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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 4278

02/26/2024 Authored by Lee, K., The bill was read for the first time and referred to the Committee on Housing Finance and Policy

1.1 A bill for an act
1.2 relating to housing; providing funding for The Heights housing development in
1.3 the city of St. Paul from the housing infrastructure program; requiring a report;
1.4 proposing coding for new law in Minnesota Statutes, chapter 462A.

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

1.6 Section 1. 462A.376 THE HEIGHTS HOUSING DEVELOPMENT IN THE CITY
1.7 OF ST. PAUL; HOUSING INFRASTRUCTURE PROGRAM FUNDING.

1.8 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms have
1.9 the meanings given.

1.10 (b) "Affordable and workforce apartment homes" means 899 multifamily,
1.11 multigenerational rental apartment homes planned for The Heights, including deeply
1.12 affordable homes for the local workforce, for families, and for seniors, as set forth in the
1.13 development agreement.

1.14 (c) "Area median income" means the median income for the Minneapolis-St.
1.15 Paul-Bloomington metropolitan statistical area published by the United States Department
1.16 of Housing and Urban Development, as adjusted for household size.

1.17 (d) "City" means the city of St. Paul.

1.18 (e) "Development agreement" means the agreement dated December 7, 2023, between
1.19 the port authority and the lead developer of the multifamily and single-family homes at The
1.20 Heights.

1.21 (f) "Habitat single-family homes" means 147 owner-occupied homes including single-
1.22 family, twin homes, and townhomes as set forth in the development agreement.

2.1 (g) "Port authority" means the Port Authority of the city of Saint Paul.

2.2 (h) "The Heights" means the 112-acre site in the city that was acquired by the port
2.3 authority under the authority of City Ordinance 19-39 for which a master plan was approved
2.4 by the city on June 1, 2022, which envisions 1,000 permanent modern manufacturing jobs;
2.5 over 1,000 new homes on 25 acres of the site; 20 acres of parks, trails, and open space; and
2.6 community amenities, including shops, services, and civic and recreational facilities.

2.7 Subd. 2. **Housing infrastructure funding and sources for The Heights.** The agency
2.8 must provide housing infrastructure funding for The Heights consisting of \$49,000,000 for
2.9 the affordable and work force apartment homes and \$23,600,000 for the habitat single-family
2.10 homes according to the terms, conditions, and procedures provided in subdivision 3. The
2.11 sources of the housing infrastructure funding must include all general fund appropriations
2.12 to the housing infrastructure program and all the proceeds of housing infrastructure bonds
2.13 authorized for fiscal years 2024 and 2025 and additional appropriations and bonds authorized
2.14 for the housing infrastructure program for fiscal years 2026 and 2027. No housing
2.15 infrastructure funding may be provided to The Heights from housing infrastructure funds
2.16 committed by the agency in 2023, unless the agency determines that there will be additional
2.17 housing infrastructure funding available due to funding commitments that will not be utilized.

2.18 Subd. 3. **Terms, conditions, and procedures.** Notwithstanding sections 462A.37 and
2.19 462A.375, the housing infrastructure funding provided for The Heights under subdivision
2.20 2 must be provided under the following terms, conditions, and procedures:

2.21 (1) the rental income rates for the affordable and work force apartment homes, which
2.22 includes homes for seniors, will include 91 units at 30 percent of area median income or
2.23 less, 93 units at 50 percent of area median income or less, 343 units at 60 percent of area
2.24 median income or less, and 372 units at rents that will address unmet housing needs in the
2.25 community based on local economic and social conditions;

2.26 (2) the buyer income limits for the habitat single-family homes will include 38 units at
2.27 60 percent of area median income or less, 74 units at 80 percent of area median income or
2.28 less, and 35 units at 100 percent of area median income or less, inclusive of the funding for
2.29 the habitat single-family homes awarded by the agency in December 2023;

2.30 (3) the housing infrastructure funding must be provided to accommodate the construction
2.31 schedule for The Heights, which is for 559 affordable and work force apartment homes and
2.32 40 habitat single-family homes in 2024, 34 habitat single-family homes in 2025, 90 affordable
2.33 work force and apartment homes and 29 habitat homes in 2026, and 250 affordable and
2.34 work force apartment homes and 44 habitat single-family homes in 2027;

3.1 (4) loans provided for The Heights from housing infrastructure funding must be provided
3.2 to one or more private or nonprofit developers based on the terms of the development
3.3 agreement;

3.4 (5) the terms and conditions of the loans, the underwriting standards to be utilized, and
3.5 related matters must be commercially reasonable and consistent with The Heights as an
3.6 important statewide priority and facilitate the overall financial plan for The Heights, including
3.7 specifically subordination of the loans to the United States Department of Housing and
3.8 Urban Development, other federal agencies, and government sponsored enterprises;

3.9 (6) if the agency will issue housing infrastructure bonds to fund the loans, the
3.10 commissioner of management and budget must coordinate with the agency to the maximum
3.11 extent reasonably practicable to facilitate the issuance of the bonds on a timely basis to fund
3.12 the loans consistent with the construction schedule for The Heights. As necessary, and to
3.13 the extent reasonably practicable, the agency will fund the loans with other resources
3.14 available to the agency until the proceeds of housing infrastructure bonds are available to
3.15 fund the loans;

3.16 (7) the amount of the loans from housing infrastructure funding may be increased by
3.17 reasonable amounts based on changed economic and financial conditions subject to the
3.18 availability of housing infrastructure funding;

3.19 (8) the number of affordable and work force apartment homes and habitat single-family
3.20 homes, the rental income and buyer income limits, and the construction schedule are subject
3.21 to reasonable adjustment based on changed economic and financial conditions, and the
3.22 amount of the loans from housing infrastructure funding may be increased or decreased
3.23 based on these adjustments and the availability of housing infrastructure funding;

3.24 (9) the private and nonprofit developers eligible to receive housing infrastructure funding
3.25 for The Heights may apply to the agency for funding from other agency programs for The
3.26 Heights, provided that to the extent funding is awarded it will be deducted from the amount
3.27 for which The Heights is eligible under subdivision 2; and

3.28 (10) in order to advance The Heights as a statewide priority, the agency, the city, the
3.29 port authority, and the lead developer identified in the development agreement must enter
3.30 into a memorandum of understanding on how they will work to implement this section by
3.31 July 1, 2024. If the agency is unable to meet this deadline due to its other responsibilities
3.32 and resources available to advance its mission, then the city, in consultation with the port
3.33 authority, is authorized to act as the agent of and on behalf of the agency and to request the
3.34 agency to take actions necessary to implement this section. The city must consult with the

4.1 agency on the requested actions of the agency and provide reasonable timelines for agency
4.2 actions. After being consulted by the city, the agency must take the actions requested by
4.3 the city according to the reasonable timelines provided by the city.

4.4 Subd. 4. **Report to the legislature; certificate of completion; repeal.** The agency, with
4.5 the input of the city, the port authority, and the lead developer under the development
4.6 agreement will provide a report on the status of the implementation of this section by January
4.7 30 of each year to the chairs and ranking minority members of the legislative committees
4.8 with jurisdiction over housing finance and policy. A final report must be provided by January
4.9 30 in the year after the agency, with the input of the city, the port authority, and the lead
4.10 developer under the development agreement, certifies that the provisions of this section
4.11 have been completed. This certification may include a recommendation that this section be
4.12 repealed, provided that the rights and responsibilities of all parties to all agreements entered
4.13 into under the authority or funding provided by this section will survive any repeal based
4.14 on the terms of those agreements.

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