

**SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION**

S.F. No. 365

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DATE	D-PG	OFFICIAL STATUS
01/17/2023	205	Introduction and first reading
		Referred to Housing and Homelessness Prevention
03/06/2023	1335a	Comm report: To pass as amended and re-refer to Judiciary and Public Safety

1.1 A bill for an act

1.2 relating to real property; prohibiting corporate entities, developers, and contractors

1.3 from converting single-family homes into a rental property unit; proposing coding

1.4 for new law in Minnesota Statutes, chapter 500.

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

1.6 Section 1. **[500.35] SINGLE FAMILY HOME RENTAL BY CORPORATE ENTITIES**

1.7 **RESTRICTED.**

1.8 Subdivision 1. **Purpose.** The legislature finds that it is in the interests of the state to

1.9 encourage and protect home ownership and the single-family home as a basic housing

1.10 option, to allow families increased access to housing through homeownership, for families

1.11 to build equity and wealth through their housing, and to enhance and promote the stability

1.12 and well-being of families and society in Minnesota.

1.13 Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the

1.14 meanings given.

1.15 (b) "Affordable housing" means at least two-thirds of its units are rented to an individual

1.16 or family with an annual income of up to 50 percent of the area median income as determined

1.17 by the United States Department of Housing and Urban Development, adjusted for family

1.18 size, that is paying no more than 30 percent of annual income on rent.

1.19 (c) "Corporate entity" means any partnership, corporation, limited liability company,

1.20 pension or investment fund, or trust but does not include a nonprofit corporation, cooperative,

1.21 a family trust, a residential services provider, or a family limited liability company.

1.22 (d) "Commissioner" means the commissioner of the Minnesota Housing Finance Agency.

2.1 (e) "Cooperative" means a common interest community in which the real estate is owned
2.2 by an association, each of whose members is entitled to a proprietary lease by virtue of the
2.3 member's ownership interest in the association.

2.4 (f) "Family limited liability company" means a limited liability company meeting the
2.5 following standards:

2.6 (1) it has no more than five members;

2.7 (2) all its members are natural persons or family trusts;

2.8 (3) all of its members who are natural persons or spouses of natural persons are related
2.9 to each other within the third degree of kindred according to the rules of civil law; and

2.10 (4) its revenue from rent or any other means is paid directly from one member to another.

2.11 (g) "Family trust" means:

2.12 (1) a trust in which:

2.13 (i) a majority of the current beneficiaries are persons or spouses of persons who are
2.14 related to each other within the third degree of kindred according to the rules of civil law;

2.15 (ii) all of the current beneficiaries are natural persons or nonprofit corporations or trusts
2.16 described in Internal Revenue Code, section 170(c), as amended; and

2.17 (iii) one of the current beneficiaries or a person related to a current beneficiary within
2.18 the third degree of kindred according to the rules of civil law is residing at the property
2.19 subject to the trust; or

2.20 (2) a charitable remainder trust as defined in Internal Revenue Code, section 664, as
2.21 amended, or a charitable lead trust as set forth in Internal Revenue Code, section 170(f), as
2.22 amended.

2.23 (h) "Nonprofit corporation" means a charitable trust required to register under 501B; or
2.24 a corporation governed by chapter 317A or organized under Internal Revenue Code, section
2.25 501(c)(3).

2.26 (i) "Pension or investment fund" means a pension or employee welfare benefit fund,
2.27 however organized; a mutual fund; a life insurance company separate account; a common
2.28 trust of a bank or other trustee established for the investment and reinvestment of money
2.29 contributed to it; a real estate investment trust; or an investment company as defined in
2.30 United States Code, title 15, section 80a-3, as amended.

3.1 (j) "Residential services provider" means an entity licensed as an assisted living facility
3.2 under chapter 144G, an entity licensed as a home and community-based services provider
3.3 under chapter 245D, or an individual or entity that has a lease with an entity licensed under
3.4 chapter 144G or 245D for the purpose of allowing the licensed entity to provide residential
3.5 services on the property.

3.6 Subd. 3. **Single-family home rental restricted; exemption.** (a) No corporate entity
3.7 shall:

3.8 (1) directly or indirectly purchase, own, acquire, or otherwise obtain any interest in
3.9 property classified as class 1a under section 273.13, subdivision 22; and

3.10 (2) subsequently convert the property into nonhomestead residential real estate containing
3.11 one rental unit.

3.12 (b) A corporate entity, real estate developer, or residential building contractor may
3.13 petition the commissioner for an exemption from paragraph (a). The commissioner may
3.14 issue an exemption if the proposed acquisition:

3.15 (1) would not contradict the purpose of this section; and

3.16 (2) would not have an adverse impact upon the availability of affordable housing.

3.17 (c) The commissioner shall review annually each corporate entity that is issued an
3.18 exemption under this paragraph to ensure that the entity continues to meet the criteria in
3.19 paragraph (b), clauses (1) and (2). If an entity, developer, or contractor fails to meet the
3.20 criteria, the commissioner shall withdraw the exemption and the entity is subject to
3.21 enforcement proceedings under subdivision 4. The commissioner shall submit a report with
3.22 a list of each entity that is issued an exemption under this paragraph to the chairs and ranking
3.23 minority members of the senate and house of representatives housing policy committees
3.24 by October 1 of each year.

3.25 Subd. 4. **Enforcement.** If the attorney general has reason to believe that a corporate
3.26 entity is violating this section, the attorney general shall commence an action in the district
3.27 court in which any real property relative to such violation is situated. The attorney general
3.28 shall file for record with the county recorder or the registrar of titles of each county in which
3.29 any portion of said property is located a notice of the pendency of the action as provided in
3.30 section 557.02. If the court finds that the property in question is being held in violation of
3.31 subdivision 3, it shall enter an order so declaring. The attorney general shall file for record
3.32 any such order with the county recorder or the registrar of titles for the county in which the
3.33 property is located. Thereafter, the corporate entity shall have a period of one year from the

4.1 date of the order to divest itself of the property. The aforementioned one-year limitation
4.2 period shall be deemed a covenant running with the title to the property against the corporate
4.3 entity, assignee, or successor. Any property not so divested within the time prescribed shall
4.4 be sold at public sale in the manner prescribed by law for the foreclosure of a mortgage by
4.5 action. In addition, any prospective or threatened violation may be enjoined by an action
4.6 brought by the attorney general in the manner provided by law.