

by the attorney general, the following described real property to adjoining property owners to resolve problems arising from the inadvertent placement of a fence, building, and other developments on state property:

That part of the Southwest Quarter of the Southwest Quarter (SW 1/4 SW 1/4), Section Thirty-one (31), Township Thirty-two (32) North, Range Nineteen (19) West, Washington County, Minnesota, described as follows:

Beginning at the Southeast corner of said Southwest Quarter of the Southwest Quarter; thence on an assumed bearing of North 02 40' 33" West, 1021.30 feet along the east line of said Southwest Quarter of the Southwest Quarter; thence South 87 19' 27" West, 1.11 feet; thence South 01 26' 54" East, 567.26 feet; thence South 02 35' 06" East, 252.11 feet; thence South 01 14' 45" East, 201.53 feet to the south line of said Southwest Quarter of the Southwest Quarter; thence North 89 07' 19" East, 18.70 feet along the south line of said Southwest Quarter of the Southwest Quarter to the point of beginning; containing 0.25 acres.

Sec. 7. This act is effective the day following final enactment.

Approved June 5, 1979.

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#### CHAPTER 321—H.F.No.248

*An act relating to banks and banking; authorizing state banks to lease personal property under certain conditions; authorizing service corporations for mutual savings banks; amending Minnesota Statutes 1978, Section 48.152; and Chapter 50, by adding a section.*

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

Section 1. Minnesota Statutes 1978, Section 48.152, is amended to read:

**48.152 STATE BANK ACQUISITION AND LEASING OF PERSONAL PROPERTY.** Subdivision 1. A state bank may acquire and lease or participate in the acquisition and leasing of personal property to customers, and may incur such additional obligations as may be incidental to becoming an owner and lessor of such property, subject to the rules and regulations of the commissioner and the following conditions: specified in this section.

(a) Subd. 2. The property shall must be acquired upon the specific request of and for the use of a customer.

(b) The original lease shall be in writing and shall be entered into prior to the acquisition of the property to be leased.

(c) The terms of the lease shall require during the minimum period of the lease rental payments which in the aggregate will exceed the total expenditures by the bank for

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or in connection with the acquisition, ownership, and protection of the property.

Subd. 3. The lease may not be an operating lease, but must be a "net" lease wherein the bank retains no obligation for maintenance or operation of the property.

Subd. 4. The lease must be a full-payout, noncancellable obligation of the lessee serving the same purpose as other forms of bank financing. For the purposes of this subdivision a full-payout lease is one in which the lessor will realize from the transaction a return of its full investment in the leased property plus the estimated cost to it of financing the property over the term of the lease in rentals, estimated tax benefits, and the estimated residual value of the property at the expiration of the initial term of the lease. In all instances where the bank estimates and uses the residual value of leased property to satisfy the requirements of a full-payout lease, the estimated value must be reasonable so that the bank's primary risk in the overall transaction depends on the credit worthiness of the lessee and not market value of the leased item; provided, that in no event shall the estimated residual value exceed 25 percent of the original cost of the property to the lessor. As an alternative to this test, residual values may be set at any level where the bank receives a guarantee of the residual value from the manufacturer, the lessee, or any third party which is not an affiliate of the bank, and where it has determined that the guarantor has the resources to meet the guarantee. Selection of residual values at unreasonable levels shall be considered an unsafe and unsound banking practice if it cannot be shown that, at the time of such selection, the bank made a good faith effort to be accurate and reasonable.

For purposes of leasing to government entities "full-payout" calculations may be based on reasonably anticipated future renewals.

If, in good faith, the bank believes that there has been a significant unanticipated change in conditions which threatens its financial position by increasing its exposure to loss, and, if its interest in the property is sufficient to justify action, the limitation contained in subdivision 3 shall not prevent the bank from taking any reasonable and appropriate action to salvage or protect the value of the property to prevent loss.

(d) Subd. 5. The terms of the lease shall require periodic rental payments to be made at least annually.

(e) Subd. 6. The terms of the lease shall establish a rental payment schedule by which no individual rental payment shall exceed the average rental payment by more than 50 percent, the average rental payment to be computed by dividing the total dollar amount of rental payments to be made over the term of the lease by the number of payments to be made.

(f) Subd. 7. Except upon the written approval of the commissioner, the term of the lease shall not exceed 12 years, 32 days.

(g) Subd. 8. The total amount of unpaid rental obligations of a customer to a bank on personal property, shall constitute a liability of the customer within the meaning of section 48.24, subdivision 1.

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(h) Subd. 9. No state bank shall lease personal property, directly or indirectly, to any of its directors, officers, stockholders, or employees.

(i) Subd. 10. The total amount of unpaid rental obligations to be paid to the bank on personal property, shall not exceed 200 percent of the sum of the bank's capital actually paid in cash and its actual surplus fund.

Sec. 2: Minnesota Statutes 1978, Chapter 50, is amended by adding a section to read:

**[50.1465] SERVICE CORPORATIONS.** Subdivision 1. In addition to other investments authorized by law, a mutual savings bank may invest in the following:

The capital stock, obligations, or other securities of any corporation organized under the laws of this state if all or a majority of the capital stock of the corporation is owned by the mutual savings bank, and if substantially all of the activity of the corporation consists of originating, making, purchasing, selling and servicing loans, and participation in loans, secured by real estate including brokerage and warehousing of the real estate loans.

Subd. 2. No mutual savings bank may make any investment under subdivision 1 if its aggregate outstanding investment under this section exceeds three percent of the assets of the mutual savings bank.

Sec. 3. This act is effective July 1, 1979.

Approved June 5, 1979.

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#### CHAPTER 322—H.F.No.257

*An act relating to taxation; providing standards and procedures for tax increment financing; authorizing the issuance of bonds; authorizing tax increment financing for the payment of principal and interest on such bonds; providing limitation on extent of districts to which tax increment financing applies; authorizing deferred property taxation for private redevelopment; amending Minnesota Statutes 1978, Sections 362A.05; 458.192, Subdivision 11; 462.545, Subdivision 5; 462.585, Subdivisions 2, 3 and 4; 472A.06; 472A.07, by adding a subdivision; 473F.02, Subdivision 3; 473F.05; 473F.08, Subdivisions 2, 4 and 6; 474.10, Subdivisions 2 and 3; and Chapter 273, by adding sections; repealing Minnesota Statutes 1978, Sections 458.192, Subdivision 12; 472A.02, Subdivision 3; 472A.07, Subdivision 4; and 472A.08.*

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

Section 1. Minnesota Statutes 1978, Chapter 273, is amended by adding a section to read:

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