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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. **4735**

03/07/2024 Authored by Howard

The bill was read for the first time and referred to the Committee on Housing Finance and Policy

03/25/2024 Adoption of Report: Amended and re-referred to the Committee on Capital Investment

1.1 A bill for an act

1.2 relating to housing; modifying housing provisions; amending Minnesota Statutes

1.3 2022, sections 462A.02, subdivision 10; 462A.05, subdivisions 14a, 14b, 15, 15b,

1.4 21, 23; 462A.07, by adding subdivisions; 462A.21, subdivision 7; 462A.35,

1.5 subdivision 2; 462A.40, subdivisions 2, 3; Minnesota Statutes 2023 Supplement,

1.6 sections 462A.05, subdivisions 14, 45; 462A.22, subdivision 1; 462A.37,

1.7 subdivision 2; 462A.39, subdivision 2; Laws 2023, chapter 37, article 1, section

1.8 2, subdivisions 2, 32; article 2, section 12, subdivision 2.

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

1.10 Section 1. Minnesota Statutes 2022, section 462A.02, subdivision 10, is amended to read:

1.11 Subd. 10. **Energy ~~conservation~~ decarbonization and climate resilience.** It is further

1.12 declared that supplies of conventional energy resources are rapidly depleting in quantity

1.13 and rising in price and that the burden of these occurrences falls heavily upon the citizens

1.14 of Minnesota generally and persons of low and moderate income in particular. These

1.15 conditions are adverse to the health, welfare, and safety of all of the citizens of this state.

1.16 It is further declared that it is a public purpose to ensure the availability of financing to be

1.17 used by all citizens of the state, while giving preference to low and moderate income people,

1.18 to assist in the installation in their dwellings of reasonably priced energy conserving systems

1.19 including the use of alternative energy resources and equipment so that by the improvement

1.20 of the energy efficiency of, clean energy, greenhouse gas emissions reduction, climate

1.21 resiliency, and other qualified projects for all housing, the adequacy of the total energy

1.22 supply may be preserved for the benefit of all citizens.

2.1 Sec. 2. Minnesota Statutes 2023 Supplement, section 462A.05, subdivision 14, is amended  
2.2 to read:

2.3 Subd. 14. **Rehabilitation loans.** It may agree to purchase, make, or otherwise participate  
2.4 in the making, and may enter into commitments for the purchase, making, or participation  
2.5 in the making, of eligible loans for rehabilitation, with terms and conditions as the agency  
2.6 deems advisable, to persons and families of low and moderate income, and to owners of  
2.7 existing residential housing for occupancy by such persons and families, for the rehabilitation  
2.8 of existing residential housing owned by them. Rehabilitation may include the addition or  
2.9 rehabilitation of a detached accessory dwelling unit. The loans may be insured or uninsured  
2.10 and may be made with security, or may be unsecured, as the agency deems advisable. The  
2.11 loans may be in addition to or in combination with long-term eligible mortgage loans under  
2.12 subdivision 3. They may be made in amounts sufficient to refinance existing indebtedness  
2.13 secured by the property, if refinancing is determined by the agency to be necessary to permit  
2.14 the owner to meet the owner's housing cost without expending an unreasonable portion of  
2.15 the owner's income thereon. No loan for rehabilitation shall be made unless the agency  
2.16 determines that the loan will be used primarily to make the housing more desirable to live  
2.17 in, to increase the market value of the housing, for compliance with state, county or municipal  
2.18 building, housing maintenance, fire, health or similar codes and standards applicable to  
2.19 housing, or to accomplish energy ~~conservation-related improvements~~ decarbonization,  
2.20 climate resiliency, and other qualified projects. In unincorporated areas and municipalities  
2.21 not having codes and standards, the agency may, solely for the purpose of administering  
2.22 the provisions of this chapter, establish codes and standards. No loan under this subdivision  
2.23 for the rehabilitation of owner-occupied housing shall be denied solely because the loan  
2.24 will not be used for placing the owner-occupied residential housing in full compliance with  
2.25 all state, county, or municipal building, housing maintenance, fire, health, or similar codes  
2.26 and standards applicable to housing. Rehabilitation loans shall be made only when the  
2.27 agency determines that financing is not otherwise available, in whole or in part, from private  
2.28 lenders upon equivalent terms and conditions. Accessibility rehabilitation loans authorized  
2.29 under this subdivision may be made to eligible persons and families without limitations  
2.30 relating to the maximum incomes of the borrowers if:

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

2.34 (2) home care is appropriate; and

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

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

3.6 Sec. 3. Minnesota Statutes 2022, section 462A.05, subdivision 14a, is amended to read:

3.7 Subd. 14a. **Rehabilitation loans; existing owner-occupied residential housing.** It may  
3.8 make loans to persons and families of low and moderate income to rehabilitate or to assist  
3.9 in rehabilitating existing residential housing owned and occupied by those persons or  
3.10 families. Rehabilitation may include replacement of manufactured homes. No loan shall be  
3.11 made unless the agency determines that the loan will be used primarily for rehabilitation  
3.12 work necessary for health or safety, essential accessibility improvements, or to improve the  
3.13 energy efficiency of, clean energy, greenhouse gas emissions reductions, climate resiliency,  
3.14 and other qualified projects in the dwelling. No loan for rehabilitation of owner-occupied  
3.15 residential housing shall be denied solely because the loan will not be used for placing the  
3.16 residential housing in full compliance with all state, county or municipal building, housing  
3.17 maintenance, fire, health or similar codes and standards applicable to housing. The amount  
3.18 of any loan shall not exceed the lesser of (a) a maximum loan amount determined under  
3.19 rules adopted by the agency not to exceed \$37,500, or (b) the actual cost of the work  
3.20 performed, or (c) that portion of the cost of rehabilitation which the agency determines  
3.21 cannot otherwise be paid by the person or family without the expenditure of an unreasonable  
3.22 portion of the income of the person or family. Loans made in whole or in part with federal  
3.23 funds may exceed the maximum loan amount to the extent necessary to comply with federal  
3.24 lead abatement requirements prescribed by the funding source. In making loans, the agency  
3.25 shall determine the circumstances under which and the terms and conditions under which  
3.26 all or any portion of the loan will be repaid and shall determine the appropriate security for  
3.27 the repayment of the loan. Loans pursuant to this subdivision may be made with or without  
3.28 interest or periodic payments.

3.29 Sec. 4. Minnesota Statutes 2022, section 462A.05, subdivision 14b, is amended to read:

3.30 Subd. 14b. **Energy ~~conservation~~ decarbonization and climate resiliency loans.** It  
3.31 may agree to purchase, make, or otherwise participate in the making, and may enter into  
3.32 commitments for the purchase, making, or participating in the making, of loans to persons  
3.33 and families, without limitations relating to the maximum incomes of the borrowers, to

4.1 assist in energy ~~conservation-rehabilitation measures~~ decarbonization, climate resiliency,  
4.2 and other qualified projects for existing housing owned by those persons or families  
4.3 including, but not limited to: weatherstripping and caulking; chimney construction or  
4.4 improvement; furnace or space heater repair, cleaning or replacement; central air conditioner  
4.5 installation, repair, maintenance, or replacement; air source or geothermal heat pump  
4.6 installation, repair, maintenance, or replacement; insulation; windows and doors; and  
4.7 structural or other directly related repairs or installations essential for energy ~~conservation~~  
4.8 decarbonization, climate resiliency, and other qualified projects. Loans shall be made only  
4.9 when the agency determines that financing is not otherwise available, in whole or in part,  
4.10 from private lenders upon equivalent terms and conditions. Loans under this subdivision  
4.11 or subdivision 14 may:

4.12 (1) be integrated with a utility's on-bill repayment program approved under section  
4.13 216B.241, subdivision 5d; and

4.14 (2) also be made for the installation of on-site solar energy or energy storage systems.

4.15 Sec. 5. Minnesota Statutes 2022, section 462A.05, subdivision 15, is amended to read:

4.16 Subd. 15. **Rehabilitation grants.** (a) It may make grants to persons and families of low  
4.17 and moderate income to pay or to assist in paying a loan made pursuant to subdivision 14,  
4.18 or to rehabilitate or to assist in rehabilitating existing residential housing owned or occupied  
4.19 by such persons or families. For the purposes of this section, persons of low and moderate  
4.20 income include administrators appointed pursuant to section 504B.425, paragraph (d). No  
4.21 grant shall be made unless the agency determines that the grant will be used primarily to  
4.22 make the housing more desirable to live in, to increase the market value of the housing or  
4.23 for compliance with state, county or municipal building, housing maintenance, fire, health  
4.24 or similar codes and standards applicable to housing, or to accomplish energy ~~conservation~~  
4.25 ~~related improvements~~ decarbonization, climate resiliency, or other qualified projects. In  
4.26 unincorporated areas and municipalities not having codes and standards, the agency may,  
4.27 solely for the purpose of administering this provision, establish codes and standards. No  
4.28 grant for rehabilitation of owner occupied residential housing shall be denied solely because  
4.29 the grant will not be used for placing the residential housing in full compliance with all  
4.30 state, county or municipal building, housing maintenance, fire, health or similar codes and  
4.31 standards applicable to housing. The amount of any grant shall not exceed the lesser of (a)  
4.32 \$6,000, or (b) the actual cost of the work performed, or (c) that portion of the cost of  
4.33 rehabilitation which the agency determines cannot otherwise be paid by the person or family  
4.34 without spending an unreasonable portion of the income of the person or family thereon.

5.1 In making grants, the agency shall determine the circumstances under which and the terms  
5.2 and conditions under which all or any portion thereof will be repaid and shall determine the  
5.3 appropriate security should repayment be required.

5.4 (b) The agency may also make grants to rehabilitate or to assist in rehabilitating housing  
5.5 under this subdivision to persons of low and moderate income for the purpose of qualifying  
5.6 as foster parents.

5.7 Sec. 6. Minnesota Statutes 2022, section 462A.05, subdivision 15b, is amended to read:

5.8 Subd. 15b. **Energy ~~conservation~~ decarbonization and climate resiliency grants.** (a)  
5.9 It may make grants to assist in energy ~~conservation~~ rehabilitation measures decarbonization,  
5.10 climate resiliency, and other qualified projects for existing owner occupied housing including,  
5.11 but not limited to: insulation, storm windows and doors, furnace or space heater repair,  
5.12 cleaning or replacement, chimney construction or improvement, weatherstripping and  
5.13 caulking, ~~and structural or other directly related repairs,~~ or installations essential for energy  
5.14 ~~conservation~~ decarbonization, climate resiliency, and other qualified projects. The grant to  
5.15 any household shall not exceed \$2,000.

5.16 (b) To be eligible for an emergency energy ~~conservation~~ decarbonization and climate  
5.17 resiliency grant, a household must be certified as eligible to receive emergency residential  
5.18 heating assistance under either the federal or the state program, and either (1) have had a  
5.19 heating cost for the preceding heating season that exceeded 120 percent of the regional  
5.20 average for the preceding heating season for that energy source as determined by the  
5.21 commissioner of employment and economic development, or (2) be eligible to receive a  
5.22 federal energy conservation grant, but be precluded from receiving the grant because of a  
5.23 need for directly related repairs that cannot be paid for under the federal program. The  
5.24 Housing Finance Agency shall make a reasonable effort to determine whether other state  
5.25 or federal loan and grant programs are available and adequate to finance the intended  
5.26 improvements. An emergency energy conservation grant may be made in conjunction with  
5.27 grants or loans from other state or federal programs that finance other needed rehabilitation  
5.28 work. The receipt of a grant pursuant to this section shall not affect the applicant's eligibility  
5.29 for other Housing Finance Agency loan or grant programs.

5.30 Sec. 7. Minnesota Statutes 2022, section 462A.05, subdivision 21, is amended to read:

5.31 Subd. 21. **Rental property loans.** The agency may make or purchase loans to owners  
5.32 of rental property that is occupied or intended for occupancy primarily by low- and  
5.33 moderate-income tenants and which does not comply with the standards established in

6.1 section 326B.106, subdivision 1, for the purpose of energy ~~improvements~~ decarbonization,  
6.2 climate resiliency, and other qualified projects necessary to bring the property into full or  
6.3 partial compliance with these standards. For property which meets the other requirements  
6.4 of this subdivision, a loan may also be used for moderate rehabilitation of the property. The  
6.5 authority granted in this subdivision is in addition to and not in limitation of any other  
6.6 authority granted to the agency in this chapter. The limitations on eligible mortgagors  
6.7 contained in section 462A.03, subdivision 13, do not apply to loans under this subdivision.  
6.8 Loans for the improvement of rental property pursuant to this subdivision may contain  
6.9 provisions that repayment is not required in whole or in part subject to terms and conditions  
6.10 determined by the agency to be necessary and desirable to encourage owners to maximize  
6.11 rehabilitation of properties.

6.12 Sec. 8. Minnesota Statutes 2022, section 462A.05, subdivision 23, is amended to read:

6.13 Subd. 23. **Insuring financial institution loans.** The agency may participate in loans or  
6.14 establish a fund to insure loans, or portions of loans, that are made by any banking institution,  
6.15 savings association, or other lender approved by the agency, organized under the laws of  
6.16 this or any other state or of the United States having an office in this state, to owners of  
6.17 renter-occupied homes or apartments that do not comply with standards set forth in section  
6.18 326B.106, subdivision 1, without limitations relating to the maximum incomes of the owners  
6.19 or tenants. The proceeds of the insured portion of the loan must be used to pay the costs of  
6.20 improvements, including all related structural and other improvements, that will reduce  
6.21 energy consumption, that will decarbonize, and that will ensure the climate resiliency of  
6.22 housing.

6.23 Sec. 9. Minnesota Statutes 2023 Supplement, section 462A.05, subdivision 45, is amended  
6.24 to read:

6.25 Subd. 45. **Indian Tribes.** Notwithstanding any other provision in this chapter, at its  
6.26 discretion the agency may make any federally recognized Indian Tribe in Minnesota, or  
6.27 their associated Tribally Designated Housing Entity (TDHE) as defined by United States  
6.28 Code, title 25, section 4103(22), eligible for agency funding ~~authorized under this chapter.~~

6.29 Sec. 10. Minnesota Statutes 2022, section 462A.07, is amended by adding a subdivision  
6.30 to read:

6.31 Subd. 18. **Rent and income limits.** Notwithstanding any law to the contrary, to promote  
6.32 efficiency in program administration, underwriting, and compliance, the commissioner may  
6.33 adjust income or rent limits for any multifamily capital funding program authorized under

7.1 state law to align with federal rent or income limits in sections 42 and 142 of the Internal  
7.2 Revenue Code of 1986. Adjustments made under this subdivision are exempt from the  
7.3 rulemaking requirements of chapter 14.

7.4 Sec. 11. Minnesota Statutes 2022, section 462A.07, is amended by adding a subdivision  
7.5 to read:

7.6 Subd. 19. **Eligibility for agency programs.** The agency may determine that a household  
7.7 or project unit meets the rent or income requirements for a program if the household or unit  
7.8 receives or participates in income-based state or federal public assistance benefits, including  
7.9 but not limited to:

7.10 (1) child care assistance programs under chapter 119B;

7.11 (2) general assistance, Minnesota supplemental aid, or food support under chapter 256D;

7.12 (3) housing support under chapter 256I;

7.13 (4) Minnesota family investment program and diversionary work program under chapter  
7.14 256J; and

7.15 (5) economic assistance programs under chapter 256P.

7.16 Sec. 12. Minnesota Statutes 2022, section 462A.21, subdivision 7, is amended to read:

7.17 Subd. 7. **Energy efficiency loans.** The agency may make loans to low and moderate  
7.18 income persons who own existing residential housing for the purpose of improving the  
7.19 ~~efficient energy utilization~~ decarbonization and climate resiliency of the housing. Permitted  
7.20 improvements shall include installation or upgrading of ceiling, wall, floor and duct  
7.21 insulation, storm windows and doors, and caulking and weatherstripping. The improvements  
7.22 shall not be inconsistent with the energy standards as promulgated as part of the State  
7.23 Building Code; provided that the improvements need not bring the housing into full  
7.24 compliance with the energy standards. Any loan for such purpose shall be made only upon  
7.25 determination by the agency that such loan is not otherwise available, wholly or in part,  
7.26 from private lenders upon equivalent terms and conditions. The agency may promulgate  
7.27 rules as necessary to implement and make specific the provisions of this subdivision. The  
7.28 rules shall be designed to permit the state, to the extent not inconsistent with this chapter,  
7.29 to seek federal grants or loans for energy purposes decarbonization, climate resiliency, and  
7.30 other qualified projects.

8.1 Sec. 13. Minnesota Statutes 2023 Supplement, section 462A.22, subdivision 1, is amended  
8.2 to read:

8.3 Subdivision 1. **Debt ceiling.** The aggregate principal amount of general obligation bonds  
8.4 and notes which are outstanding at any time, excluding the principal amount of any bonds  
8.5 and notes refunded by the issuance of new bonds or notes, shall not exceed the sum of  
8.6 ~~\$5,000,000,000~~ \$7,000,000,000.

8.7 Sec. 14. Minnesota Statutes 2022, section 462A.35, subdivision 2, is amended to read:

8.8 Subd. 2. **Expending funds.** The agency may expend the money in the Minnesota  
8.9 manufactured home relocation trust fund to the extent necessary to carry out the objectives  
8.10 of section 327C.095, subdivision 13, by making payments to manufactured home owners,  
8.11 or other parties approved by the third-party neutral, under subdivision 13, paragraphs (a)  
8.12 and (e), and to pay the costs of administering the fund. Money in the fund is appropriated  
8.13 to the agency for these purposes and to the commissioner of management and budget to pay  
8.14 costs incurred by the commissioner of management and budget to administer the fund.

8.15 Sec. 15. Minnesota Statutes 2023 Supplement, section 462A.37, subdivision 2, is amended  
8.16 to read:

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

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

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

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

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



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

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

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

9.10 (8) to finance the costs of construction, acquisition, and rehabilitation of permanent  
9.11 housing that is affordable to households with incomes at or below 50 percent of the area  
9.12 median income for the applicable county or metropolitan area as published by the Department  
9.13 of Housing and Urban Development, as adjusted for household size.

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

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

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

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

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

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

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

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

10.1 (d) To the extent practicable, the agency shall balance the loans made between projects  
10.2 in the metropolitan area and projects outside the metropolitan area. Of the loans made to  
10.3 projects outside the metropolitan area, the agency shall, to the extent practicable, balance  
10.4 the loans made between projects in counties or cities with a population of 20,000 or less,  
10.5 as established by the most recent decennial census, and projects in counties or cities with  
10.6 populations in excess of 20,000.

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

10.10 (f) If a loan recipient uses the loan for new construction or substantial rehabilitation as  
10.11 defined by the agency on a building containing more than four units, the loan recipient must  
10.12 construct, convert, or otherwise adapt the building to include:

10.13 (1) the greater of: (i) at least one unit; or (ii) at least five percent of units that are  
10.14 accessible units, as defined by section 1002 of the current State Building Code Accessibility  
10.15 Provisions for Dwelling Units in Minnesota, and include at least one roll-in shower in at  
10.16 least one accessible unit as defined by section 1002 of the current State Building Code  
10.17 Accessibility Provisions for Dwelling Units in Minnesota; and

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

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

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

10.22 (C) low-fume paint;

10.23 (D) low-chemical carpet; and

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

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

10.27 Sec. 16. Minnesota Statutes 2023 Supplement, section 462A.39, subdivision 2, is amended  
10.28 to read:

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

11.1 (b) "Eligible project area" means a home rule charter or statutory city located outside  
11.2 of a metropolitan county as defined in section 473.121, subdivision 4, ~~with a population~~  
11.3 ~~exceeding 500; a community that has a combined population of 1,500 residents located~~  
11.4 ~~within 15 miles of a home rule charter or statutory city located outside a metropolitan county~~  
11.5 ~~as defined in section 473.121, subdivision 4;~~ federally recognized Tribal reservations; or  
11.6 an area served by a joint county-city economic development authority.

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

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

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

11.18 Sec. 17. Minnesota Statutes 2022, section 462A.40, subdivision 2, is amended to read:

11.19 Subd. 2. **Use of funds; grant and loan program.** (a) The agency may award grants and  
11.20 loans to be used for multifamily and single family developments for persons and families  
11.21 of low and moderate income. Allowable use of the funds include: gap financing, as defined  
11.22 in section 462A.33, subdivision 1; new construction; acquisition; rehabilitation; demolition  
11.23 or removal of existing structures; construction financing; permanent financing; interest rate  
11.24 reduction; and refinancing.

11.25 (b) The agency may give preference for grants and loans to comparable proposals that  
11.26 include regulatory changes or waivers that result in identifiable cost avoidance or cost  
11.27 reductions, including but not limited to increased density, flexibility in site development  
11.28 standards, or zoning code requirements.

11.29 (c) ~~The agency shall separately set aside:~~

11.30 ~~(1) at least ten percent of the financing under this section for housing units located in a~~  
11.31 ~~township or city with a population of 2,500 or less that is located outside the metropolitan~~  
11.32 ~~area, as defined in section 473.121, subdivision 2;~~

12.1 ~~(2) at least 35 percent of the financing under this section for housing for persons and~~  
12.2 ~~families whose income is 50 percent or less of the area median income for the applicable~~  
12.3 ~~county or metropolitan area as published by the Department of Housing and Urban~~  
12.4 ~~Development, as adjusted for household size; and~~

12.5 ~~(3) at least 25 percent of the financing under this section for single family housing.~~

12.6 ~~(d) If by September 1 of each year the agency does not receive requests to use all of the~~  
12.7 ~~amounts set aside under paragraph (c), the agency may use any remaining financing for~~  
12.8 ~~other projects eligible under this section.~~

12.9 Sec. 18. Minnesota Statutes 2022, section 462A.40, subdivision 3, is amended to read:

12.10 Subd. 3. **Eligible recipients; definitions; restrictions; use of funds.** (a) The agency  
12.11 may award a grant or a loan to any recipient that qualifies under subdivision 2. The agency  
12.12 must not award a grant or a loan to a disqualified individual or disqualified business.

12.13 (b) For the purposes of this subdivision disqualified individual means ~~an individual who~~:

12.14 (1) an individual who or an individual whose immediate family member made a  
12.15 contribution to the account in the current or prior taxable year and received a credit certificate;

12.16 (2) an individual who or an individual whose immediate family member owns the housing  
12.17 for which the grant or loan will be used ~~and is using that housing as their domicile~~;

12.18 (3) an individual who meets the following criteria:

12.19 (i) the individual is an officer or principal of a business entity; and

12.20 (ii) that business entity made a contribution to the account in the current or previous  
12.21 taxable year and received a credit certificate; or

12.22 (4) an individual who meets the following criteria:

12.23 (i) the individual directly owns, controls, or holds the power to vote 20 percent or more  
12.24 of the outstanding securities of a business entity; and

12.25 (ii) that business entity made a contribution to the account in the current or previous  
12.26 taxable year and received a credit certificate.

12.27 (c) For the purposes of this subdivision disqualified business means a business entity  
12.28 that:

12.29 (1) made a contribution to the account in the current or prior taxable year and received  
12.30 a credit certificate;

13.1 (2) has an officer or principal who is an individual who made a contribution to the  
 13.2 account in the current or previous taxable year and received a credit certificate; or

13.3 (3) meets the following criteria:

13.4 (i) the business entity is directly owned, controlled, or is subject to the power to vote 20  
 13.5 percent or more of the outstanding securities by an individual or business entity; and

13.6 (ii) that controlling individual or business entity made a contribution to the account in  
 13.7 the current or previous taxable year and received a credit certificate.

13.8 ~~(d) The disqualifications in paragraphs (b) and (c) apply if the taxpayer would be~~  
 13.9 ~~disqualified either individually or in combination with one or more members of the taxpayer's~~  
 13.10 ~~family, as defined in the Internal Revenue Code, section 267(e)(4). For purposes of this~~  
 13.11 ~~subdivision, "immediate family" means the taxpayer's spouse, parent or parent's spouse,~~  
 13.12 ~~sibling or sibling's spouse, or child or child's spouse. For a married couple filing a joint~~  
 13.13 ~~return, the limitations in this paragraph subdivision apply collectively to the taxpayer and~~  
 13.14 ~~spouse. For purposes of determining the ownership interest of a taxpayer under paragraph~~  
 13.15 ~~(a), clause (4), the rules under sections 267(e) and 267(e) of the Internal Revenue Code~~  
 13.16 ~~apply.~~

13.17 (e) Before applying for a grant or loan, all recipients must sign a disclosure that the  
 13.18 disqualifications under this subdivision do not apply. The Minnesota Housing Finance  
 13.19 Agency must prescribe the form of the disclosure. The Minnesota Housing Finance Agency  
 13.20 may rely on the disclosure to determine the eligibility of recipients under paragraph (a).

13.21 (f) The agency may award grants or loans to a city as defined in section 462A.03,  
 13.22 subdivision 21; a federally recognized American Indian tribe or subdivision located in  
 13.23 Minnesota; a tribal housing corporation; a private developer; a nonprofit organization; a  
 13.24 housing and redevelopment authority under sections 469.001 to 469.047; a public housing  
 13.25 authority or agency authorized by law to exercise any of the powers granted by sections  
 13.26 469.001 to 469.047; or the owner of the housing. The provisions of subdivision 2, and  
 13.27 paragraphs (a) to (e) and (g) of this subdivision, regarding the use of funds and eligible  
 13.28 recipients apply to grants and loans awarded under this paragraph.

13.29 ~~(g) Except for the set-aside provided in subdivision 2, paragraph (d),~~ Eligible recipients  
 13.30 must use the funds to serve households that meet the income limits as provided in section  
 13.31 462A.33, subdivision 5.

13.32 Sec. 19. Laws 2023, chapter 37, article 1, section 2, subdivision 2, is amended to read:

13.33	Subd. 2. <b>Challenge Program</b>	60,425,000	60,425,000
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14.1 (a) This appropriation is for the economic  
14.2 development and housing challenge program  
14.3 under Minnesota Statutes, sections 462A.33  
14.4 and 462A.07, subdivision 14.

14.5 (b) Of this amount, \$6,425,000 each year shall  
14.6 be made available during the first 11 months  
14.7 of the fiscal year exclusively for housing  
14.8 projects for American Indians. Any funds not  
14.9 committed to housing projects for American  
14.10 Indians within the annual consolidated request  
14.11 for funding processes may be available for  
14.12 any eligible activity under Minnesota Statutes,  
14.13 sections 462A.33 and 462A.07, subdivision  
14.14 14.

14.15 (c) Of the amount in the first year, \$5,000,000  
14.16 is for a grant to Urban Homeworks to expand  
14.17 initiatives pertaining to deeply affordable  
14.18 homeownership in Minneapolis neighborhoods  
14.19 with over 40 percent of residents identifying  
14.20 as Black, Indigenous, or People of Color and  
14.21 at least 40 percent of residents making less  
14.22 than 50 percent of the area median income.  
14.23 The grant is to be used for acquisition,  
14.24 rehabilitation, gap financing as defined in  
14.25 section 462A.33, subdivision 1, and  
14.26 construction of homes to be sold to households  
14.27 with incomes ~~of 50 to~~ at or below 60 percent  
14.28 of the area median income. This is a onetime  
14.29 appropriation, ~~and is available until June 30,~~  
14.30 2027. By December 15 each year ~~until 2027,~~  
14.31 Urban Homeworks must submit a report to  
14.32 the chairs and ranking minority members of  
14.33 the legislative committees having jurisdiction  
14.34 over housing finance and policy. The report  
14.35 must include the amount used for (1)

15.1 acquisition, (2) rehabilitation, and (3)  
 15.2 construction of housing units, along with the  
 15.3 number of housing units acquired,  
 15.4 rehabilitated, or constructed, and the amount  
 15.5 of the appropriation that has been spent. If any  
 15.6 home was sold or transferred within the year  
 15.7 covered by the report, Urban Homeworks must  
 15.8 include the price at which the home was sold,  
 15.9 as well as how much was spent to complete  
 15.10 the project before sale.

15.11 (d) Of the amount in the first year, \$2,000,000  
 15.12 is for a grant to Rondo Community Land  
 15.13 Trust. This is a onetime appropriation.

15.14 (e) The base for this program in fiscal year  
 15.15 2026 and beyond is \$12,925,000.

15.16 **EFFECTIVE DATE.** This section is effective the day following final enactment.

15.17 Sec. 20. Laws 2023, chapter 37, article 1, section 2, subdivision 32, is amended to read:

15.18	Subd. 32. <b>Northland Foundation</b>	1,000,000	-0-
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15.19 This appropriation is for a grant to Northland  
 15.20 Foundation for use on expenditures authorized  
 15.21 under Minnesota Statutes, section 462C.16,  
 15.22 subdivision 3, to assist and support  
 15.23 communities in providing housing locally, and  
 15.24 ~~on~~ for assisting local governments to establish  
 15.25 local or regional housing trust funds.  
 15.26 Northland Foundation may award grants and  
 15.27 loans to other entities to expend on authorized  
 15.28 expenditures under this section. This  
 15.29 appropriation is onetime and available until  
 15.30 June 30, 2025.

16.1 Sec. 21. Laws 2023, chapter 37, article 2, section 12, subdivision 2, is amended to read:

16.2 Subd. 2. **Eligible homebuyer.** For the purposes of this section, an "eligible homebuyer"  
16.3 means an individual:

16.4 (1) whose income is at or below 130 percent of area median income;

16.5 ~~(2) who resides in a census tract where at least 60 percent of occupied housing units are~~  
16.6 ~~renter-occupied, based on the most recent estimates or experimental estimates provided by~~  
16.7 ~~the American Community Survey of the United States Census Bureau;~~

16.8 ~~(3)~~ (2) who is financing the purchase of an eligible property with an interest-free,  
16.9 fee-based mortgage; and

16.10 ~~(4)~~ (3) who is a first-time homebuyer as defined by Code of Federal Regulations, title  
16.11 24, section 92.2.