

SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION

S.F. No. 4940

(SENATE AUTHORS: XIONG)

DATE	D-PG	OFFICIAL STATUS
03/13/2024	12195	Introduction and first reading Referred to Housing and Homelessness Prevention

1.1A bill for an act

1.2relating to housing; expanding eligible uses of housing infrastructure bonds;

1.3providing for recapitalization; amending a prior appropriation for the housing

1.4infrastructure program; establishing task forces; requiring reports; amending

1.5Minnesota Statutes 2023 Supplement, section 462A.37, subdivisions 1, 2; Laws

1.62023, chapter 37, article 1, section 2, subdivision 17.

1.7BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8Section 1. Minnesota Statutes 2023 Supplement, section 462A.37, subdivision 1, is

1.9amended to read:

1.10Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have

1.11the meanings given.

1.12(b) "Abandoned property" has the meaning given in section 117.025, subdivision 5.

1.13(c) "Community land trust" means an entity that meets the requirements of section

1.14462A.31, subdivisions 1 and 2.

1.15(d) "Debt service" means the amount payable in any fiscal year of principal, premium,

1.16if any, and interest on housing infrastructure bonds and the fees, charges, and expenses

1.17related to the bonds.

1.18(e) "Foreclosed property" means residential property where foreclosure proceedings

1.19have been initiated or have been completed and title transferred or where title is transferred

1.20in lieu of foreclosure.

1.21(f) "Housing infrastructure bonds" means bonds issued by the agency under this chapter

1.22that:

2.1 (1) are qualified 501(c)(3) bonds, within the meaning of section 145(a) of the Internal
2.2 Revenue Code;

2.3 (2) finance qualified residential rental projects within the meaning of section 142(d) of
2.4 the Internal Revenue Code; or

2.5 (3) are tax-exempt bonds that are not private activity bonds, within the meaning of
2.6 section 141(a) of the Internal Revenue Code, for the purpose of financing or refinancing
2.7 affordable housing authorized under this chapter.

2.8 (g) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended.

2.9 (h) "Recapitalization" means financing to address the physical and financial needs of a
2.10 distressed building or buildings, including restructuring and forgiveness of amortizing and
2.11 deferred debt; principal paydown; interest rate write-down; debt deferral; mortgage payment
2.12 forbearance; deferred maintenance; security services; property insurance; renovations;
2.13 supportive services reserves; or property reserves to add value, ensure stable property
2.14 operations, or extend the life and affordability of a building.

2.15 ~~(h)~~ (i) "Senior" means a person 55 years of age or older.

2.16 ~~(i)~~ (j) "Senior household" means a household with one or more senior members and with
2.17 an annual combined income not greater than 50 percent of:

2.18 (1) the metropolitan area median income for persons in the metropolitan area; or

2.19 (2) the statewide median income for persons outside the metropolitan area.

2.20 ~~(j)~~ (k) "Senior housing" means housing intended and operated for occupancy by senior
2.21 households with at least 80 percent of the units occupied by senior households, and for
2.22 which there is publication of, and adherence to, policies and procedures that demonstrate
2.23 an intent by the owner or manager to provide housing for seniors. Senior housing may be
2.24 developed in conjunction with and as a distinct portion of mixed-income senior housing
2.25 developments that use a variety of public or private financing sources.

2.26 ~~(k)~~ (l) "Supportive housing" means housing that is not time-limited and provides or
2.27 coordinates with linkages to services necessary for residents to maintain housing stability
2.28 and maximize opportunities for education and employment.

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

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

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

(1) to finance the costs of the construction, acquisition, recapitalization, funding of operations and service reserves, and rehabilitation of supportive housing where at least 50 percent of units are set aside for individuals and families who are without a permanent residence;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(C) low-fume paint;

(D) low-chemical carpet; and

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

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

(g) Among comparable proposals requesting funding for recapitalization, the agency must prioritize projects in properties that are:

(1) at risk of foreclosure;

(2) under workout agreements with lenders; or

(3) providing affordable homeownership opportunities.

(h) Supportive housing providers may use a portion of funding awarded pursuant to this section to support oversight and operations of supportive housing facilities.

(i) The agency must engage with community stakeholders, advocates, and developers annually when considering project priorities.

(j) From July 1, 2024, through June 30, 2033, whenever the agency awards more than \$20,000,000 under this section, 50 percent of the amount must be awarded for recapitalization.

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

Sec. 3. Laws 2023, chapter 37, article 1, section 2, subdivision 17, is amended to read:

Subd. 17. Housing Infrastructure	100,000,000	100,000,000
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This appropriation is for the housing infrastructure program for the eligible purposes under Minnesota Statutes, section

462A.37, subdivision 2. This is a onetime appropriation. Of this amount, at least \$50,000,000 must be used for recapitalization, as defined by Minnesota Statutes, section 462A.37, subdivision 1.

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

Sec. 4. **AFFORDABLE HOUSING INSURANCE COSTS TASK FORCE.**

Subdivision 1. Creation; duties. A legislative task force is created to:

(1) evaluate increased insurance rates in the affordable housing market, including rates and availability of insurance in lower-income and higher racial minority percentage communities; and

(2) develop legislative proposals to stabilize or lower insurance rates of affordable housing providers.

Subd. 2. Membership. The task force must consist of ten members selected by the governor for their expertise in insurance law or the insurance market. The task force must include an additional member designated by the commissioner of commerce for expertise in insurance regulation. The task force must include an additional member designated by the Minnesota attorney general as an expert in insurance law. Appointments to the task force must be made by August 18, 2024.

Subd. 3. Compensation. Public members of the task force may be compensated as provided by Minnesota Statutes, section 15.059, subdivision 3.

Subd. 4. Officers; meetings. (a) The Department of Commerce shall convene the first meeting of the task force no later than August 31, 2024, and shall provide accessible physical or virtual meeting space as necessary for the task force to conduct its work.

(b) At its first meeting, the task force shall elect a chair and vice-chair from among the task force members and may elect other officers as necessary.

(c) The task force shall meet according to a schedule determined by the members or upon the call of its chair. The task force shall meet as often as necessary to accomplish the duties under subdivision 5.

(d) Meetings of the task force are subject to Minnesota Statutes, chapter 13D.

Subd. 5. Final report; expiration. The task force shall prepare a report making recommendations for administrative and legislative action to stabilize or lower insurance

7.1 rates in this sector by December 31, 2024, and shall expire upon completion and adoption
7.2 of the final report.

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

7.4 Sec. 5. **TASK FORCE ON LONG-TERM SUSTAINABILITY OF AFFORDABLE**
7.5 **HOUSING.**

7.6 (a) A task force is established to:

7.7 (1) evaluate the process of awarding and closing awards of low-income housing tax
7.8 credits and housing infrastructure bonds; and

7.9 (2) recommend to the commissioner of the Minnesota Housing Finance Agency process
7.10 improvements to promote long-term sustainability of affordable housing projects.

7.11 (b) The Legislative Coordinating Commission shall convene the first meeting of the task
7.12 force no later than August 31, 2024, and shall provide accessible physical or virtual meeting
7.13 space as necessary for the task force to conduct its work. The task force must create final
7.14 recommendations for the commissioner of the Minnesota Housing Finance Agency no later
7.15 than April 30, 2025.

7.16 (c) The task force shall consist of 11 members representing a cross section of the
7.17 affordable housing industry and relevant agency staff. The chair of the house of
7.18 representatives committee with jurisdiction over housing finance shall appoint four members.
7.19 The chair of the senate committee with jurisdiction over housing finance shall appoint four
7.20 members. The commissioner of the Minnesota Housing Finance Agency shall appoint three
7.21 members. Members must be appointed no later than July 1, 2024.

7.22 (d) The task force expires upon submission of the final recommendations required under
7.23 paragraph (b).

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