

CHAPTER 462C

MUNICIPAL HOUSING PROGRAMS

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462C.01 AUTHORIZATION.

A city may develop and administer programs of (1) making or purchasing mortgage or rehabilitation loans pursuant to section 462C.03 to finance the acquisition or rehabilitation of single family housing by low and moderate income persons and families anywhere within its boundaries, or (2) making or purchasing loans pursuant to section 462C.05 to finance multifamily housing developments or the rehabilitation of multifamily housing developments if the program is submitted for review pursuant to section 462C.04, subdivision 2.

History: 1979 c 306 s 1; 1982 c 624 s 1; 1995 c 167 s 1

462C.02 DEFINITIONS.

Subdivision 1. **Application.** For the purposes of sections 462C.01 to 462C.08, the terms defined in this section have the meanings given them.

Subd. 2. [Repealed, 1995 c 167 s 16]

Subd. 3. **Program.** "Program" means an individual component of a city's overall program for housing for which one or more issues of revenue bonds or obligations is proposed.

Subd. 4. **Single family housing.** "Single family housing" means real property and improvements thereon consisting of a one, two, three or four unit dwelling, one unit of which is occupied as a principal residence by the owner of the units, or a unit or an apartment as described in chapter 515 or 515A, or any amendatory or supplemental law, which is owned or to be owned and occupied by one person or family as a principal residence, or a unit in a cooperatively owned group of dwelling units which is occupied as a principal residence. Single family housing may include new construction, or the acquisition and rehabilitation of an existing building and site, or the rehabilitation of and discharge of any interest or lien in an existing building and site.

Subd. 5. **Multifamily housing development, development.** "Multifamily housing development" or "development" means an apartment facility, including an apartment described in chapter 515 or 515A or a cooperative, or a group of townhouses, which include four or more dwelling units, each to be rented or sold to or occupied by a person or family for use as a residence, or a building or buildings which include one or more dwelling units, each to be rented by a person or family for use as a residence. A development may include new construction or the acquisition and rehabilitation of an existing building and site or the rehabilitation of and discharge of any interest or lien in an existing building and site.

Subd. 6. **City.** "City" means any statutory or home rule charter city, a county housing and redevelopment authority created by special law or authorized by its county to exercise its powers pursuant to section 469.004, or any public body which (a) is the housing and redevelopment authority in and for a statutory or home rule charter city, the port authority of a statutory or home rule charter city, or an economic development authority of a city established under sections 469.090 to 469.108, and (b) is authorized by ordinance to exercise, on behalf of a statutory or home rule charter city, the powers conferred by sections 462C.01 to 462C.10.

Subd. 7. **Adjusted gross income.** "Adjusted gross income" means gross family income less \$750 for each adult in the family to a maximum of two adults and less \$500 for each other dependent in the family.

Subd. 8. **Rehabilitation.** "Rehabilitation" means the improvement of existing single family housing or an existing multifamily housing development to improve the basic livability of the housing or restore it to a decent, safe, and sanitary condition. Improvements may include, without limitation, room additions, renovation, improvement or construction of a garage, repair of sidewalks, and improvements used or useful to conserve energy or to convert or refit an existing residential building for the use of any energy source which does not depend on nuclear fuel or nonrenewable fossil fuel, or which makes available another energy source which is wasted including, without limitation, cogeneration or district heating. Improvements shall not include the construction or improvement of recreational facilities, routine or minor repairs or maintenance, or cosmetic improvements unless coupled with the cure of substantial accumulation of deferred maintenance or other permitted improvements.

Subd. 9. **Targeted area.** "Targeted area" means

- (a) a development district established pursuant to section 469.126,
- (b) a development district established pursuant to Laws 1971, chapter 677 as amended,
- (c) a redevelopment project established pursuant to section 469.028,
- (d) an industrial development district established pursuant to section 469.058,
- (e) a census tract in which 70 percent or more of the families have income which is 80 percent or less of the statewide median family income as estimated by the United States Department of Housing and Urban Development,
- (f) an area of chronic economic distress designated by the Minnesota housing finance agency, or
- (g) an economic development district established pursuant to section 469.101.

Subd. 10. **Mortgage credit certificate.** "Mortgage credit certificate" means any certificate which satisfies the definition of such term as contained in section 25(c)(1) of the Internal Revenue Code of 1954, as amended through July 18, 1984.

Subd. 11. **Qualified mortgage credit certificate program.** "Qualified mortgage credit certificate program" means any program which satisfies the definition of such term as contained in section 25(c)(2) of the Internal Revenue Code of 1954, as amended through July 18, 1984.

Subd. 12. **Loan.** "Loan" means (1) for single family housing, any loan, mortgage, or other form of owner financing; and (2) for multifamily housing developments which are rental property, any loan, mortgage, financing lease, or revenue agreement.

Subd. 13. **Revenue agreement.** "Revenue agreement" has the meaning given that term in section 469.153, subdivision 10.

History: 1979 c 306 s 2; 1982 c 624 s 2-6; 1Sp1985 c 14 art 8 s 21,22; 1986 c 399 art 2 s 35,36; 1986 c 400 s 35,36; 1986 c 465 art 2 s 11; 1Sp1986 c 3 art 2 s 41; 1987 c 291 s 219,220; 1989 c 209 art 2 s 1; 1989 c 328 art 6 s 2,3; 1991 c 199 art 2 s 1; 1995 c 167 s 2

462C.03 CITY HOUSING PLAN.

Subdivision 1. [Repealed, 1995 c 167 s 16]

Subd. 1a. **Plan requirements.** In addition to the requirements provided in subdivisions 2 and 3, if applicable, each program to be developed and administered by a city under a housing plan shall, at a minimum, set forth:

- (a) a general description of the program;
- (b) a designation of the geographic location to which the program will be limited;
- (c) in the case of a program for single family housing, the number and qualifications of lenders eligible to participate in the program;
- (d) in the case of a program for single family housing, the estimated amount of mortgage or rehabilitation loans to be made or purchased in the program;
- (e) the estimated amounts and timing of the sale of revenue bonds required to finance the program, including the funding of appropriate reserves, and paying costs of issuance;
- (f) methods for monitoring the implementation by participants to insure that the program will be consistent with the plan and its objectives;

(g) the portion, if any, of the state ceiling for qualified mortgage bonds needed for the program;

(h) an analysis of how the program will meet the needs of low and moderate income families; and

(i) for mortgage credit certificate programs the program shall additionally set forth, or contain as an exhibit, the following:

(1) the range of credit certificate rates to be used and how the rates are assigned to certificate recipients;

(2) the nonissued bond amount as that term is used in section 25(d)(2)(B) of the Internal Revenue Code of 1954, as amended through July 18, 1984;

(3) the form used to elect under section 25(c)(2)(A)(ii) of the Internal Revenue Code of 1954, as amended through July 18, 1984;

(4) the plan submitted to the secretary of the treasury pursuant to section 25(d)(3) of the Internal Revenue Code of 1954, as amended through July 18, 1984; and

(5) how the city will ensure compliance with all of the requirements of section 25 of the Internal Revenue Code of 1954, as amended through July 18, 1984.

Subd. 2. Income limits; exception; source of data. Each single family housing program shall establish limits on gross income for persons and families to be served by the program. The adjusted gross income may not exceed the greater of (a) 110 percent of the median family income as estimated by the United States department of housing and urban development for the nonmetropolitan county or standard metropolitan statistical area, as the case may be, or (b) 100 percent of the income limits established by the Minnesota housing finance agency in which the city is located; except as provided in subdivision 8. The Minnesota housing finance agency shall provide the relevant income data to any city requesting the data.

Subd. 3. Maximum prices or values. The single family housing program shall establish maximum purchase prices or appraised values for single family housing eligible for mortgage loans in the program. The maximum purchase price allowable for each dwelling unit shall not exceed three times the income limit established for the program in subdivision 2, except that, for any program or portion of a program undertaken within a targeted area, the maximum purchase price for each dwelling unit shall not exceed four times the income limit established pursuant to subdivision 2.

Subd. 4. Loan originators. Any financial institution as defined in section 47.0151, doing business within the city which is an approved FHA/VA or FNMA/FHLMC lender shall be eligible for consideration for origination of single family housing loans in any city single family housing program. Other lenders may be eligible as provided in the program. Origination of loans in the single family program may not be limited to a single lender unless other eligible lenders are not interested in participating or the program clearly sets forth why a public purpose would be served by confining participation to one lender.

Subd. 5. [Repealed, 1995 c 167 s 16]

Subd. 6. Multiple developers, builders required. Loans under a single family housing program may not be made to one developer or builder or restricted to housing provided by one developer or builder.

Subd. 7. Half to those under 90 percent of limit. Fifty percent of the money available for loans for each single family housing program subject to the income limits established pursuant to subdivision 2, must be made available to persons and families with adjusted gross incomes of less than 90 percent of the program's income limits for a period of six months from the date when the money becomes available for the program.

Subd. 8. Other conditions. Twenty percent of the aggregate amount of all loans provided under all city housing programs included in the housing plan for single family housing may be provided without regard to income limits or net worth limits if: (a) the single family housing program is used to finance single family housing in a targeted area; or (b) the city has previously developed and administered a housing program for low and moderate income persons and families and the single family housing program will be used to further policies of economic integration, stability and revitalization of residential areas. No single family housing program shall be developed or administered pursuant to this subdivision if the single

family housing program will contribute to urban sprawl. A housing program shall be deemed to contribute to urban sprawl if the housing program is to be used to finance single family housing in any previously unincorporated real property annexed by the city pursuant to chapter 414, within one year prior to the date of the resolution adopted pursuant to Laws 1979, Chapter 306.

Subd. 9. Assumption. The single family housing program may include limitations or prohibitions on the assumption of the loans or other terms which are inconsistent with section 47.20, subdivision 6 or 6a, for notes or bonds or other obligations issued by the city pursuant to section 462C.07.

Subd. 10. Tax exempt bond proceeds; aggregate limits. Notwithstanding any provision of this chapter, not more than 20 percent of the aggregate dollar amount of tax-exempt bond proceeds appropriated by any city within any calendar year to make or purchase loans providing single family housing or dwelling units for sale within multifamily housing developments described in section 462C.05, subdivision 3, shall be appropriated to provide single family housing for persons or families, including renters of the single family housing, whose gross income exceeds the limit in section 462C.03, subdivision 2. If 20 percent of the total amount of tax-exempt bond funds so appropriated by the city in any calendar year is expended for housing not within the limit, no additional funds may be expended pursuant to any other similar appropriation until the remaining 80 percent is expended for housing within the limit. Notwithstanding subdivision 2, the city may use taxable bond proceeds for single family housing for persons and families with adjusted gross incomes of up to 175 percent of the median family income as estimated by the United States Department of Housing and Urban Development for the nonmetropolitan county or standard metropolitan statistical area, whichever is appropriate.

Subd. 11. Rehabilitation. The single family housing program may provide for loans for rehabilitation of single family housing or for the acquisition of rehabilitated housing. The single family housing program may also provide loans for acquisition of and the discharge of any lien or interest in and rehabilitation of single family housing if:

- (a) the mortgagor to whom the financing is provided is the first resident of the residence after completion of the rehabilitation;
- (b) there is a period of at least 20 years between the date on which the structure was first used and the date on which the physical work on the rehabilitation begins;
- (c) 75 percent or more of the existing external walls of the structure are retained in place as external walls in the rehabilitation process; and
- (d) the expenditures for the rehabilitation equal 25 percent or more of the mortgagor's "adjusted basis" (as determined pursuant to the Internal Revenue Code of 1954, as amended through December 31, 1981), in the residence, determined at the time of completion of the rehabilitation, or, if later, the date on which the mortgagor acquires the residence.

History: 1979 c 306 s 3; 1980 c 593 s 7; 1981 c 306 s 14; 1982 c 624 s 7; 1Sp1985 c 14 art 8 s 23,24; 1991 c 291 art 21 s 16

462C.04 PLAN REVIEW.

Subdivision 1. [Repealed, 1995 c 167 s 16]

Subd. 2. Program review. A public hearing shall be held on each program after one publication of notice in a newspaper circulating generally in the city, at least 15 days before the hearing. On or before the day on which notice of the public hearing is published, the city shall submit the program to the metropolitan council, if the city is located in the metropolitan area as defined in section 473.121, subdivision 2, or to the regional development commission for the area in which the city is located, if any, for review and comment. The appropriate reviewing agency shall comment on:

- (a) whether the program furthers local and regional housing policies and is consistent with the metropolitan development guide, if the city is located in the metropolitan area, or adopted policies of the regional development commission; and
- (b) the compatibility of the program with the housing portion of the comprehensive plan of the city, if any.

Review of the program may be conducted either by the board of the reviewing agency or by the staff of the agency. Any comment submitted by the reviewing agency to the city must be presented to the body considering the proposed program at the public hearing held on the program.

A member or employee of the reviewing agency shall be permitted to present the comments of the reviewing agency at the public hearing. After conducting the public hearing, the program may be adopted with or without amendment, provided that any amendments must not be inconsistent with the comments, if any, of the reviewing agency and must not contain any material changes from the program submitted to the reviewing agency other than changes in the financial aspects of any proposed issue of bonds or obligations. If any material change other than a change in the financial aspects of a proposed issue of bonds or obligations, or any change which is inconsistent with the comments of the reviewing agency is adopted, the amended program shall be resubmitted to the appropriate reviewing agency for review and comment, and a public hearing shall be held on the amended program after one publication of notice in a newspaper circulating generally in the city at least 15 days before the hearing. The amended program shall be considered after the public hearing in the same manner as consideration of the initial program.

Subd. 3. City report. Within 30 days after the bonds are issued for a housing program, the city shall submit a report to the Minnesota housing finance agency, the metropolitan council if the city is located within the metropolitan area as defined in section 473.121, subdivision 2, or the appropriate regional development commission. The report must include a program description, the amount of bonds issued, the income limits, and the rent levels.

Subd. 4. Annual legislative report. The Minnesota housing finance agency, in cooperation with the metropolitan council and the regional development commissions, shall report annually to the legislature on the number and amounts of bond issues and the number of housing programs established pursuant to sections 462C.01 to 462C.08.

History: 1979 c 306 s 4; 1982 c 624 s 8; 1983 c 216 art 1 s 70; 1Sp1985 c 14 art 8 s 25; 1987 c 384 art 1 s 40; 1993 c 236 s 18; 1995 c 167 s 3,4

462C.05 MULTIFAMILY HOUSING DEVELOPMENTS AND HEALTH CARE FACILITIES.

Subdivision 1. Use of loans; conditions. A city may also include in the housing plan, a program or programs to administer, and make or purchase a loan or loans to finance one or more multifamily housing developments within its boundaries, of the kind described in subdivision 2, 3, 4 or 7, and upon the conditions set forth in this section. A loan may be made or purchased for

- (a) the acquisition and preparation of a site and the construction of a new development,
- (b) the rehabilitation of an existing building and site and the discharge of any lien or other interest in the building and site,
- (c) for the acquisition of an existing building and site and the rehabilitation thereof,
- (d) for the acquisition of an existing building and site for purposes of conversion to limited equity cooperative ownership by low or moderate income families,
- (e) for the acquisition, or acquisition and improvement, of an existing building and site by a nonprofit corporation which will operate the building as a multifamily housing development for rental primarily to elderly or handicapped persons, or
- (f) the taking out of accumulated equity in connection with a program of federal insurance for the preservation of low-income housing.

With respect to loans made or purchased pursuant to clause (b) or (c), the cost of rehabilitation of an existing building must be estimated to equal at least \$1,000 per dwelling unit or 20 percent of the appraised value of the original building and site whichever is less, except that with respect to rehabilitation which consists primarily of improvement of the property with facilities or improvements to conserve energy or convert or retrofit for use of alternative energy sources, rehabilitation loans may be made without regard to cost; and at least a substantial portion of such rehabilitation cost must be estimated to be incurred for compliance with building codes or conservation of energy.

Each development upon completion shall comply with all applicable code requirements. A loan or loans may be made or purchased for either the construction or the long-term financing of a development, or both, including the financing of the acquisition of dwelling units and interests in common facilities provided therein, by persons to whom such units and facilities may be sold as contemplated in chapter 515 or 515A or any supplemental or amendatory law thereof or as contemplated for a development consisting of cooperative housing.

Substantially all of the proceeds of each loan shall be used to pay the cost of a multifamily housing development, including property functionally related and subordinate to it; but nothing herein prevents the construction or acquisition of the development over, under, or adjacent to, and in conjunction with facilities to be used for purposes other than housing.

Subd. 2. Affordability standard. A development shall be designed to be affordable by persons and families with adjusted gross income not in excess of the limits set forth in section 462C.03, subdivision 2, and by other persons and families to the extent determined to be necessary in furtherance of the policy of economic integration stated in section 462A.02, subdivision 6, with at least 20 percent of the dwelling units are held for occupancy by families or individuals with adjusted gross income not in excess of 80 percent of the median family income as estimated by the United States department of housing and urban development for the nonmetropolitan county or standard metropolitan statistical area, as the case may be.

Subd. 3. Maximum price or value. A development may be located within a targeted area without regard to the limitations and conditions set forth in subdivision 2, and without regard to those set forth in section 462C.03 except section 462C.03, subdivision 10, except that in no case shall the maximum purchase price or appraised value for a dwelling unit in the multifamily housing development exceed four times the income limit established by section 462C.03, subdivision 2, unless the development is in a building officially built before 1900, designated as an historical structure under state, local, or national procedures.

Subd. 4. Primary rentals to elderly, handicapped. A development may be designed for rental primarily to elderly or handicapped persons without regard to the limitations and conditions set forth in section 462C.03 and in subdivision 2.

Subd. 5. Hearing; assumption limits, prohibitions. Each program for a multifamily housing development or developments described in subdivision 1 shall be adopted after public hearing on the program which includes such development or developments and shall be approved by the Minnesota housing finance agency as provided in section 462C.01, and on the basis of the considerations stated in section 462C.04, subdivision 2. The multifamily housing development program may include limitations or prohibitions on the assumption of the loans or other terms which are inconsistent with section 47.20, subdivision 6 or 6a, for bonds or other obligations issued by the city pursuant to section 462C.07.

Subd. 6. Required demonstrations. The program shall demonstrate need for the development or developments, describe the method of financing proposed, state whether the development is to be constructed pursuant to subdivision 2, 3, or 4, and state the applicable limitations on gross income, if any, of the occupants.

Subd. 6a. Qualified allocation plan requirement. Multifamily housing developments described in subdivision 1 for which an application is submitted for low-income housing tax credits provided under section 42 of the Internal Revenue Code of 1986, as amended, must also satisfy the qualified allocation plan applicable to the area in which the project is located.

Subd. 7. Combined facility conditions, report. A development may consist of a combination of a multifamily housing development and a new or existing health care facility, as defined by section 469.153, if the following conditions are satisfied:

(a) The multifamily housing development is designed and intended to be used for rental occupancy;

(b) The multifamily housing development is designed and intended to be used primarily by elderly or physically handicapped persons; and

(c) Nursing, medical, personal care, and other health related assisted living services are available on a 24-hour basis in the development to the residents.

The limitations of section 462C.04, subdivision 2, clause (c), shall not apply to projects defined in this subdivision and approved by the Minnesota housing finance agency before October 1, 1983.

The Minnesota housing finance agency shall provide, in the annual report required by section 462C.04, subdivision 2, information on the costs incurred for the issuance of bonds for projects defined in this subdivision. The report shall also include the Minnesota housing finance agency's recommendations for the regulation of costs of issuance for future issues.

Subd. 8. Revenue agreement and financing lease. Any revenue agreement or financing lease which includes a provision for a conveyance of real estate to the lessee or contracting party may be terminated in accordance with the revenue agreement or financing lease, notwithstanding that the revenue agreement or financing lease may constitute an equitable mortgage. No financing lease of any development is subject to section 504.02, unless expressly so provided in the financing lease. Leases of specific dwelling units in the development to tenants are not affected by this subdivision.

History: 1979 c 306 s 5; 1980 c 593 s 9; 1981 c 306 s 15; 1981 c 327 s 1,2; 1Sp1981 c 4 art 3 s 11; 1982 c 624 s 9-12; 1983 c 185 s 13; 1987 c 291 s 221; 1987 c 344 s 8; 1989 c 328 art 6 s 4; 1995 c 256 s 5; 1996 c 362 s 6

462C.06 COUNTY HRA ACTING ON BEHALF OF CITY.

A housing and redevelopment authority in and for a county may exercise the powers conferred by sections 462C.01 to 462C.10 either (1) on its own behalf or (2) on behalf of a city (other than a county housing and redevelopment authority), if the city authorizes the housing and redevelopment authority in and for the county in which the city is located to exercise such powers and the county has authorized its housing and redevelopment authority to exercise its powers pursuant to section 469.004 or the county housing and redevelopment authority has been created by special law; provided, however, that any program undertaken pursuant to this section is subject to the limitations of sections 462C.03 and 462C.04 in the case of a single-family housing program, and subject to the limitations of section 462C.05 in the case of a multifamily housing development program.

History: 1979 c 306 s 6; 1986 c 465 art 2 s 12; 1987 c 291 s 222

462C.07 HOUSING REVENUE BONDS.

Subdivision 1. City has HFA powers. To finance programs or developments described in any plan the city may, upon approval of the program as provided in section 462C.04, subdivision 2, issue and sell revenue bonds or obligations which shall be payable exclusively from the revenues of the programs or developments. In the purchase or making of single-family housing loans and the purchase or making of multifamily housing loans and the issuance of revenue bonds or other obligations the city may exercise within its corporate limits, any of the powers the Minnesota housing finance agency may exercise under chapter 462A, without limitation under the provisions of chapter 475. The proceeds of revenue bonds issued to make or purchase single-family housing loans that are jointly issued by two or more cities pursuant to section 471.59 may be used to make or purchase single-family housing loans secured by homes in any of the cities.

Subd. 2. [Repealed, 1982 c 624 s 15]

Subd. 3. Port authorities. Upon approval of the housing plan as provided in section 462C.01, clause (c), any port authority referred to in chapter 458 may, until July 1, 1982, issue revenue bonds of the port authority to finance multifamily housing developments undertaken in accordance with the provisions of section 462C.05, and for such purpose the port authority may exercise any and all powers set forth in chapters 458 and 474, provided that nothing herein shall be construed as authorizing a port authority to finance any housing program other than that authorized by section 462C.05. After July 1, 1982, the port authority may issue revenue bonds solely in accordance with the provisions of Laws 1979, Chapter 306, Sections 1 to 16.

Subd. 4. Foreclosure. Upon foreclosure of any mortgage securing a revenue agreement entered into with respect to revenue bonds issued under this section, the city, trustee, or other mortgagee may determine that the mortgage debt for purposes of chapters 580, 581, 582, and 583 is the revenue agreement debt and does not include the bond debt, or the mortgagee may determine that the mortgage debt includes both the revenue agreement debt and the bond debt. The notice of sale or complaint shall state whether the foreclosure is to enforce only the

revenue agreement debt or both the revenue agreement debt and the bond debt. If the mortgagee determines that the foreclosure is to enforce only the revenue agreement debt and not the bond debt:

(1) the revenue agreement debt is the mortgage debt for all purposes under chapters 580, 581, 582, and 583;

(2) the bond debt will remain outstanding as a valid and continuing separate debt and will not be extinguished, satisfied, relinquished, or otherwise terminated by the foreclosure sale; and

(3) the city or mortgagee may enter into a revenue agreement with the purchaser of the mortgaged property or a subsequent transferee, which provides for satisfaction by payment in full or otherwise of all principal of and interest on the bonds then in arrears and to become due.

History: 1979 c 306 s 7; 1980 c 487 s 17; 1980 c 595 s 6; 1981 c 306 s 16; 1982 c 624 s 13; 1983 c 185 s 14; 1986 c 465 art 2 s 13; 1990 c 520 s 3

462C.071 SINGLE-FAMILY MORTGAGE BONDS; LIMITATIONS.

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

(b) "Existing housing" means single-family housing that (i) has been previously occupied prior to the first day of the origination period; or (ii) has been available for occupancy for at least 12 months but has not been previously occupied.

(c) "Metropolitan area" means the metropolitan area as defined in section 473.121, subdivision 2.

(d) "New housing" means single-family housing that has not been previously occupied.

(e) "Origination period" means the period that loans financed with the proceeds of qualified mortgage revenue bonds are available for the purchase of single-family housing. The origination period begins when financing actually becomes available to the borrowers for loans.

(f) "Redevelopment area" means a compact and contiguous area within which the city finds by resolution that 70 percent of the parcels are occupied by buildings, streets, utilities, or other improvements and more than 25 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance.

(g) "Single-family housing" means dwelling units eligible to be financed from the proceeds of qualified mortgage revenue bonds under federal law.

(h) "Structurally substandard" means containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light, ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

Subd. 2. Limitation; origination period. During the first ten months of an origination period, a city may make loans financed with proceeds of mortgage bonds for the purchase of existing housing. Loans financed with the proceeds of mortgage bonds for new housing in the metropolitan area may be made during the first ten months of an origination period only if at least one of the following conditions is met:

(1) the new housing is located in a redevelopment area;

(2) the new housing is replacing a structurally substandard structure or structures;

(3) the new housing is located on a parcel purchased by the city or conveyed to the city under section 282.01, subdivision 1;

(4) the new housing is part of a housing affordability initiative, other than those financed with the proceeds from the sale of bonds, in which federal, state, or local assistance is used to substantially improve the terms of the financing or to substantially write down the purchase price of the new housing; or

(5) the new housing is located in a city that has entered into a housing affordability agreement with the metropolitan council.

Upon expiration of the first ten-month period, a city may make loans financed with the proceeds of mortgage bonds for the purchase of new and existing housing.

Subd. 3. Nonmetropolitan area. Cities shall initiate steps in the nonmetropolitan areas of the state similar to those required for the metropolitan area under subdivision 2 to encourage loans for existing housing or for new housing under the conditions specified in subdivision 2.

Subd. 4. Redevelopment area. A city located within the metropolitan area must submit to the metropolitan council the resolution adopted by the governing body of the city finding an area to be a redevelopment area and a map of the redevelopment area.

Subd. 5. Limitation; commitments and loans to builders and developers. A city may not make available, provide set-asides, or commit to make available proceeds of mortgage bonds for the exclusive use of builders or developers for loans to eligible purchasers for new housing except for new housing described in subdivision 2, clauses (1) to (3). This prohibition is in effect for the total origination period.

Subd. 6. Reporting requirement. A city that provides loans for new housing financed with the proceeds of mortgage bonds shall report to the chairs of the appropriate housing-related standing committees or divisions of the state senate and house of representatives by January 1 of each year detailing new housing activity financed with the proceeds of mortgage bonds, including a description of affordable housing initiatives, the number of loans, the average purchase price, average borrower income, and steps taken to encourage loan activity as required in subdivision 3.

History: 1991 c 346 s 2; 1995 c 167 s 5

462C.08 OTHER HOUSING LEGISLATION.

Sections 462C.01 to 462C.07, do not impair or otherwise affect the validity or provisions for the security of any obligations issued or agreements made pursuant to law before June 2, 1979. Sections 462C.01 to 462C.07 do not preclude or affect or limit the institution or financing or character of a housing program, project or development permitted for any city by any special law in effect on June 2, 1979, except that: (a) section 462C.03 is applicable to any program undertaken pursuant to a special law adopted after January 1, 1979, (b) no such city or agency thereof may issue obligations after January 1, 1980, for the purpose of financing a housing program or development of any kind referred to in sections 462C.01 to 462C.05, unless its plan therefor has previously been reviewed by the appropriate reviewing body and its program has been reviewed and approved by the agency; and all such obligations issued by such cities after January 1, 1980, shall be subject to the limitations set forth in sections 462C.01 to 462C.07.

History: 1979 c 306 s 8

462C.09 Subdivision 1. [Repealed, 1986 c 465 art 1 s 31]

Subd. 2. [Repealed, 1Sp1985 c 14 art 8 s 63]

Subd. 2a. [Repealed, 1986 c 465 art 1 s 31]

Subd. 3. [Repealed, 1986 c 465 art 1 s 31]

Subd. 4. [Repealed, 1986 c 465 art 1 s 31]

Subd. 5. [Repealed, 1986 c 465 art 1 s 31]

Subd. 6. [Repealed, 1986 c 465 art 1 s 31]

462C.10 OFFICIAL ACTION EXCEPTION.

Bonds or other obligations which were approved by official action of a city before April 25, 1979, and exempted from the provisions of the Mortgage Subsidy Bond Tax Act of 1980, Public Law Number 96-499, pursuant to section 1104(b) may be issued without regard to the restrictions of section 462C.07, subdivision 2, except that for the purpose of subsequent bond issues, the exempted issues shall count against the cap provided in section 462C.07, subdivision 2.

History: 1981 c 306 s 18

462C.11 MORTGAGE CREDIT CERTIFICATE PROGRAMS.

Subdivision 1. **City program.** A city may include in the housing plan a program to issue and administer mortgage credit certificates; under a qualified mortgage credit certificate program, to assist in the acquisition, qualified rehabilitation, or qualified home improvement of the recipient's principal residence.

Subd. 2. **Program requirements.** Mortgage credit certificate programs adopted by the city shall comply with all of the provisions of section 25 of the Internal Revenue Code of 1986.

Subd. 3. **Correction amounts.** Correction amounts determined by the secretary of the treasury because of the failure of a mortgage credit certificate program to comply with a federal statute or regulation shall be assessed against the amount of qualified mortgage bonds allocated by chapter 474A to the issuer which adopted the program. If no allocation exists or it is less than the correction amount determined by the secretary of the treasury, then the amount of the correction amount in excess of the allocation shall be assessed against the multifamily housing pool.

History: 1Sp1985 c 14 art 8 s 29; 1987 c 268 art 16 s 43,44

462C.12 MINNEAPOLIS/ST. PAUL HOUSING FINANCE BOARD; POWERS; JURISDICTION.

Subdivision 1. **Establishment of housing board ratified.** The establishment of the Minneapolis/St. Paul housing finance board in accordance with a joint powers agreement entered into between the Minneapolis community development agency and the housing and redevelopment authority of the city of St. Paul, and accepted by the cities of Minneapolis and St. Paul under section 471.59, is ratified and approved.

Subd. 2. **Powers.** The board is granted the following powers:

(a) The board may issue obligations and other forms of indebtedness under this section, subject to the terms and conditions set forth in the joint powers agreement, as may be from time to time amended.

(b) The board is authorized to exercise the powers conferred upon the cities of Minneapolis and St. Paul and their designated housing and redevelopment authorities, or the powers of an agency exercising the powers of a housing and redevelopment authority by this chapter and chapter 462 and any other general or special law of the state of Minnesota relating to housing or housing finance. The powers which may be exercised by the board include, without limitation, the power to undertake and implement projects, developments, or programs, the power to issue and sell obligations and other forms of indebtedness payable exclusively from the revenues of the programs, projects, or developments undertaken by the board, or any of the powers the Minnesota housing finance agency may exercise under chapter 462A, provided that the obligations and other forms of indebtedness may be sold upon terms and conditions as the board may from time to time determine. The board may exercise the powers conferred by this section only with respect to projects, programs, or developments within the corporate limits of the cities of Minneapolis and St. Paul, except as may be otherwise provided in a joint powers agreement entered into under section 471.59 between the board and any other city, housing and redevelopment authority, port authority or economic development authority established under sections 469.090 to 469.108 in the state of Minnesota.

Subd. 3. **Jurisdiction.** Notwithstanding any other provision of law, the territorial jurisdiction of the board shall extend to all of the area within the corporate limits of the cities of Minneapolis and St. Paul and shall for the purposes of any particular project, development, or program undertaken in whole or part for any other city include all of the area within the corporate limits of the city. For the purposes of any provision of law intended to apply within a particular jurisdiction, the provision shall be construed to apply to the entire area within the corporate limits of the cities of Minneapolis and St. Paul, together with the entire area within the corporate limits of any other city with which the board has entered into a joint powers agreement and on whose behalf a project, development, or program is undertaken or implemented, or on whose behalf obligations or other forms of indebtedness are issued by the board.

Subd. 4. **Powers supplementary.** The powers granted by this section are in addition and supplemental to the powers granted by section 471.59, or the law under which a project, development, or program is undertaken or implemented by the board, or under which the board issues obligations or other forms of indebtedness.

History: 1Sp1985 c 14 art 8 s 30; 1986 c 399 art 2 s 37; 1986 c 400 s 37; 1Sp1986 c 3 art 2 s 41; 1987 c 384 art 1 s 41; 1989 c 209 art 2 s 1; 1995 c 186 s 79

462C.13 CITY INDIAN HOUSING AUTHORITY.

A city may establish an Indian housing authority as provided in the Code of Federal Regulations, title 24, part 905, with all necessary legal powers to carry out housing projects for low- and moderate-income American Indians.

History: 1989 c 328 art 4 s 7

462C.14 HOUSING PROGRAM AND DEVELOPMENTAL FINANCIAL SERVICES.

Subdivision 1. **Authorization to provide services.** A city, as defined in section 462C.02, subdivision 6, may provide housing program and development financial services, including mortgage banking services, for housing financed or assisted under a housing program of the city. The services provided by the city may include all housing program and development financial services, including origination of loans or other indebtedness, administration and servicing of loans or other indebtedness, arranging for mortgage insurance from private or public sources, and other related services. For this purpose, the city may exercise any of the powers relating to housing or housing finance provided in this section and the powers of a city under chapter 462C, a housing and redevelopment authority under chapter 469, or the Minnesota housing finance agency under chapter 462A. Housing program and development financial services provided by the city are determined to be for the public purpose of ensuring an adequate supply of affordable, decent, safe, and sanitary housing. A city may form a corporation under chapter 302A or 317A controlled by the city and delegate to it the power to exercise the powers granted to the city by this section.

Subd. 2. **Boundary limitations.** A city may provide housing program and development financial services only within its corporate boundaries, except to the extent that a joint powers agreement or contract authorizes a city to provide the services within the boundaries of another city or within the jurisdiction of a state agency.

Subd. 3. **Joint action.** Two or more cities, or housing and redevelopment authorities or port authorities authorized to exercise the powers of a city under chapter 462C, or a joint powers board formed by them, may act jointly pursuant to section 471.59 and this section or may delegate the exercise of their powers under this section to a corporation controlled by them. A city as defined in section 462C.02, subdivision 6, or other political subdivision or state agency may contract with the city or a joint powers board or a corporation for housing program and development financial services for housing.

Subd. 4. **Obligations.** The city may issue bonds or other obligations and apply their proceeds for any proper purpose of the city or a corporation formed by the city relating to housing program and development financial services. Bonds or other obligations issued for a specific program or development shall be issued only in accordance with sections 462C.01 to 462C.07 to the extent required by section 462C.08. Bonds or obligations issued for financial services purposes may be sold at public or private sale, without an election, on the terms and conditions the city shall determine. For that purpose, the city may exercise any of the powers that a housing and redevelopment authority may exercise under chapter 469, or the Minnesota housing finance agency may exercise under chapter 462A, in either case without limitation under the provisions of chapter 475. The city or corporation may purchase real or personal property used or useful for housing program or development financial services under an installment contract, or lease real or personal property with an option to purchase under a lease purchase agreement. The city may issue bonds or other obligations secured by obligations under an installment contract or lease, in the manner provided in this section for other bonds or obligations issued for financial services purposes.

History: 1991 c 342 s 10

462C.15 MORTGAGE CREDIT CERTIFICATE AID.

Subdivision 1. **Application.** By May 15 of each year, a city issuing mortgage credit certificates during the previous calendar year shall report to the commissioner of trade and economic development. The report shall be in a form and contain the information necessary to determine the aid amounts, as prescribed by the commissioner. The report shall contain, at least, for each mortgage loan for which a mortgage credit certificate was issued: (1) the principal amount of the loan, (2) the interest rate on the loan, (3) the term of the loan, and (4) the credit rate.

Subd. 2. **Payment of aid.** By July 15 of each year, the commissioner of trade and economic development shall pay mortgage credit certificate aid to each city issuing certificates during the previous calendar year and submitting a timely application under subdivision 1. The amount of aid to be paid to a city for a calendar year equals the sum of the aid for each mortgage credit certificate issued by the city for a mortgage loan that is outstanding during the calendar year, assuming no prepayment of principal. The amount of mortgage credit certificate aid for each mortgage credit certificate equals eight percent multiplied by the product of the credit rate, the outstanding principal amount of the loan, and the original interest rate on the loan. For purposes of calculating the aid for a variable rate loan, the original interest rate means the interest rate that applies in the first year of the loan. For purposes of calculating the aid, the commissioner shall assume level amortization with no prepayment of principal.

Subd. 3. **Use of aid.** The city shall transfer the aid to its housing authority to be used to provide homeownership programs to families or individuals whose incomes are at or below 80 percent of the area median income.

Subd. 4. **Appropriation.** An amount sufficient to pay the aid under this section is appropriated from the general fund to the commissioner of trade and economic development.

Subd. 5. **Definitions.** The definitions in section 462C.02 apply to this section.

History: 1994 c 587 art 3 s 12