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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 2976

02/01/2022

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The bill was read for the first time and referred to the Committee on Workforce and Business Development Finance and Policy

1.1 A bill for an act
1.2 relating to economic development; creating the emerging developer fund program;
1.3 requiring reports; appropriating money; proposing coding for new law in Minnesota
1.4 Statutes, chapter 116J.

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

1.6 Section 1. 116J.9926 EMERGING DEVELOPER FUND PROGRAM.

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

1.9 (b) "Commissioner" means the commissioner of employment and economic development.

1.10 (c) "Eligible project" means a project that is based in Minnesota and meets one or more
1.11 of the following criteria:

1.12 (1) it will stimulate community stabilization or revitalization;

1.13 (2) it will be located within a census tract identified as a disadvantaged community or
1.14 low-income community;

1.15 (3) it will directly benefit residents of a low-income household;

1.16 (4) it will increase the supply and improve the condition of affordable housing and
1.17 homeownership;

1.18 (5) it will support the growth needs of new and existing community-based enterprises
1.19 that promote economic stability or improve the supply or quality of job opportunities; or

1.20 (6) it will promote wealth creation, including by being a project in a neighborhood
1.21 traditionally not served by real estate developers.

2.1 (d) "Emerging developer" means a developer who:

2.2 (1) has limited access to loans from traditional financial institutions; or

2.3 (2) is a new or smaller developer who has engaged in educational training in real estate
2.4 development; and

2.5 (3) is either a:

2.6 (i) minority as defined by Minnesota Statutes, section 116M.14, subdivision 6;

2.7 (ii) woman;

2.8 (iii) person with a disability, as defined under Minnesota Statutes, section 116M.14,
2.9 subdivision 9; or

2.10 (iv) low-income person.

2.11 (e) "Low-income person" means a person who:

2.12 (i) has a household income at or below 200 percent of the federal poverty level; or

2.13 (ii) has a family income that does not exceed 60 percent of the area median income as
2.14 determined by the United States Department of Housing and Urban Development.

2.15 (f) "Program" means the emerging developer fund program created under this section.

2.16 Subd. 2. **Establishment.** The commissioner shall establish an emerging developer fund
2.17 program to make loans to emerging developers for eligible projects that will transform
2.18 neighborhoods statewide and promote economic development and the creation and retention
2.19 of jobs in Minnesota. The program shall also reduce racial and socioeconomic disparities
2.20 by growing the financial capacity of emerging developers.

2.21 Subd. 3. **Loan program.** (a) Through the program, the commissioner shall offer emerging
2.22 developers predevelopment, construction, and bridge loans for eligible projects.

2.23 (b) Predevelopment loans shall be for no more than \$50,000. All other types of loans
2.24 shall be for no more than \$500,000.

2.25 (c) Loans shall be for a term set by the commissioner of no less than six months and no
2.26 more than five years, depending on the use of loan proceeds.

2.27 (d) Loans shall be for zero interest or a low interest rate, as determined by the
2.28 commissioner based on the individual project risk and type of loan sought.

3.1 (e) Loans shall have flexible collateral requirements, but may require a personal guaranty
3.2 from the emerging developer and may be largely unsecured when the appraised value of
3.3 the real estate is low.

3.4 (f) Loans shall have no prepayment penalties and are expected to be repaid from
3.5 permanent financing or a conventional loan, once that is secured.

3.6 (g) Loans shall have the ability to bridge many types of receivables, such as tax credits,
3.7 grants, developer fees, and other forms of long-term financing.

3.8 (h) At the commissioner's discretion, an emerging developer may be required to work
3.9 with an experienced developer or professional services consultant who can offer expertise
3.10 and advice throughout the development of the project.

3.11 (i) All loan repayments shall be paid into the emerging developer fund account created
3.12 in this section to fund additional loans.

3.13 Subd. 4. **Eligible expenses.** (a) The following shall be eligible expenses for a
3.14 predevelopment loan under the program:

3.15 (1) earnest money or purchase deposit;

3.16 (2) building inspection fees and environmental reviews;

3.17 (3) appraisal and surveying;

3.18 (4) design and tax credit application fees;

3.19 (5) title and recording fees;

3.20 (6) site preparation, demolition, and stabilization;

3.21 (7) interim maintenance and project overhead;

3.22 (8) property taxes and insurance;

3.23 (9) construction bonds or letters of credit;

3.24 (10) market and feasibility studies; and

3.25 (11) professional fees.

3.26 (b) The following shall be eligible expenses for a construction or bridge loan under the
3.27 program:

3.28 (1) land or building acquisition;

3.29 (2) construction-related expenses;

- 4.1 (3) developer and contractor fees;
- 4.2 (4) site preparation and demolition;
- 4.3 (5) financing fees, including title and recording;
- 4.4 (6) professional fees;
- 4.5 (7) carrying costs;
- 4.6 (8) construction period interest;
- 4.7 (9) project reserves; and
- 4.8 (10) leasehold improvements and equipment purchase.

4.9 Subd. 5. **Emerging developer fund account.** An emerging developer fund account is
 4.10 created in the special revenue fund in the state treasury. Money in the account is appropriated
 4.11 to the commissioner for loans under this section.

4.12 Subd. 6. **Reports to the legislature.** By February 15 of each year, beginning in 2024,
 4.13 the commissioner shall submit a report to the chairs of the house of representatives and
 4.14 senate committees with jurisdiction over economic development on loans made under the
 4.15 program.

4.16 Sec. 2. **EMERGING DEVELOPER FUND PROGRAM; APPROPRIATION.**

4.17 \$..... in fiscal year 2023 is appropriated from the general fund to the commissioner of
 4.18 employment and economic development for deposit in the emerging developer fund account
 4.19 in the special revenue fund. Of this amount, up to five percent is for administration and
 4.20 monitoring of the emerging developer fund program under Minnesota Statutes, section
 4.21 116J.9926. This is a onetime appropriation.