

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

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

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

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

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

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

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

3.3 (1) demonstrate a commitment to maintaining the housing financed as affordable to
3.4 seniors;

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

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

3.9 (4) provide a service plan containing the elements of clause (3) reviewed by the housing
3.10 authority, economic development authority, public housing authority, or community
3.11 development agency that has an area of operation for the jurisdiction in which the project
3.12 is located; and

3.13 (5) include households with incomes that do not exceed 30 percent of the median
3.14 household income for the metropolitan area.

3.15 (d) To the extent practicable, the agency shall balance the loans made between projects
3.16 in the metropolitan area and projects outside the metropolitan area. Of the loans made to
3.17 projects outside the metropolitan area, the agency shall, to the extent practicable, balance
3.18 the loans made between projects in counties or cities with a population of 20,000 or less,
3.19 as established by the most recent decennial census, and projects in counties or cities with
3.20 populations in excess of 20,000.

3.21 (e) For the first eight months after issuing bonds under this section, the agency shall
3.22 allocate the bond proceeds in equal shares for projects in each congressional district. After
3.23 the eight-month period, the agency may use unused bond proceeds from a congressional
3.24 district allocation for projects in another congressional district.

3.25 Sec. 3. Minnesota Statutes 2019 Supplement, section 474A.061, subdivision 2a, is amended
3.26 to read:

3.27 Subd. 2a. **Housing pool allocation.** (a) Commencing on the second Tuesday in January
3.28 and continuing on each Monday through the last Monday in June, the commissioner shall
3.29 allocate available bonding authority from the housing pool to applications received on or
3.30 before the Monday of the preceding week for residential rental projects that meet the
3.31 eligibility criteria under section 474A.047. Allocations of available bonding authority from
3.32 the housing pool for eligible residential rental projects shall be awarded in the following
3.33 order of priority:

- 4.1 (1) preservation projects;
- 4.2 (2) 30 percent AMI residential rental projects;
- 4.3 (3) 50 percent AMI residential rental projects;
- 4.4 (4) 100 percent LIHTC projects;
- 4.5 (5) 20 percent LIHTC projects; and
- 4.6 (6) other residential rental projects for which the amount of bonds requested in their
4.7 respective applications do not exceed the aggregate bond limitation.

4.8 If there are two or more applications for residential rental projects at the same priority level
4.9 and there is insufficient bonding authority to provide allocations for all the projects in any
4.10 one allocation period, available bonding authority shall be ~~randomly~~ awarded by let giving
4.11 preference for projects with a lower cost-per-unit of housing but only for projects that can
4.12 receive the full amount of their respective requested allocations. If a residential rental project
4.13 does not receive any of its requested allocation pursuant to this paragraph and the project
4.14 applies for an allocation of bonds again in the same calendar year or to the next successive
4.15 housing pool, the project shall be fully funded up to its original application request for
4.16 bonding authority before any new project, applying in the same allocation period, that has
4.17 an equal priority shall receive bonding authority. An issuer that receives an allocation under
4.18 this paragraph must issue obligations equal to all or a portion of the allocation received on
4.19 or before 180 days of the allocation. If an issuer that receives an allocation under this
4.20 paragraph does not issue obligations equal to all or a portion of the allocation received
4.21 within the time period provided in this paragraph or returns the allocation to the
4.22 commissioner, the amount of the allocation is canceled and returned for reallocation through
4.23 the housing pool or to the unified pool after July 1.

4.24 (b) After January 1, and through January 15, The Minnesota Housing Finance Agency
4.25 may accept applications from cities for single-family housing programs which meet program
4.26 requirements as follows:

4.27 (1) the housing program must meet a locally identified housing need and be economically
4.28 viable;

4.29 (2) the adjusted income of home buyers may not exceed 80 percent of the greater of
4.30 statewide or area median income as published by the Department of Housing and Urban
4.31 Development, adjusted for household size;

4.32 (3) house price limits may not exceed the federal price limits established for mortgage
4.33 revenue bond programs. Data on the home purchase price amount, mortgage amount, income,

5.1 household size, and race of the households served in the previous year's single-family
5.2 housing program, if any, must be included in each application; and

5.3 (4) for applicants who choose to have the agency issue bonds on their behalf, an
5.4 application fee pursuant to section 474A.03, subdivision 4, and an application deposit equal
5.5 to one percent of the requested allocation must be submitted to the Minnesota Housing
5.6 Finance Agency before the agency forwards the list specifying the amounts allocated to the
5.7 commissioner under paragraph (d). The agency shall submit the city's application fee and
5.8 application deposit to the commissioner when requesting an allocation from the housing
5.9 pool.

5.10 Applications by a consortium shall include the name of each member of the consortium
5.11 and the amount of allocation requested by each member.

5.12 (c) Any amounts remaining in the housing pool after June 15 are available for
5.13 single-family housing programs for cities that applied in January and received an allocation
5.14 under this section in the same calendar year. For a city that chooses to issue bonds on its
5.15 own behalf or pursuant to a joint powers agreement, the agency must allot available bonding
5.16 authority based on the formula in paragraphs (d) and (f). Allocations will be made loan by
5.17 loan, on a first-come, first-served basis among cities on whose behalf the Minnesota Housing
5.18 Finance Agency issues bonds.

5.19 Any city that received an allocation pursuant to paragraph (f) in the same calendar year
5.20 that wishes to issue bonds on its own behalf or pursuant to a joint powers agreement for an
5.21 amount becoming available for single-family housing programs after June 15 shall notify
5.22 the Minnesota Housing Finance Agency by June 15. The Minnesota Housing Finance
5.23 Agency shall notify each city making a request of the amount of its allocation within three
5.24 business days after June 15. The city must comply with paragraph (f).

5.25 For purposes of paragraphs (a) to (h), "city" means a county or a consortium of local
5.26 government units that agree through a joint powers agreement to apply together for
5.27 single-family housing programs, and has the meaning given it in section 462C.02, subdivision
5.28 6. "Agency" means the Minnesota Housing Finance Agency.

5.29 (d) The total amount of allocation for mortgage bonds for one city is limited to the lesser
5.30 of: (i) the amount requested, or (ii) the product of the total amount available for mortgage
5.31 bonds from the housing pool, multiplied by the ratio of each applicant's population as
5.32 determined by the most recent estimate of the city's population released by the state
5.33 demographer's office to the total of all the applicants' population, except that each applicant
5.34 shall be allocated a minimum of \$100,000 regardless of the amount requested or the amount

6.1 determined under the formula in clause (ii). If a city applying for an allocation is located
6.2 within a county that has also applied for an allocation, the city's population will be deducted
6.3 from the county's population in calculating the amount of allocations under this paragraph.

6.4 Upon determining the amount of each applicant's allocation, the agency shall forward
6.5 to the commissioner a list specifying the amounts allotted to each application with all
6.6 application fees and deposits from applicants who choose to have the agency issue bonds
6.7 on their behalf.

6.8 Total allocations from the housing pool for single-family housing programs may not
6.9 exceed 27 percent of the adjusted allocation to the housing pool until after June 15 in 2020
6.10 and 2021, after which the allocations may not exceed 31 percent of the adjusted allocation
6.11 to the housing pool until after June 15.

6.12 (e) The agency may issue bonds on behalf of participating cities. The agency shall request
6.13 an allocation from the commissioner for all applicants who choose to have the agency issue
6.14 bonds on their behalf and the commissioner shall allocate the requested amount to the
6.15 agency. The agency may request an allocation at any time after the second Tuesday in
6.16 January and through the last Monday in June. After awarding an allocation and receiving
6.17 a notice of issuance for the mortgage bonds issued on behalf of the participating cities, the
6.18 commissioner shall transfer the application deposits to the Minnesota Housing Finance
6.19 Agency to be returned to the participating cities. The Minnesota Housing Finance Agency
6.20 shall return any application deposit to a city that paid an application deposit under paragraph
6.21 (b), clause (4), but was not part of the list forwarded to the commissioner under paragraph
6.22 (d).

6.23 (f) A city may choose to issue bonds on its own behalf or through a joint powers
6.24 agreement and may request an allocation from the commissioner by forwarding an application
6.25 with an application fee pursuant to section 474A.03, subdivision 4, and a one percent
6.26 application deposit to the commissioner no later than the Monday of the week preceding
6.27 an allocation. If the total amount requested by all applicants exceeds the amount available
6.28 in the pool, the city may not receive a greater allocation than the amount it would have
6.29 received under the list forwarded by the Minnesota Housing Finance Agency to the
6.30 commissioner. No city may request or receive an allocation from the commissioner until
6.31 the list under paragraph (d) has been forwarded to the commissioner. A city must request
6.32 an allocation from the commissioner no later than the last Monday in June. No city may
6.33 receive an allocation from the housing pool for mortgage bonds which has not first applied
6.34 to the Minnesota Housing Finance Agency. The commissioner shall allocate the requested
6.35 amount to the city or cities subject to the limitations under this paragraph.

7.1 If a city issues mortgage bonds from an allocation received under this paragraph, the
7.2 issuer must provide for the recycling of funds into new loans. If the issuer is not able to
7.3 provide for recycling, the issuer must notify the commissioner in writing of the reason that
7.4 recycling was not possible and the reason the issuer elected not to have the Minnesota
7.5 Housing Finance Agency issue the bonds. "Recycling" means the use of money generated
7.6 from the repayment and prepayment of loans for further eligible loans or for the redemption
7.7 of bonds and the issuance of current refunding bonds.

7.8 (g) No entitlement city or county or city in an entitlement county may apply for or be
7.9 allocated authority to issue mortgage bonds or use mortgage credit certificates from the
7.10 housing pool. No city in an entitlement county may apply for or be allocated authority to
7.11 issue residential rental bonds from the housing pool or the unified pool.

7.12 (h) A city that does not use at least 50 percent of its allotment by the date applications
7.13 are due for the first allocation that is made from the housing pool for single-family housing
7.14 programs in the immediately succeeding calendar year may not apply to the housing pool
7.15 for a single-family mortgage bond or mortgage credit certificate program allocation that
7.16 exceeds the amount of its allotment for the preceding year that was used by the city in the
7.17 immediately preceding year or receive an allotment from the housing pool in the succeeding
7.18 calendar year that exceeds the amount of its allotment for the preceding year that was used
7.19 in the preceding year. The minimum allotment is \$100,000 for an allocation made prior to
7.20 June 15, regardless of the amount used in the preceding calendar year, except that a city
7.21 whose allocation in the preceding year was the minimum amount of \$100,000 and who did
7.22 not use at least 50 percent of its allocation from the preceding year is ineligible for an
7.23 allocation in the immediate succeeding calendar year. Each local government unit in a
7.24 consortium must meet the requirements of this paragraph.

7.25 Sec. 4. Minnesota Statutes 2019 Supplement, section 474A.091, subdivision 3, is amended
7.26 to read:

7.27 Subd. 3. **Allocation procedure.** (a) The commissioner shall allocate available bonding
7.28 authority under this section on the Monday of every other week beginning with the first
7.29 Monday in July through and on the last Monday in November. Applications for allocations
7.30 must be received by the department by 4:30 p.m. on the Monday preceding the Monday on
7.31 which allocations are to be made. If a Monday falls on a holiday, the allocation will be made
7.32 or the applications must be received by the next business day after the holiday.

7.33 (b) Prior to October 1, only the following applications shall be awarded allocations from
7.34 the unified pool. Allocations shall be awarded in the following order of priority:

- 8.1 (1) applications for residential rental project bonds;
- 8.2 (2) applications for small issue bonds for manufacturing projects; and
- 8.3 (3) applications for small issue bonds for agricultural development bond loan projects.
- 8.4 (c) On the first Monday in October through the last Monday in November, allocations
- 8.5 shall be awarded from the unified pool in the following order of priority:
- 8.6 (1) applications for student loan bonds issued by or on behalf of the Minnesota Office
- 8.7 of Higher Education;
- 8.8 (2) applications for mortgage bonds;
- 8.9 (3) applications for public facility projects funded by public facility bonds;
- 8.10 (4) applications for small issue bonds for manufacturing projects;
- 8.11 (5) applications for small issue bonds for agricultural development bond loan projects;
- 8.12 (6) applications for residential rental project bonds;
- 8.13 (7) applications for enterprise zone facility bonds;
- 8.14 (8) applications for governmental bonds; and
- 8.15 (9) applications for redevelopment bonds.
- 8.16 (d) If there are two or more applications for manufacturing projects from the unified
- 8.17 pool and there is insufficient bonding authority to provide allocations for all manufacturing
- 8.18 projects in any one allocation period, the available bonding authority shall be awarded based
- 8.19 on the number of points awarded a project under section 474A.045 with those projects
- 8.20 receiving the greatest number of points receiving allocation first. If two or more applications
- 8.21 for manufacturing projects receive an equal amount of points, available bonding authority
- 8.22 shall be awarded by lot unless otherwise agreed to by the respective issuers.
- 8.23 (e) If there are two or more applications for enterprise zone facility projects from the
- 8.24 unified pool and there is insufficient bonding authority to provide allocations for all enterprise
- 8.25 zone facility projects in any one allocation period, the available bonding authority shall be
- 8.26 awarded based on the number of points awarded a project under section 474A.045 with
- 8.27 those projects receiving the greatest number of points receiving allocation first. If two or
- 8.28 more applications for enterprise zone facility projects receive an equal amount of points,
- 8.29 available bonding authority shall be awarded by lot unless otherwise agreed to by the
- 8.30 respective issuers.

9.1 (f) If there are two or more applications for residential rental projects from the unified
9.2 pool and there is insufficient bonding authority to provide allocations for all residential
9.3 rental projects in any one allocation period, the available bonding authority shall be awarded
9.4 in the following order of priority: (1) preservation projects; (2) 30 percent AMI residential
9.5 rental projects; (3) 50 percent AMI residential rental projects for which the amount of bonds
9.6 requested in their respective applications do not exceed the aggregate bond limitations; (4)
9.7 100 percent LIHTC projects; (5) 20 percent LIHTC projects; and (6) other residential rental
9.8 projects. If there are two or more applications for residential rental projects at the same
9.9 priority level and there is insufficient bonding authority to provide allocations for all the
9.10 projects in any one allocation period, available bonding authority shall be ~~randomly~~ awarded
9.11 by ~~lot~~ giving preference for projects with a lower cost-per-unit of housing but only for
9.12 projects that can receive the full amount of their respective requested allocations. If a
9.13 residential rental project does not receive any of its requested allocation pursuant to this
9.14 paragraph and the project applies in the next successive housing pool or the next successive
9.15 unified pool for an allocation of bonds, the project shall be fully funded up to its original
9.16 application request for bonding authority before any new project, applying in the same
9.17 allocation period, that has an equal priority shall receive bonding authority.

9.18 (g) From the first Monday in July through the last Monday in November, \$20,000,000
9.19 of bonding authority or an amount equal to the total annual amount of bonding authority
9.20 allocated to the small issue pool under section 474A.03, subdivision 1, less the amount
9.21 allocated to issuers from the small issue pool for that year, whichever is less, is reserved
9.22 within the unified pool for small issue bonds to the extent the amounts are available within
9.23 the unified pool.

9.24 (h) The total amount of allocations for mortgage bonds from the housing pool and the
9.25 unified pool may not exceed:

9.26 (1) \$10,000,000 for any one city; or

9.27 (2) \$20,000,000 for any number of cities in any one county.

9.28 (i) The total amount of allocations for student loan bonds from the unified pool may not
9.29 exceed \$25,000,000 per year.

9.30 (j) If there is insufficient bonding authority to fund all projects within any qualified bond
9.31 category other than enterprise zone facility projects, manufacturing projects, and residential
9.32 rental projects, allocations shall be awarded by lot unless otherwise agreed to by the
9.33 respective issuers.

10.1 (k) If an application is rejected, the commissioner must notify the applicant and return
10.2 the application deposit to the applicant within 30 days unless the applicant requests in writing
10.3 that the application be resubmitted.

10.4 (l) The granting of an allocation of bonding authority under this section must be evidenced
10.5 by issuance of a certificate of allocation.