

CHAPTER 462A

HOUSING FINANCE AGENCY

462A.05	Specific powers of the agency.	462A.208	Repealed.
462A.071	Certification of housing qualifying for reduced property tax rate.	462A.209	Home ownership assistance.
462A.073	Single-family mortgage bonds; limitations.	462A.2093	Innovative and inclusionary housing program.
462A.20	Housing development fund; creation, sources.	462A.21	Housing development fund; advances, use repayment.
462A.204	Family homeless prevention and assistance program.	462A.222	Low-income housing credits.
462A.205	Rent assistance for family stabilization demonstration project.	462A.223	Minnesota housing finance agency; designated agency.
462A.206	Community rehabilitation fund account.	462A.28	Repealed.
		462A.33	Economic development and housing challenge program.

462A.05 SPECIFIC POWERS OF THE AGENCY.

[For text of subds 1 to 13, see M.S.1998]

Subd. 14. **Rehabilitation loans.** It may agree to purchase, make, or otherwise participate in the making, and may enter into commitments for the purchase, making, or participation in the making, of eligible loans for rehabilitation to persons and families of low and moderate income, and to owners of existing residential housing for occupancy by such persons and families, for the rehabilitation of existing residential housing owned by them. The loans may be insured or uninsured and may be made with security, or may be unsecured, as the agency deems advisable. The loans may be in addition to or in combination with long-term eligible mortgage loans under subdivision 3. They may be made in amounts sufficient to refinance existing indebtedness secured by the property, if refinancing is determined by the agency to be necessary to permit the owner to meet the owner's housing cost without expending an unreasonable portion of the owner's income thereon. No loan for rehabilitation shall be made unless the agency determines that the loan will be used primarily to make the housing more desirable to live in, to increase the market value of the housing, for compliance with state, county or municipal building, housing maintenance, fire, health or similar codes and standards applicable to housing, or to accomplish energy conservation related improvements. In unincorporated areas and municipalities not having codes and standards, the agency may, solely for the purpose of administering the provisions of this chapter, establish codes and standards. Except for accessibility improvements under this subdivision and subdivisions 14a and 24, clause (1), no secured loan for rehabilitation of any property shall be made in an amount which, with all other existing indebtedness secured by the property, would exceed 110 percent of its market value, as determined by the agency. No loan under this subdivision shall be denied solely because the loan will not be used for placing the residential housing in full compliance with all state, county, or municipal building, housing maintenance, fire, health, or similar codes and standards applicable to housing. Rehabilitation loans shall be made only when the agency determines that financing is not otherwise available, in whole or in part, from private lenders upon equivalent terms and conditions. Accessibility rehabilitation loans authorized under this subdivision may be made to eligible persons and families without limitations relating to the maximum incomes of the borrowers if:

- (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.

[For text of subds 14a to 14e, see M.S.1998]

Subd. 15. **Rehabilitation grants.** It may make grants to persons and families of low and moderate income to pay or to assist in paying a loan made pursuant to subdivision 14, or to

rehabilitate or to assist in rehabilitating existing residential housing owned or occupied by such persons or families. For the purposes of this section, persons of low and moderate income include administrators appointed pursuant to section 504B.425, paragraph (d). No grant shall be made unless the agency determines that the grant will be used primarily to make the housing more desirable to live in, to increase the market value of the housing or for compliance with state, county or municipal building, housing maintenance, fire, health or similar codes and standards applicable to housing, or to accomplish energy conservation related improvements. In unincorporated areas and municipalities not having codes and standards, the agency may, solely for the purpose of administering this provision, establish codes and standards. No grant for rehabilitation of owner occupied residential housing shall be denied solely because the grant will not be used for placing the residential housing in full compliance with all state, county or municipal building, housing maintenance, fire, health or similar codes and standards applicable to housing. The amount of any grant shall not exceed the lesser of (a) \$6,000, or (b) the actual cost of the work performed, or (c) that portion of the cost of rehabilitation which the agency determines cannot otherwise be paid by the person or family without spending an unreasonable portion of the income of the person or family thereon. In making grants, the agency shall determine the circumstances under which and the terms and conditions under which all or any portion thereof will be repaid and shall determine the appropriate security should repayment be required.

The agency may also make grants to rehabilitate or to assist in rehabilitating housing under this subdivision to persons of low and moderate income for the purpose of qualifying as foster parents.

[For text of subds 15a to 41, see M.S.1998]

History: 1999 c 199 art 2 s 15; 1999 c 211 s 2

462A.071 CERTIFICATION OF HOUSING QUALIFYING FOR REDUCED PROPERTY TAX RATE.

[For text of subd 1, see M.S.1998]

Subd. 2. Application. (a) In order to qualify for certification under subdivision 1, the owner or manager of the property must annually apply to the agency. The application must be in the form prescribed by the agency, contain the information required by the agency, and be submitted by the date and time specified by the agency.

(b) Each application must include:

(1) the property tax identification number;

(2) the number, type, and size of units the applicant seeks to qualify as low-income housing under class 4d;

(3) the number, type, and size of units in the property for which the applicant is not seeking qualification, if any;

(4) a certification that the property has been inspected by a qualified inspector within the past three years and meets the minimum housing quality standards or is exempt from the inspection requirement under subdivision 4;

(5) a statement indicating the qualifying units in compliance with the income limits;

(6) an executed agreement to restrict rents meeting the requirements specified by the agency or executed leases for the units for which qualification as low-income housing as class 4d under section 273.13 is sought and the rent schedule; and

(7) any additional information the agency deems appropriate to require.

(c) The applicant must pay a per-unit application fee to be set by the agency. The application fee charged by the agency must approximately equal the costs of processing and reviewing the applications. The fee must be deposited in the housing development fund.

[For text of subds 3 to 11, see M.S.1998]

History: 1999 c 243 art 5 s 36; 1999 c 248 s 18

462A.073 SINGLE-FAMILY MORTGAGE BONDS; LIMITATIONS.

[For text of subd 1, see M.S.1998]

Subd. 2. **Limitation; origination period.** During the first ten months of an origination period, the agency 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 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;
- (4) the new housing is accessible housing and the borrower or a member of the borrower's family is a person with a disability. For the purposes of this clause, "accessible housing" means a dwelling unit with the modifications necessary to enable a person with a disability to function in a residential setting. "A person with a disability" means a person who has a permanent physical condition which is not correctable and which substantially reduces the person's ability to function in a residential setting. A person with a physical condition which does not require the use of a device to increase mobility must be deemed a person with a disability upon written certification of a licensed physician that the physical condition substantially limits the person's ability to function in a residential setting; or

(5) the new housing is part of an effort to meet the affordable housing goals negotiated under section 473.254.

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

Subd. 3. [Repealed. 1999 c 211 s 17]

Subd. 4. **Limitation; commitments and loans to builders and developers.** The agency 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. This prohibition is in effect for the total origination period.

[For text of subd 5, see M.S.1998]

History: 1999 c 211 s 3,4

462A.20 HOUSING DEVELOPMENT FUND; CREATION, SOURCES.

[For text of subd 1, see M.S.1998]

Subd. 2. **Which money in fund.** There shall be paid into the housing development fund:

- (a) Any moneys appropriated and made available by the state for the purposes of the fund;
- (b) Any moneys which the agency receives in repayment of advances made from the fund;
- (c) Any other moneys which may be made available to the agency for the purpose of the fund from any other source or sources;
- (d) All fees and charges collected by the agency;
- (e) All interest or other income not required by the provisions of a resolution or indenture securing notes or bonds to be paid into another special fund.

[For text of subd 3, see M.S.1998]

Subd. 4. **Operating costs report.** On or before February 15 of each year, the agency shall deliver a report to the chairs of the finance and appropriations committees of the legislature on the costs of operating the agency in the previous fiscal year. The report shall include the expenditures for salaries and benefits, rent, professional and technical services, general agency administration, and agency's audited financial statements which include information

on expenditures and receipts relating to debt issuance and administration and loan origination and administration. The report shall include a budget plan for salaries and benefits, rent, professional and technical services, and general administration for the current fiscal year, including estimates of changes in costs from the previous fiscal year. If it appears that the costs in the current fiscal year will exceed the budget plan contained in the report submitted under this subdivision, the agency must notify the chairs of the legislative committees or divisions with jurisdiction over the agency's budget that the costs in the current fiscal year will exceed the submitted budget plan and the reasons for the changes in costs and must submit a revised budget plan to the commissioner of finance and obtain the commissioner's concurrence with the revised plan. The agency must also notify the chairs of the legislative committees or divisions with jurisdiction over the agency's budget when the agency is considering an expansion of agency activities that were not contemplated in the submitted budget plan.

History: 1999 c 223 art 2 s 49,50

462A.204 FAMILY HOMELESS PREVENTION AND ASSISTANCE PROGRAM.

[For text of subs 1 to 7, see M.S.1998]

Subd. 8. School stability. (a) The agency in consultation with the interagency task force on homelessness may establish a school stability project under the family homeless prevention and assistance program. The purpose of the project is to secure stable housing for families with school-age children who have moved frequently and for unaccompanied youth. For purposes of this subdivision, "unaccompanied youth" are minors who are leaving foster care or juvenile correctional facilities, or minors who meet the definition of a child in need of services or protection under section 260C.007, subdivision 4, but for whom no court finding has been made pursuant to that statute.

(b) The agency shall make grants to family homeless prevention and assistance projects in communities with a school or schools that have a significant degree of student mobility.

(c) Each project must be designed to reduce school absenteeism; stabilize children in one home setting or, at a minimum, in one school setting; and reduce shelter usage. Each project must include plans for the following:

(1) targeting of families with children under age 12 who, in the last 12 months have either: changed schools or homes at least once or been absent from school at least 15 percent of the school year and who have either been evicted from their housing; are living in overcrowded conditions in their current housing; or are paying more than 50 percent of their income for rent;

(2) targeting of unaccompanied youth in need of an alternative residential setting;

(3) connecting families with the social services necessary to maintain the families' stability in their home; and

(4) one or more of the following:

(i) provision of rental assistance for a specified period of time, which may exceed 24 months; or

(ii) development of permanent supportive housing or transitional housing.

(d) Notwithstanding subdivision 2, grants under this section may be used to acquire, rehabilitate, or construct transitional or permanent housing.

(e) Each grantee under the project must include representatives of the local school district or targeted schools, or both, and of the local community correction agencies on its advisory committee.

History: 1999 c 139 art 4 s 2; 1999 c 223 art 2 s 51

462A.205 RENT ASSISTANCE FOR FAMILY STABILIZATION DEMONSTRATION PROJECT.

Subdivision 1. Family stabilization demonstration project. The agency, in consultation with the department of human services, may establish a rent assistance for family stabilization demonstration project. The purpose of the project is to provide rental assistance to families who, at the time of initial eligibility for rental assistance under this section, were

receiving public assistance, and had a caretaker parent who was complying with the parent's job search support plan or employment plan and at least one minor child and to provide rental assistance to families who, at the time of initial eligibility for rental assistance under this section, were receiving public assistance, and had a caretaker parent who had earned income and with at least one minor child. The demonstration project is limited to counties with high average housing costs. The program must offer two options: a voucher option and a project-based voucher option. The funds may be distributed on a request for proposal basis.

Subd. 2. Definitions. For the purposes of this section, the following terms have the meanings given them.

(a) "Caretaker parent" means a parent, relative caretaker, or minor caretaker as defined by the Minnesota family investment program, chapter 256J.

(b) "County agency" means the agency designated by the county board to implement financial assistance for current public assistance programs and for the Minnesota family investment program statewide.

(c) "Counties with high average housing costs" means counties whose average federal section 8 fair market rents as determined by the Department of Housing and Urban Development are in the highest one-third of average rents in the state.

(d) "Designated rental property" is rental property (1) that is made available by a self-sufficiency program for use by participating families and meets federal section 8 existing quality standards, or (2) that has received federal, state, or local rental rehabilitation assistance since January 1, 1987, and meets federal section 8 existing housing quality standards.

(e) "Earned income" for a family receiving rental assistance under this section means cash or in-kind income earned through the receipt of wages, salary, commissions, profit from employment activities, net profit from self-employment activities, payments made by an employer for regularly accrued vacation or sick leave, and any other profit from activity earned through effort or labor.

(f) "Employment and training service provider" means a provider as defined in chapter 256J.

(g) "Employment plan" means a plan as defined in chapter 256J.

(h) "Family or participating family" means a family that at the time it begins receiving rent assistance has at least one member who is a recipient of public assistance, and:

(1) a family with a caretaker parent who is complying with the parent's job search support plan or employment plan and with at least one minor child;

(2) a family that, at the time it began receiving rent assistance under this section, had a caretaker parent complying with the parent's job search support plan or employment plan and had at least one minor child;

(3) a family with a caretaker parent who is receiving public assistance and has earned income and with at least one minor child; or

(4) a family that, at the time it began receiving rent assistance under this section, had a caretaker parent who had earned income and at least one minor child.

(i) "Gross family income" for a family receiving rental assistance under this section means the gross amount of the wages, salaries, social security payments, pensions, workers' compensation, reemployment compensation, the cash assistance portion of public assistance payments, alimony, and child support.

(j) "Local housing organization" means the agency of local government responsible for administering the Department of Housing and Urban Development's section 8 existing voucher and certificate program or a nonprofit or for-profit organization experienced in housing management.

(k) "Public assistance" means the Minnesota family investment program.

Subd. 3. Local housing organization. The agency may contract with a local housing organization to administer the rent assistance under this section. The agency may pay the local housing organization an administrative fee.

Subd. 4. Amount and payment of rent assistance. (a) This subdivision applies to both the voucher option and the project-based voucher option.

(b) Within the limits of available appropriations, eligible families may receive monthly rent assistance for a 60-month period starting with the month the family first receives rent assistance under this section. The amount of the family's portion of the rental payment is equal to at least 30 percent of gross income.

(c) The rent assistance must be paid by the local housing organization to the property owner.

(d) Subject to the limitations in paragraph (e), the amount of rent assistance is the difference between the rent and the family's portion of the rental payment.

(e) In no case:

(1) may the amount of monthly rent assistance be more than \$250 for housing located within the metropolitan area, as defined in section 473.121, subdivision 2, or more than \$200 for housing located outside of the metropolitan area;

(2) may the owner receive more rent for assisted units than for comparable unassisted units; nor

(3) may the amount of monthly rent assistance be more than the difference between the family's portion of the rental payment and the fair market rent for the unit as determined by the Department of Housing and Urban Development.

[For text of subd 4a, see M.S.1998]

Subd. 5. Voucher option. At least one-half of the appropriated funds must be made available for a voucher option. Under the voucher option, the Minnesota housing finance agency, in consultation with the department of human services, will award a number of vouchers to employment and training service providers for participating families. Families may use the voucher for any rental housing that is certified by the local housing organization as meeting section 8 existing housing quality standards.

Subd. 6. Project-based voucher option. A portion of the appropriated funds must be made available for a project-based voucher option. Under the project-based voucher option, the Minnesota housing finance agency, in consultation with the department of human services, will award a number of vouchers to employment and training service providers for participating families who live in designated rental property that is certified by a local housing organization as meeting section 8 existing housing quality standards.

[For text of subds 7 and 8, see M.S.1998]

Subd. 9. Vouchers for families with a caretaker parent with earned income. (a) Applications to provide the rental assistance for families with a caretaker parent with earned income under either the voucher or project-based option must be submitted jointly by a local housing organization and an employment and training service provider. The application must include a description of how the caretaker parent participants will be selected.

(b) Employment and training service providers awarded vouchers must select the caretaker parents with earned income whose families will receive the rental assistance. The employment and training service provider must notify the local housing organization and the agency if:

(1) at the time of annual recertification, the caretaker parent no longer has earned income and is not in compliance with the caretaker parent's employment plan or job search plan; and

(2) for a period of six months after the annual recertification, the caretaker parent has no earned income and has failed to comply with the job search support plan or employment plan.

(c) The local housing organization must provide the caretaker parent who, at the time of annual recertification, has no earned income and is not in compliance with the job search support plan or employment plan with the notice specified in Minnesota Rules, part 4900.3379. The local housing organization must send a subsequent notice to the caretaker parent and the Minnesota housing finance agency 60 days before the termination of rental assistance.

(d) If the local housing organization receives notice from an employment and training service provider that a caretaker parent whose initial eligibility for rental assistance was based on the receipt of earned income no longer has earned income and for a period of six

months after the annual recertification has failed to comply with the caretaker parent's job search plan or employment plan, the local housing organization must notify the property owner that rental assistance may terminate and notify the caretaker parent of the termination of rental assistance under Minnesota Rules, part 4900.3380.

(e) The employment and training service provider awarded vouchers for families with a caretaker parent with earned income must comply with the provisions of Minnesota Rules, part 4900.3377.

(f) For families whose initial eligibility for rental assistance was based on the receipt of earned income, rental assistance must be terminated under any of the following conditions:

- (1) the family is evicted from the property for cause;
- (2) the caretaker parent no longer has earned income and, six months after an annual recertification, is not in compliance with the parent's job search or employment plan;
- (3) 30 percent of the family's gross income equals or exceeds the amount of the housing costs for two or more consecutive months;
- (4) the family has received rental assistance under this section for a 60-month period; or
- (5) the rental unit no longer meets federal section 8 existing housing quality standards, the owner refused to make necessary repairs or alterations to bring the rental unit into compliance within a reasonable time, and the caretaker parent refused to relocate to a qualifying unit.

(g) If an employment and training service provider determines that a caretaker parent no longer has earned income and is not in compliance with the parent's job search or employment plan, the employment and training service provider must notify the caretaker parent of that determination. The notice must be in writing and must explain the effect of not having earned income or failing to be in compliance with the job search or employment plan will have on the rental assistance. The notice must:

- (1) state that rental assistance will end six months after an annual recertification;
- (2) specify the date the rental assistance will end;
- (3) explain that after the date specified, the caretaker parent will be responsible for the total housing costs;
- (4) describe the actions the caretaker parent may take to avoid termination of rental assistance; and
- (5) inform the caretaker parent of the caretaker parent's responsibility to notify the employment and training service provider if the caretaker parent has earned income.

History: 1999 c 107 s 66; 1999 c 159 s 130; 1999 c 211 s 5-10; 1999 c 223 art 2 s 52

462A.206 COMMUNITY REHABILITATION FUND ACCOUNT.

[For text of subd 1, see M.S.1998]

Subd. 2. **Authorization.** The agency may make grants or loans to cities or nonprofit organizations for the purposes of construction, acquisition, rehabilitation, demolition, permanent financing, refinancing, construction financing, gap financing of single housing, or full cycle home ownership services, as defined in section 462A.209, subdivision 2. Gap financing is financing for the difference between the cost of the improvement of the blighted property, including acquisition, demolition, rehabilitation, and construction, and the market value of the property upon sale. The agency shall take into account the amount of money that the city or nonprofit organization leverages from other sources in awarding grants and loans. The agency shall also consider the extent to which the grant or loan recipient will coordinate use of the funds with its other housing-related efforts or other housing-related efforts in the recipient's geographic area. The city or nonprofit organization must indicate in its application how the proposed project is consistent with the consolidated housing plan. Not less than ten days before submitting its application to the agency, a nonprofit organization must notify the city in which the project will be located of its intent to apply for funds. The city may submit to the agency its written comments on the nonprofit organization's application and the agency shall consider the city's comments in reviewing the application. Cities and nonprofit

organizations may use the grants and loans to establish revolving loan funds and to provide grants and loans to eligible mortgagors. The city or nonprofit organization may determine the terms and conditions of the grants and loans. An agency loan may only be used by a city or nonprofit organization to make loans.

[For text of subds 3 and 4, see M.S.1998]

History: 1999 c 211 s 11

462A.208 [Repealed, 1999 c 245 art 4 s 120]

462A.209 HOME OWNERSHIP ASSISTANCE.

Subdivision 1. **Full cycle home ownership services.** The full cycle home ownership services program shall be used to fund nonprofit organizations and political subdivisions providing, building capacity to provide, or supporting full cycle lending for home ownership to low and moderate income home buyers and homeowners, including seniors. The purpose of the program is to encourage private investment in affordable housing and collaboration of nonprofit organizations and political subdivisions with each other and private lenders in providing full cycle lending services.

Subd. 2. **Definition.** "Full cycle home ownership services" means supporting eligible home buyers and owners through all phases of purchasing and keeping a home, by providing prepurchase home buyer education, prepurchase counseling and credit repair, prepurchase property inspection and technical and financial assistance to buyers in rehabilitating the home, postpurchase counseling, including home equity conversion loan counseling, mortgage default counseling, postpurchase assistance with home maintenance, entry cost assistance, and access to flexible loan products.

Subd. 3. **Eligibility.** The agency shall establish eligibility criteria for nonprofit organizations and political subdivisions to receive funding under this section. The eligibility criteria must require the nonprofit organization or political subdivision to provide, to build capacity to provide, or support full cycle home ownership services for eligible home buyers. The agency may fund a nonprofit organization or political subdivision that will provide full cycle home ownership services by coordinating with one or more other organizations that will provide specific components of full cycle home ownership services. The agency may make exceptions to providing all components of full cycle lending if justified by the application. If there are more applicants requesting funding than there are funds available, the agency shall award the funds on a competitive basis and also assure an equitable geographic distribution of the available funds. The eligibility criteria must require the nonprofit organization or political subdivision to have a demonstrated involvement in the local community and to target the housing affordability needs of the local community or to have demonstrated experience with counseling older persons on housing, or both. Partnerships and collaboration with innovative, grass roots, or community-based initiatives shall be encouraged. The agency shall give priority to nonprofit organizations and political subdivisions that provide matching funds. Applicants for funds under section 462A.057 may also apply funds under this program.

Subd. 4. **Entry cost home ownership opportunity program.** The agency may establish an entry cost home ownership opportunity program, on terms and conditions it deems advisable, to assist individuals with downpayment and closing costs to finance the purchase of a home.

History: 1999 c 223 art 2 s 53

462A.2093 INNOVATIVE AND INCLUSIONARY HOUSING PROGRAM.

Subdivision 1. **Definitions.** For purposes of this section, the following terms have the meanings given them in this subdivision.

(a) "Municipality" means a town or a statutory or home rule city.

(b) "Nonmetropolitan" means the area of the state outside of the metropolitan area defined in section 473.121, subdivision 2.

(c) "Inclusionary housing development" means a new construction development including owner-occupied or rental housing, or a combination of both, with a variety of prices and designs which serve families with a range of incomes and housing needs.

Subd. 2. **Application criteria.** The commissioner must give preference to economically viable proposals to the degree that they: (1) use innovative building techniques or materials to lower construction costs while maintaining high quality construction and livability; (2) are located in communities that have demonstrated a willingness to waive local restrictions which otherwise would increase costs of construction; and (3) include units affordable to households with incomes at or below 80 percent of the greater of state or area median income.

Cost savings from regulatory incentives must be reflected in the sale of all residences in an inclusionary housing development.

History: 1999 c 223 art 2 s 54

462A.21 HOUSING DEVELOPMENT FUND; ADVANCES, USE REPAYMENT.

[For text of subds 1 to 18, see M.S.1998]

Subd. 19. **Mental illness crisis housing assistance.** The agency may spend money for the purpose of section 462A.208 and may pay the costs and expenses necessary and incidental to the development and operation of the program authorized in section 462A.208.

[For text of subds 20 to 24, see M.S.1998]

Subd. 25. **Consumer-owned housing revolving account.** The agency may create a consumer-owned housing revolving account: (1) to assist in paying delinquent mortgage payments of persons participating in the federal National Mortgage Association pilot program for homeownership of persons with disabilities; or (2) for other activities that support homeownership activities for persons with disabilities.

Subd. 26. **Full cycle home ownership services.** The agency may spend money for the purposes of section 462A.209 and may pay the costs and expenses necessary and incidental to the development and operation of the program.

History: 1999 c 86 art 1 s 71; 1999 c 211 s 12; 1999 c 223 art 2 s 55

462A.222 LOW-INCOME HOUSING CREDITS.

[For text of subd 1, see M.S.1998]

Subd. 1a. **Determination of regional credit pools.** The agency shall divide the annual per capita amount used in determining the state ceiling for low-income housing tax credits provided under section 42 of the Internal Revenue Code of 1986, as amended, into a metropolitan pool and a greater Minnesota pool. The metropolitan pool shall serve the metropolitan area as defined in section 473.121, subdivision 2. The greater Minnesota pool shall serve the remaining counties of the state. The percentage of the annual per capita amount allotted to each pool must be determined as follows:

(a) The percentage set-aside for projects involving a qualified nonprofit organization as provided in section 42 of the Internal Revenue Code of 1986, as amended, must be deducted from the annual per capita amount used in determining the state ceiling.

(b) Of the remaining amount, the metropolitan pool must be allotted a percentage equal to the metropolitan counties' percentage of the total number of state recipients of the Minnesota family investment program, general assistance, Minnesota supplemental aid, and supplemental security income in the state, as reported annually by the department of human services. The greater Minnesota pool must be allotted the amount remaining after the metropolitan pool's percentage has been allotted.

The set-aside for qualified nonprofit organizations must be divided between the two regional pools in the same percentage as determined for the credit amounts above.

[For text of subd 2, see M.S.1998]

Subd. 3. **Allocation procedure.** (a) Projects will be awarded tax credits in two 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 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 projects that are eligible for an allocation of credits pursuant to section 42(h)(4) of the Internal Revenue Code of 1986, as amended, tax credits may only be allocated if the project satisfies the requirements of the allocating agency's qualified allocation plan. For projects that are eligible for an allocation of credits pursuant to section 42(h)(4) of the Internal Revenue Code of 1986, as amended, for which the agency is the issuer of the bonds for the project, or the issuer of the bonds for the project is located outside the jurisdiction of a city or county that has received reserved tax credits, the applicable allocation plan is the agency's qualified allocation plan.

(d) 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, for the term of the extended use period, at least 75 percent of the total tax credit units are single-room occupancy, 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, for the term of the extended use period, at least 75 percent of the tax credit 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 that are not restricted to persons of a particular age group and in which, for the term of the extended use period, 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 permanent physical disabilities that substantially limit one or more major life activities, if at least 50 percent of the units in the project are accessible as provided under Minnesota Rules, chapter 1340;

(4) projects, whether or not restricted to persons of a particular age group, which preserve existing subsidized housing, if the use of tax credits is necessary to prevent conversion to market rate use or to remedy physical deterioration of the project which would result in loss of existing federal subsidies; or

(5) projects financed by the Farmers Home Administration, or its successor agency, which meet statewide distribution goals.

(e) Before the date for applications for the final round, the allocating agencies other than the agency shall return all uncommitted and unallocated tax credits 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.

(g) If an allocating agency determines, at any time after the initial commitment or allocation for a specific project, that a project is no longer eligible for all or a portion of the low-income housing tax credits committed or allocated to the project, the credits must be

transferred to the agency to be reallocated pursuant to the procedures established in paragraphs (e) to (g); provided that if the tax credits for which the project is no longer eligible are from the current year's annual ceiling and the allocating agency maintains a waiting list, the allocating agency may continue to commit or allocate the credits until not later than the date of applications for the final round, at which time any uncommitted credits must be transferred to the agency.

[For text of subd 4, see M.S.1998]

History: 1999 c 159 s 131; 1999 c 211 s 13

462A.223 MINNESOTA HOUSING FINANCE AGENCY; DESIGNATED AGENCY.

[For text of subd 1, see M.S.1998]

Subd. 2. **Designated agency.** The agency is designated as a housing credit agency to allocate the portion of the state ceiling for low-income housing tax credits (1) not reserved to cities and counties under section 462A.222; (2) not accepted for allocation by eligible cities and counties; (3) returned to the agency for allocation; and (4) not otherwise reserved to the agency for allocation under subdivision 1. Low-income housing tax credits shall be allocated by the agency as provided in section 462A.222. The agency shall make no allocation for projects located within the jurisdiction of the cities or counties that have received tax credits under section 462A.222, subdivision 1, except from the percentage set-aside for projects involving a qualified nonprofit organization as provided under section 42 of the Internal Revenue Code of 1986, as amended through December 31, 1989, until the amounts reserved to the cities and counties for allocation have been allocated or committed or returned to the agency for allocation. In order that all of a project's credits are allocated by a single allocating agency, the agency may apportion additional tax credits to a city or county that has received tax credits under section 462A.222, subdivision 1, for a project that has already received a commitment or allocation of tax credits from an eligible city or county, if all of the tax credits reserved to the eligible city or county have been committed or allocated. A city or county that has received tax credits under section 462A.222, subdivision 1, may apportion tax credits to the agency for a project located within the jurisdiction of the city or county.

[For text of subs 3 and 4, see M.S.1998]

History: 1999 c 211 s 14

462A.28 [Repealed, 1999 c 223 art 2 s 80]

462A.33 ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE PROGRAM.

Subdivision 1. **Created.** The economic development and housing challenge program is created to be administered by the agency.

The program shall provide grants or loans for the purpose of construction, acquisition, rehabilitation, construction financing, permanent financing, interest rate reduction, refinancing, and gap financing of housing to support economic development activities or job creation within a community or region by meeting locally identified housing needs.

Subd. 2. **Eligible recipients.** Challenge grants or loans may be made to a city, a private developer, a nonprofit organization, or the owner of the housing, including individuals. For the purpose of this section, "city" has the meaning given it in section 462A.03, subdivision 21. Preference shall be given to challenge grants or loans for home ownership. To the extent practicable, grants and loans shall be made so that an approximately equal number of housing units are financed in the metropolitan area, as defined in section 473.121, subdivision 2, and in the nonmetropolitan area.

Subd. 3. **Contribution requirement; regulatory flexibility.** Challenge grants or loans must be used for economically viable homeownership or rental housing proposals that:

(1) include a financial or in-kind contribution from an area employer and either a unit of local government or a private philanthropic, religious, or charitable organization; and

(2) address the housing needs of the local work force.

For the purpose of this subdivision, an employer contribution may consist partially or wholly of federal housing tax credits. Preference for grants and loans shall be given to comparable proposals that include regulatory changes that result in identifiable cost avoidance or cost reductions, such as increased density, flexibility in site development standards, or zoning code requirements.

Preference for grants and loans shall also be given to comparable proposals that include a financial or in-kind contribution from a unit of local government, an area employer, and a private philanthropic, religious, or charitable organization.

Subd. 4. State and local government cooperation. In making challenge grants or loans, the commissioner must develop a joint application process and coordinate funding with funding available to the commissioner of trade and economic development and local governments for housing and infrastructure construction and repair.

Subd. 5. Income limits. Households served through challenge grants or loans must not have incomes that exceed, for homeownership projects, 115 percent of the greater of state or area median income as determined by the United States Department of Housing and Urban Development, and for rental housing projects, 115 percent of the greater of state or area median income as determined by the United States Department of Housing and Urban Development.

Subd. 6. Large-scale projects. At least one proposal funded under this section must provide sufficient resources to make a significant impact on the housing needs and economic development activities within a community.

Subd. 7. Grants and loans to individuals. Preference shall be given to grants and loans that provide down payments and other assistance to individuals to purchase a home. The commissioner must coordinate home ownership assistance provided to individuals under this section with other programs administered by or through the commissioner.

History: 1999 c 223 art 2 s 56