

Sec. 55. **DELAYED REPORTS.**

The 1994 date for reports required under Minnesota Statutes, sections 115A.551, subdivision 4; and 115A.557, subdivision 4, is delayed until August 1, 1994.

Sec. 56. **APPLICATION.**

Sections 40 to 50 apply in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 57. **REPEALER.**

Minnesota Statutes 1993 Supplement, section 115A.542, is repealed effective July 1, 1995.

Sec. 58. **EFFECTIVE DATE.**

Section 2 is effective July 1, 1980.

Sections 30, 38, and 55 are effective the day following final enactment.

Section 48 is effective June 1, 1994.

Section 35 is effective January 1, 1995.

Presented to the governor May 4, 1994

Signed by the governor May 6, 1994, 11:50 a.m.

CHAPTER 586—H.F.No. 2064

An act relating to housing; modifying programs of the housing finance agency for low-income and tribal housing and for accessibility loans; amending Minnesota Statutes 1992, sections 462A.05, subdivision 14d, and by adding subdivisions; 462A.10, by adding a subdivision; 462A.201, by adding a subdivision; 462A.21, by adding a subdivision; 462A.30, subdivision 9; and 462A.31, subdivision 4; Minnesota Statutes 1993 Supplement, sections 462A.07, subdivision 14; 462A.202, subdivision 7; and 462A.222, subdivision 3.

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

Section 1. Minnesota Statutes 1992, section 462A.05, subdivision 14d, is amended to read:

Subd. 14d. **ACCESSIBILITY LOAN PROGRAM.** Rehabilitation loans authorized under subdivision 14 may be made to eligible persons and families ~~whose income does not exceed the maximum income limits allowable under section 143(f) of the Internal Revenue Code of 1986, as amended through June 30, 1994~~ without limitations relating to the maximum incomes of the borrowers.

New language is indicated by underline, deletions by ~~strikeout~~.

A person or family is eligible to receive an accessibility loan under the following conditions:

(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 mental retardation or related conditions;

(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.

Sec. 2. Minnesota Statutes 1992, section 462A.05, is amended by adding a subdivision to read:

Subd. 14e. PURCHASE-REHABILITATION LOANS. The agency may agree and enter into commitments to purchase, make, or otherwise participate in making loans to persons or families, without limitations relating to the maximum incomes of the borrowers, for the purchase and rehabilitation of existing owner-occupied residential housing, as provided under subdivision 14.

Sec. 3. Minnesota Statutes 1992, section 462A.05, is amended by adding a subdivision to read:

Subd. 39. EQUITY TAKE-OUT LOANS. The agency may make equity take-out loans to owners of section 8 project-based rental property upon which the agency holds a first mortgage. The owner must agree to participate in the section 8 program and extend the low-income affordability restrictions on the housing for the maximum term of the section 8 contract. The equity take-out loan must be secured by a subordinate loan on the property and may include additional appropriate security determined necessary by the agency.

Sec. 4. Minnesota Statutes 1993 Supplement, section 462A.07, subdivision 14, is amended to read:

Subd. 14. AMERICAN INDIANS. (a) It may engage in housing programs for low- and moderate-income American Indians developed and administered separately or in combination by the Minnesota Chippewa tribe, the Red Lake band of Chippewa Indians, and the Sioux communities as determined by such tribe, band, or communities. In furtherance of the policy of economic integration stated in section 462A.02, subdivision 6, it may engage in housing programs for American Indians who intend to reside on reservations and who are not persons of low and moderate income, provided that the aggregate dollar amount of the loans for each lender's fiscal year shall not exceed an amount equal to 25 percent of the total dollar amount of all loans made by that lender during the lender's fiscal year at the time of loan application. In developing such housing programs, the tribe, band, or communities shall take into account the housing needs of all American Indians residing both on and off reservations within the state. A plan for each such program, which specifically describes the program

New language is indicated by underline, deletions by ~~strikeout~~.

content, utilization of funds, administration, operation, implementation and other matter, as determined by the agency, must be submitted to the agency for its review and approval prior to the making of eligible loans pursuant to section 462A.21. All such programs must conform to rules promulgated by the agency concerning program administration, including but not limited to rules concerning costs of administration; the quality of housing; interest rates, fees, and charges in connection with making eligible loans; and other matters determined by the agency to be necessary in order to effectuate the purposes of this subdivision and section 462A.21, subdivisions 4b and 4c. All such programs must provide for a reasonable balance in the distribution of funds appropriated for the purpose of this section between American Indians residing on and off reservations within the state. Nothing in this section shall preclude such tribe, band, or communities from requesting and receiving cooperation, advice, and assistance from the agency as regards program development, operation, delivery, financing, or administration. As a condition to the making of such eligible loans, the Minnesota Chippewa tribe, the Red Lake band of Chippewa Indians, and the Sioux communities shall:

(1) enter into a loan agreement and other contractual arrangements with the agency for the purpose of transferring the allocated portion of loan funds as set forth in section 462A.26 and to insure compliance with the provisions of this section and this chapter; and

(2) agree that all of their official books and records related to such housing programs shall be subjected to audit by the legislative auditor in the manner prescribed for agencies of state government.

The agency shall submit a biennial report concerning the various housing programs for American Indians, and related receipts and expenditures as provided in section 462A.22, subdivision 9, and such tribe, band, or communities to the extent that they administer such programs, shall be responsible for any costs and expenses related to such administration provided, however, they shall be eligible for payment for costs, expenses, and services pursuant to subdivision 12 and section 462A.21. The agency may provide or cause to be provided essential general technical services as set forth in subdivision 2, and general consultative project assistance services, including, but not limited to, management training, and home ownership counseling as set forth in subdivision 3. Members of boards, committees, or other governing bodies of the tribe, band, and communities administering the programs authorized by this subdivision must be compensated for those services as provided in section 15.0575. Rules promulgated under this subdivision may be promulgated as emergency rules under chapter 14.

(b) The agency may engage in demonstration projects to encourage the participation of financial institutions or other leveraging sources in providing housing opportunities for American Indians. The agency shall consult with the Minnesota Chippewa tribe, the Red Lake band of Chippewa Indians, and the Sioux communities in developing the demonstration projects. The income limits specified in paragraph (a) do not apply to the demonstration projects.

New language is indicated by underline, deletions by ~~strikeout~~.

(c) The agency may make home improvement loans under this subdivision without regard to household income.

Sec. 5. Minnesota Statutes 1992, section 462A.10, is amended by adding a subdivision to read:

Subd. 10. DEFERRAL OF ISSUANCE AND DELIVERY. It may provide that the agency may defer the issuance and delivery of the bonds to the underwriters to a designated future date when the proceeds of the bonds are required for one or more of the purposes specified in section 462A.08.

Sec. 6. Minnesota Statutes 1992, section 462A.201, is amended by adding a subdivision to read:

Subd. 7. CAPACITY BUILDING GRANT SET-ASIDE. Five percent of the money credited to the housing trust fund account under section 82.24, subdivision 8, may be used to make capacity building grants as provided under section 462A.21, subdivision 3b.

Sec. 7. Minnesota Statutes 1993 Supplement, section 462A.202, subdivision 7, is amended to read:

Subd. 7. **RESTRICTIONS.** (a) Except as provided in paragraphs (b), (c), (d), ~~and (e), and (f)~~, the city must own the property financed with a loan under this section and use the property for the purposes specified in this section:

(1) the city may sell the property at its fair market value provided it repays the lesser of the net proceeds of the sale or the amount of the loan balance to the agency for deposit in the local government unit housing account; or

(2) the city may use the property for a different purpose provided that the city repays the amount of the original loan.

If the city owns and uses the property for the purposes specified in this section for a 20-year period, the agency shall forgive the loan.

(b) In cases where the property consists of land only, including land on which buildings acquired with a loan under this section are demolished by the city, the city may lease the property for a term not to exceed 99 years to a nonprofit ~~corporation~~ organization to use for the purposes specified in this section.

(c) In cases where the property consists of land and buildings, the city may do the following:

(1) demolish the buildings in whole or in part and use or lease the property under paragraph (b);

(2) sell the buildings to a nonprofit ~~corporation~~ organization to use for the purposes specified in this section. If sold, the city must sell the buildings for fair market value and repay the proceeds of the sale to the agency for deposit in the local government unit housing account;

New language is indicated by underline, deletions by ~~strikeout~~.

(3) lease the buildings to a nonprofit ~~corporation~~ organization to use for the purposes specified in this section. If leased, except as provided in paragraph (d), the annual rental must equal the amount of the loan attributable to the cost of the buildings, divided by the number of years of useful life of the buildings as determined in accordance with generally accepted accounting principles. For purposes of determining the required rental, the purchase price of land and buildings must be allocated between them based on standard valuation procedures; or

(4) contract with a nonprofit organization to manage the property.

(d) A city may lease a building to a nonprofit organization for a nominal amount under the following conditions:

(1) the lease does not exceed ten years;

(2) the city must have the option to cancel the lease with or without cause at the end of any three-year period; and

(3) the city must determine annually that the property is being used for the purposes specified in this section and that the terms of the lease, including any income limits for residents, are being met.

(e) A city may sell single-family residential housing directly to persons and families of low and moderate income.

(f) A city may lease the buildings to a partnership consisting of a nonprofit organization and a limited partner if the nonprofit organization is the general partner and the financing for the land trust project includes low-income housing tax credits. All conditions for leasing buildings to a nonprofit organization as provided under this subdivision apply to the lease authorized under this paragraph.

Sec. 8. Minnesota Statutes 1992, section 462A.21, is amended by adding a subdivision to read:

Subd. 21. COMMUNITY REHABILITATION PROGRAM. The agency may spend money for the purposes of the community rehabilitation program authorized under section 462A.206 and may pay the costs and expenses necessary and incidental to the development and operation of the program.

Sec. 9. Minnesota Statutes 1993 Supplement, section 462A.222, subdivision 3, is amended to read:

Subd. 3. **ALLOCATION PROCEDURE.** (a) Projects will be awarded tax credits in three competitive rounds on an annual basis. The date for applications for each round must be determined by the agency. No allocating agency may award tax credits prior to the application dates established by the agency.

(b) Each allocating agency must meet the requirements of section 42(m) of

New language is indicated by underline, deletions by ~~strikeout~~.

the Internal Revenue Code of 1986, as amended through December 31, 1989, for the allocation of tax credits and the selection of projects.

(c) For applications submitted for the first round, an allocating agency may allocate tax credits only to the following types of projects:

(1) in the metropolitan area:

(i) new construction or substantial rehabilitation of projects in which at least 75 percent of the total units are single-room occupancy projects, efficiency, or one bedroom units and which are affordable by households whose income does not exceed 30 percent of the median income;

(ii) new construction or substantial rehabilitation family housing projects that are not restricted to persons who are 55 years of age or older and in which at least 75 percent of the units contain two or more bedrooms and at least one-third of the 75 percent contain three or more bedrooms; or

(iii) substantial rehabilitation projects in neighborhoods targeted by the city for revitalization;

(2) outside the metropolitan area, projects which meet a locally identified housing need and which are in short supply in the local housing market as evidenced by credible data submitted with the application;

(3) projects in which a percentage of the units are set aside and rented to persons:

(i) with a serious and persistent mental illness as defined in section 245.462, subdivision 20, paragraph (c);

(ii) with a developmental disability as defined in United States Code, title 42, section 6001, paragraph (5), as amended through December 31, 1990;

(iii) who have been assessed as drug dependent persons as defined in section 254A.02, subdivision 5, and are receiving or will receive care and treatment services provided by an approved treatment program as defined in section 254A.02, subdivision 2;

(iv) with a brain injury as defined in section 256B.093, subdivision 4, paragraph (a); or

(v) with physical disabilities if at least 50 percent of the units are accessible as provided under Minnesota Rules, chapter 1340;

(4) projects which preserve existing subsidized housing which is subject to prepayment if the use of tax credits is necessary to prevent conversion to market rate use; or

(5) projects financed by the Farmers Home Administration which meet statewide distribution goals.

New language is indicated by underline, deletions by ~~strikeout~~.

(d) Before the date for applications for the second round, the allocating agencies other than the agency shall return all uncommitted and unallocated tax credits to the pool from which they were allocated, along with copies of any allocation or commitment. In the second round, the agency shall allocate the remaining credits from the regional pools to projects from the respective regions.

(e) In the third round, all unallocated tax credits must be transferred to a unified pool for allocation by the agency on a statewide basis.

(f) Unused portions of the state ceiling for low-income housing tax credits reserved to cities and counties for allocation may be returned at any time to the agency for allocation.

Sec. 10. Minnesota Statutes 1992, 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 percent of the greater of (4) state median income, or (2) 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.

Sec. 11. Minnesota Statutes 1992, section 462A.31, subdivision 4, is amended to read:

Subd. 4. **MORTGAGES.** (a) A ground lease with a neighborhood land trust must prohibit the lessee from mortgaging the lessee's interest in the lease or in buildings or other improvements without the consent of the neighborhood land trust. A ground lease may obligate a neighborhood land trust as lessor and fee title holder to consent to, join in, or subordinate its interest to, a mortgage entered into by a lessee as mortgagor for the purpose of obtaining financing for acquisition, construction, or renovation of housing on the land. A lease provision so obligating a neighborhood land trust must specify that the mortgage must provide to the neighborhood land trust the right to receive from the mortgagee prompt notice of default in the mortgage and the right to cure the default or to purchase the mortgagee's interest in the mortgage. The limited equity price and provisions in subdivision 3 do not apply if the lessee or the neighborhood land trust fails to cure the default or purchase the mortgagee's interest in the mortgage.

(b) A ground lease with a neighborhood land trust must provide that the neighborhood land trust will not, during the term of the lease, mortgage or otherwise encumber its interest in the property or permit any liens on its interest in the property to exist. This prohibition does not apply to mortgages that require the mortgagee to subordinate the lien of its mortgage to a mortgage entered into by a lessee as mortgagor for the purpose of obtaining financing for acquisition, construction, or renovation of housing on the land.

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 12. **EFFECTIVE DATE.**

Sections 1 to 11 are effective the day following final enactment.

Presented to the governor May 4, 1994

Signed by the governor May 6, 1994, 11:37 a.m.

CHAPTER 587—H.F.No. 3209

An act relating to the financing and operation of state and local government; conforming with certain changes in the federal income tax law; changing tax brackets, rates, bases, exemptions, withholding, payments, and refunds; allowing tax credits; changing the subtraction for the elderly and disabled; altering taconite production tax rates and distributions; providing for use of taconite economic development funds; altering procedures of the board of government innovation and cooperation and appropriating money to the board; providing aids to local governments; changing the calculation of property tax refunds; modifying property tax provisions relating to appeals, petitions, procedures, valuation, levies, classifications, homesteads, credits, and exemptions; changing certain tax return or report requirements; changing operation of the local government trust fund and providing for its future repeal; authorizing special assessments; authorizing a local lodging tax; enacting provisions relating to certain cities, counties, special taxing districts, and towns; changing certain redemption provisions; reforming state budget procedures; changing certain bonding provisions and authorizing bonding; creating a bond guarantee fund; modifying tax increment financing requirements; eliminating certain conditions relating to the contamination tax; providing for creation and operation of the Cross Lake area water and sewer board and the Chisholm/Hibbing airport authority; giving the commissioner of revenue certain authority; requiring certain permits and permit fees; requiring studies; appropriating money and limiting appropriations; amending Minnesota Statutes 1992, sections 16A.711, subdivisions 4 and 5; 60A.02, by adding a subdivision; 60A.15, by adding a subdivision; 124.196; 256E.06, subdivision 5, and by adding a subdivision; 271.06, subdivision 7; 273.061, by adding a subdivision; 273.111, subdivision 11; 273.138, by adding a subdivision; 273.1398, by adding a subdivision; 273.165, subdivision 1; 278.05, subdivision 6; 289A.02, by adding a subdivision; 289A.25, subdivision 5; 290.01, subdivision 19d, and by adding subdivisions; 290.05, subdivision 3, and by adding a subdivision; 290.06, subdivision 2c; 290.067, subdivision 1; 290.068, subdivision 2; 290.0802, subdivisions 1 and 2; 290.091, subdivision 3; 290.0921, subdivision 2; 290.35, by adding a subdivision; 290A.04, subdivisions 2 and 2a; 296.16, subdivision 1; 297.01, by adding a subdivision; 297A.01, by adding a subdivision; 297A.02; 297A.135, subdivision 1; 297A.15, subdivision 5; 297A.25, by adding subdivisions; 297A.256; 297A.44, subdivision 1; 297C.03, subdivision 6; 298.017, subdivision 2; 298.24, subdivision 1; 298.26; 298.28, by adding a subdivision; 298.296, subdivision 2, and by adding a subdivision; 360.036, subdivisions 2 and 3; 360.037, subdivision 2; 360.042, subdivision 10; 466A.02, subdivision 3; 469.004, subdivision 1a; 473.341; 473H.05, by adding a subdivision; 473H.18; 477A.014, subdivision 5; 477A.03, as amended; and 580.23, as amended; Minnesota Statutes 1993 Supplement, sections 16A.712; 84.794, subdivision 1; 84.803, subdivision 1; 256E.06,

New language is indicated by underline, deletions by ~~strikeout~~.