

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

S.F. No. 4022

(SENATE AUTHORS: MOHAMED, Port and Boldon)

DATE
02/20/2024

D-PG
11675

Introduction and first reading
Referred to Housing and Homelessness Prevention

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to state government; proposing an amendment to the Minnesota
1.3 Constitution, article XI; increasing the sales tax rate by three-eighths of one percent
1.4 and dedicating the receipts for housing purposes; creating a homeownership
1.5 opportunity fund, a rental opportunity fund, and a household and community
1.6 stability fund; creating fund councils; providing appointments; requiring reports;
1.7 proposing coding for new law in Minnesota Statutes, chapters 256K; 462A.

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

1.9 **ARTICLE 1**
1.10 **CONSTITUTIONAL AMENDMENT TO FUND HOUSING INITIATIVES**

1.11 Section 1. **CONSTITUTIONAL AMENDMENT PROPOSED.**

1.12 An amendment to the Minnesota Constitution is proposed to the people. If the amendment
1.13 is adopted, a section shall be added to article XI to read:

1.14 Sec. 16. Beginning July 1, 2025, until June 30, 2050, the sales and use tax rate shall be
1.15 increased by three-eighths of one percent on sales and uses taxable under the general sales
1.16 and use tax law. Receipts from the increase, plus penalties and interest and reduced by any
1.17 refunds, are dedicated, for the benefit of Minnesotans, to the following funds: 25 percent
1.18 to the homeownership opportunity fund, which may be spent to assist in the creation,
1.19 purchase, and rehabilitation of homes for owner occupancy; 25 percent to the community
1.20 and household stability fund, which may be used to assist in providing emergency financial
1.21 assistance, legal services, educational services, and outreach services to persons who are
1.22 homeless or at risk of becoming homeless; and 50 percent to the rental opportunity fund,
1.23 which may be used to assist in funding ongoing rental assistance and supportive services
1.24 for renters and in the acquisition, development, rehabilitation, or adaptive reuse of rental

2.1 housing. A homeownership opportunity fund, a community and household stability fund,
 2.2 and a rental opportunity fund are created in the state treasury. The money dedicated under
 2.3 this section shall be appropriated by law. The dedicated money under this section must
 2.4 supplement traditional sources of funding for these purposes and may not be used as a
 2.5 substitute. The dedicated money under this section may be used to provide matching grants.

2.6 **Sec. 2. SUBMISSION TO VOTERS.**

2.7 (a) The proposed amendment must be submitted to the people at the 2024 general election.
 2.8 The question submitted must be:

2.9 "Shall the Minnesota Constitution be amended to remove barriers to homeownership,
 2.10 to make our rental housing safe and affordable, and to protect our vulnerable households
 2.11 and communities from displacement and homelessness by increasing the sales and use tax
 2.12 rate beginning July 1, 2025, by three-eighths of one percent on taxable sales until the year
 2.13 2050?

2.14 Yes
 2.15 No "

2.16 (b) The title required under Minnesota Statutes, section 204D.15, subdivision 1, for the
 2.17 question submitted to the people under paragraph (a) shall be: "Creation of Homeownership
 2.18 Opportunity Fund, Community and Household Stability Fund, and Rental Opportunity
 2.19 Fund."

2.20 **ARTICLE 2**
 2.21 **STATUTORY CHANGES**

2.22 **Section 1. [256K.50] COMMUNITY AND HOUSEHOLD STABILITY FUND.**

2.23 Subdivision 1. **Fund.** The community and household stability fund is established in the
 2.24 Minnesota Constitution, article XI, section 16. All money earned by the fund must be credited
 2.25 to the fund.

2.26 Subd. 2. **Expenditures.** Subject to appropriation, receipts in the fund may be spent for:

2.27 (1) emergency assistance for households or individuals that are homeless or at risk of
 2.28 homelessness or displacement;

2.29 (2) legal services for households or individuals that are homeless or at risk of
 2.30 homelessness or displacement;

3.1 (3) outreach services for households or individuals that are homeless or at risk of
3.2 homelessness or displacement;

3.3 (4) funding the operation of emergency shelters; and

3.4 (5) financing the acquisition, rehabilitation, adaptive reuse, or new construction of
3.5 property to serve as emergency shelter, transitional housing, or permanent supportive
3.6 housing.

3.7 Subd. 3. **Audit.** The legislative auditor shall audit fund expenditures to ensure that the
3.8 money is spent for the purposes for which the money was appropriated.

3.9 Subd. 4. **Prevailing wages.** Contracts for projects funded by this fund must meet the
3.10 requirements of contracts for state projects, as established in section 177.43.

3.11 Sec. 2. **[256K.51] COMMUNITY AND HOUSEHOLD STABILITY COUNCIL.**

3.12 Subdivision 1. **Establishment.** A Community And Household Stability Council is created
3.13 to advise on the administration and implementation of the community and household stability
3.14 fund under section 256K.50. The Housing Finance Agency shall provide administrative
3.15 support for the council. The members of the council shall elect a chair from the voting
3.16 members of the council.

3.17 Subd. 2. **Purpose.** The fund is established to help Minnesotans improve the condition
3.18 of homes and communities and prevent homelessness and displacement from homes.

3.19 Subd. 3. **Membership; appointment.** (a) Three members of the house of representatives,
3.20 including two members from the majority party, appointed by the speaker of the house, and
3.21 one member from the minority party, appointed by the minority leader, shall serve at the
3.22 pleasure of the appointing authority as nonvoting members of the council. Three members
3.23 of the senate, including two members from the majority party and one member from the
3.24 minority party, appointed according to the rules of the senate, shall serve at the pleasure of
3.25 the appointing authority as nonvoting members of the council.

3.26 (b) Twenty-four voting members shall be appointed and must include:

3.27 (1) one representative of a labor union;

3.28 (2) the commissioner of the Housing Finance Agency;

3.29 (3) four representatives of organizations that work directly with under-resourced or
3.30 underrepresented communities;

4.1 (4) four members who receive or previously received support services, emergency rental
4.2 assistance, or homeless prevention services;

4.3 (5) two members representing Tribal government;

4.4 (6) one member elected to or appointed by the governing body of a local government;

4.5 (7) one member that represents either a public housing authority or a housing and
4.6 redevelopment authority; and

4.7 (8) one member representing the Council on Disability.

4.8 (c) Appointments shall be made as follows: the governor, the senate majority leader,
4.9 and the speaker of the house shall each in turn appoint members required under paragraph
4.10 (b) until 12 appointments have been made. The governor shall appoint an additional eight
4.11 members, ensuring that any outstanding requirements under paragraph (b) are satisfied. The
4.12 house minority leader and the senate minority leader shall then each appoint two members.
4.13 Members appointed under this paragraph must not be registered lobbyists or legislators.

4.14 (d) Appointing authorities shall ensure that appointees represent a diversity of
4.15 backgrounds, including racial, ethnic, socioeconomic, and geographic backgrounds.

4.16 Subd. 4. **Conflict of interest.** A council member may not participate in or vote on a
4.17 decision of the council relating to an organization in which the member has either a direct
4.18 or indirect personal financial interest. While serving on the council, a member shall avoid
4.19 any potential conflict of interest.

4.20 Subd. 5. **Terms; compensation; removal.** The terms of members representing the state
4.21 agencies are four years and are coterminous with the governor. The terms of other
4.22 nonlegislative members of the council shall be as provided in section 15.059, subdivision
4.23 2. Members may serve until their successors are appointed and qualify. Compensation and
4.24 removal of nonlegislative council members is as provided in section 15.059, subdivisions
4.25 3 and 4. Compensation of legislative members is as determined by the appointing authority.
4.26 The Department of Human Services may reimburse legislative members for expenses. A
4.27 vacancy on the council may be filled by the appointing authority provided in subdivision 3
4.28 for the remainder of the unexpired term.

4.29 Subd. 6. **Strategic plan.** The council shall adopt a strategic plan for recommending
4.30 policy changes and making expenditures from the community and household stability fund
4.31 that further the purpose in subdivision 2, including identifying the priority areas for funding
4.32 for the next six years. The council shall issue a revised plan by December 1 each
4.33 even-numbered year. The strategic plan must have clearly stated short- and long-term goals

5.1 and strategies for fund expenditures, must provide measurable outcomes for expenditures,
 5.2 and must determine areas of emphasis for funding. The council's strategic plan must detail
 5.3 how the council will engage impacted individuals and communities and ensure council
 5.4 recommendations support the fund's purpose and the intention to reduce disparities, support
 5.5 community-based solutions, improve the condition of homes, increase accessibility, and
 5.6 improve energy and water efficiency.

5.7 Subd. 7. **Recommended appropriations.** The Community and Household Stability
 5.8 Council shall recommend to the governor and the legislature the manner in which money
 5.9 from the community and household stability fund should be appropriated for the purposes
 5.10 stated in section 256K.50 and the Minnesota Constitution, article XI, section 16.

5.11 Subd. 8. **Reports to legislature.** (a) By January 15 of each odd-numbered year, the
 5.12 council must submit a report to the legislature on the activities for which money has been
 5.13 or will be spent for the current biennium and the activities for which money is recommended
 5.14 to be spent in the next biennium.

5.15 (b) By January 15 of each even-numbered year, the council may submit to the legislature
 5.16 supplemental recommendations on the manner in which money from the community and
 5.17 household stability fund should be appropriated in the next fiscal year.

5.18 Subd. 9. **Compensation.** Members may be compensated as provided in section 15.059.

5.19 **Sec. 3. [462A.51] HOMEOWNERSHIP OPPORTUNITY FUND.**

5.20 Subdivision 1. **Fund.** The homeownership opportunity fund is established in the
 5.21 Minnesota Constitution, article XI, section 16. All money earned by the fund must be credited
 5.22 to the fund.

5.23 Subd. 2. **Expenditures.** Subject to appropriation, receipts in the fund may be spent for:

5.24 (1) financing the acquisition, rehabilitation, adaptive reuse, or new construction of
 5.25 property to serve as owner-occupied housing, including single-family housing, multifamily
 5.26 housing containing up to four units, housing on land leased by a community land trust,
 5.27 condominiums, and cooperatively owned housing, including cooperatively owned
 5.28 manufactured home parks;

5.29 (2) financing the conversion of rental property into owner-occupied property, including
 5.30 cooperatively owned housing and cooperatively owned manufactured home parks;

5.31 (2) down payment assistance;

5.32 (3) accessibility grants and loans for owner-occupied housing;

6.1 (4) financial assistance to borrowers who are delinquent on mortgage or contract for
6.2 deed payments; and

6.3 (5) homeownership education, counseling, and training under section 462A.209.

6.4 Subd. 3. **Audit.** The legislative auditor shall audit fund expenditures to ensure that the
6.5 money is spent for the purposes for which the money was appropriated.

6.6 Subd. 4. **Prevailing wages.** Contracts for projects funded by this fund must meet the
6.7 requirements of contracts for state projects, as established in section 177.43.

6.8 Sec. 4. **[462A.52] HOMEOWNERSHIP OPPORTUNITY COUNCIL.**

6.9 Subdivision 1. **Establishment.** A Homeownership Opportunity Council is created to
6.10 advise on the administration and implementation of the homeownership opportunity fund
6.11 under section 462A.51. The Housing Finance Agency shall provide administrative support
6.12 for the council. The members of the council shall elect a chair from the voting members of
6.13 the council.

6.14 Subd. 2. **Purpose.** The fund is established to support Minnesotans and the communities
6.15 in which they live, to eliminate racial disparities in homeownership, to ensure Minnesotans
6.16 can accumulate wealth and assets, and to increase quality of life by helping more first-time
6.17 homebuyers afford and access homeownership.

6.18 Subd. 3. **Membership; appointment.** (a) Three members of the house of representatives,
6.19 including two members from the majority party, appointed by the speaker of the house, and
6.20 one member from the minority party, appointed by the minority leader, shall serve at the
6.21 pleasure of the appointing authority as nonvoting members of the council. Three members
6.22 of the senate, including two members from the majority party and one member from the
6.23 minority party, appointed according to the rules of the senate, shall serve at the pleasure of
6.24 the appointing authority as nonvoting members of the council.

6.25 (b) Twenty-four voting members shall be appointed and must include:

6.26 (1) the commissioner of the Housing Finance Agency;

6.27 (2) one member that represents either a public housing authority or a housing and
6.28 redevelopment authority;

6.29 (3) one representative of a labor union;

6.30 (4) two members who purchased a Habitat for Humanity home;

6.31 (5) two members who purchased a community land trust home;

- 7.1 (6) two members who have been or are manufactured home park residents;
- 7.2 (7) two members who live in a cooperatively owned property;
- 7.3 (8) two representatives of organizations focused on producing new affordable homes
- 7.4 for ownership;
- 7.5 (9) one representative of an organization that provides down payment assistance or
- 7.6 homebuyer preparation services to low-income households;
- 7.7 (10) two representatives of organizations that work directly with households on the path
- 7.8 to homeownership;
- 7.9 (11) one member elected to or appointed by the governing body of a local government;
- 7.10 (12) two representatives of Tribal government;
- 7.11 (13) one person with a disability or one disability advocate; and
- 7.12 (14) one person with practical experience or expertise with both housing and either
- 7.13 energy or climate.
- 7.14 (c) Appointments shall be made as follows: the governor, the senate majority leader,
- 7.15 and the speaker of the house shall each in turn appoint members required under paragraph
- 7.16 (b) until 12 appointments have been made. The governor shall appoint an additional eight
- 7.17 members, ensuring that any outstanding requirements under paragraph (b) are satisfied. The
- 7.18 house minority leader and the senate minority leader shall then each appoint two members.
- 7.19 Members appointed under this paragraph must not be registered lobbyists or legislators.
- 7.20 (d) Appointing authorities shall ensure that appointees represent a diversity of
- 7.21 backgrounds, including racial, ethnic, socioeconomic, and geographic backgrounds.
- 7.22 Subd. 4. **Conflict of interest.** A council member may not participate in or vote on a
- 7.23 decision of the council relating to an organization in which the member has either a direct
- 7.24 or indirect personal financial interest. While serving on the council, a member shall avoid
- 7.25 any potential conflict of interest.
- 7.26 Subd. 5. **Terms; compensation; removal.** The terms of members representing the state
- 7.27 agencies are four years and are coterminous with the governor. The terms of other
- 7.28 nonlegislative members of the council shall be as provided in section 15.059, subdivision
- 7.29 2. Members may serve until their successors are appointed and qualify. Compensation and
- 7.30 removal of nonlegislative council members is as provided in section 15.059, subdivisions
- 7.31 3 and 4. Compensation of legislative members is as determined by the appointing authority.
- 7.32 The agency may reimburse legislative members for expenses. A vacancy on the council

8.1 may be filled by the appointing authority provided in subdivision 3 for the remainder of the
8.2 unexpired term.

8.3 Subd. 6. **Strategic plan.** The council shall adopt a strategic plan for recommending
8.4 policy changes and making expenditures from the homeownership opportunity fund that
8.5 further the purpose in subdivision 2, including identifying the priority areas for funding for
8.6 the next six years. The council shall issue a revised plan by December 1 of each
8.7 even-numbered year. The strategic plan must have clearly stated short- and long-term goals
8.8 and strategies for fund expenditures, must provide measurable outcomes for expenditures,
8.9 and must determine areas of emphasis for funding. The council's strategic plan must detail
8.10 how the council will engage impacted individuals and communities and ensure council
8.11 recommendations support the fund's purpose and the intention to reduce disparities, support
8.12 community-based solutions, improve the condition of homes, increase accessibility, and
8.13 improve energy and water efficiency.

8.14 Subd. 7. **Recommended appropriations.** The Homeownership Opportunity Council
8.15 shall recommend to the governor and the legislature the manner in which money from the
8.16 homeownership opportunity fund should be appropriated for the purposes stated in section
8.17 462A.51 and the Minnesota Constitution, article XI, section 16.

8.18 Subd. 8. **Reports to legislature.** (a) By January 15 of each odd-numbered year, the
8.19 council must submit a report to the legislature on the activities for which money has been
8.20 or will be spent for the current biennium and the activities for which money is recommended
8.21 to be spent in the next biennium.

8.22 (b) By January 15 of each even-numbered year, the council may submit to the legislature
8.23 supplemental recommendations on the manner in which money from the homeownership
8.24 opportunity fund should be appropriated in the next fiscal year.

8.25 Subd. 9. **Compensation.** Members may be compensated as provided in section 15.059.

8.26 **Sec. 5. [462A.53] RENTAL OPPORTUNITY FUND.**

8.27 Subdivision 1. **Fund.** The rental opportunity fund is established in the Minnesota
8.28 Constitution, article XI, section 16. All money earned by the fund must be credited to the
8.29 fund.

8.30 Subd. 2. **Expenditures.** Subject to appropriation, receipts in the fund must be spent for:

8.31 (1) financing the acquisition, rehabilitation, adaptive reuse, or new construction of
8.32 property to serve as rental housing;

9.1 (2) rental assistance; and

9.2 (3) supportive services to renters and owners of rental property.

9.3 Subd. 3. **Audit.** The legislative auditor shall audit fund expenditures to ensure that the
 9.4 money is spent for the purposes for which the money was appropriated.

9.5 Subd. 4. **Prevailing wages.** Contracts for projects funded by this fund must meet the
 9.6 requirements of contracts for state projects, as established in section 177.43.

9.7 Sec. 6. **[462A.54] RENTAL OPPORTUNITY COUNCIL.**

9.8 Subdivision 1. **Establishment.** A Rental Opportunity Council is created to advise on
 9.9 the administration and implementation of the rental opportunity fund under section 462A.53.
 9.10 The Housing Finance Agency shall provide administrative support for the council. The
 9.11 members of the council shall elect a chair from the voting members of the council.

9.12 Subd. 2. **Purpose.** The fund is established to create more homes that Minnesotans can
 9.13 afford by increasing the supply of affordable rental housing, especially for very low- and
 9.14 extremely low-income households; reduce the number of low-income households
 9.15 experiencing housing cost burden by investing in rental assistance; and improve quality of
 9.16 life by ensuring existing homes are safe, healthy, and resilient.

9.17 Subd. 3. **Membership; appointment.** (a) Three members of the house of representatives,
 9.18 including two members from the majority party, appointed by the speaker of the house, and
 9.19 one member from the minority party, appointed by the minority leader, shall serve at the
 9.20 pleasure of the appointing authority as nonvoting members of the council. Three members
 9.21 of the senate, including two members from the majority party and one member from the
 9.22 minority party, appointed according to the rules of the senate, shall serve at the pleasure of
 9.23 the appointing authority as nonvoting members of the council.

9.24 (b) Twenty-four voting members shall be appointed and must include:

9.25 (1) the commissioner of the Housing Finance Agency;

9.26 (2) one representative of a labor union;

9.27 (3) one member that represents either a public housing authority or a housing or
 9.28 redevelopment authority;

9.29 (3) one member living in rental housing who (i) has a disability, and (ii) transitioned out
 9.30 of congregate care;

9.31 (4) one member who is experiencing or has experienced homelessness;

10.1 (5) two representatives of Tribal government;

10.2 (6) one representative of a nonprofit housing provider;

10.3 (7) one representative of a for-profit housing provider;

10.4 (8) one representative of a nonprofit developer of rental housing; and

10.5 (9) one representative of a for-profit developer of rental housing.

10.6 (c) Appointments shall be made as follows: the governor, the senate majority leader,
10.7 and the speaker of the house shall each in turn appoint members required under paragraph
10.8 (b) until 12 appointments have been made. The governor shall appoint an additional eight
10.9 members, ensuring that any outstanding requirements under paragraph (b) are satisfied. The
10.10 house minority leader and the senate minority leader shall then each appoint two members.
10.11 Members appointed under this paragraph must not be registered lobbyists or legislators.

10.12 (d) Appointing authorities shall ensure that appointees represent a diversity of
10.13 backgrounds, including racial, ethnic, socioeconomic, and geographic backgrounds.

10.14 Subd. 4. **Conflict of interest.** A council member may not participate in or vote on a
10.15 decision of the council relating to an organization in which the member has either a direct
10.16 or indirect personal financial interest. While serving on the council, a member shall avoid
10.17 any potential conflict of interest.

10.18 Subd. 5. **Terms; compensation; removal.** The terms of members representing the state
10.19 agencies are four years and are coterminous with the governor. The terms of other
10.20 nonlegislative members of the council shall be as provided in section 15.059, subdivision
10.21 2. Members may serve until their successors are appointed and qualify. Compensation and
10.22 removal of nonlegislative council members is as provided in section 15.059, subdivisions
10.23 3 and 4. Compensation of legislative members is as determined by the appointing authority.
10.24 The agency may reimburse legislative members for expenses. A vacancy on the council
10.25 may be filled by the appointing authority provided in subdivision 3 for the remainder of the
10.26 unexpired term.

10.27 Subd. 6. **Strategic plan.** The council shall adopt a strategic plan for recommending
10.28 policy changes and making expenditures from the rental opportunity fund that further the
10.29 purpose in subdivision 2, including identifying the priority areas for funding for the next
10.30 six years. The council shall issue a revised plan by December 1 each even-numbered year.
10.31 The strategic plan must have clearly stated short- and long-term goals and strategies for
10.32 fund expenditures, must provide measurable outcomes for expenditures, and must determine
10.33 areas of emphasis for funding. The council's strategic plan must detail how the council will

11.1 engage impacted individuals and communities and ensure council recommendations support
11.2 the fund's purpose and the intention to reduce disparities, support community-based solutions,
11.3 improve the condition of homes, increase accessibility, and improve energy and water
11.4 efficiency.

11.5 Subd. 7. **Recommended appropriations.** The Rental Opportunity Council shall
11.6 recommend to the governor and the legislature the manner in which money from the rental
11.7 opportunity fund should be appropriated for the purposes stated in section 462A.53 and the
11.8 Minnesota Constitution, article XI, section 16.

11.9 Subd. 8. **Reports to legislature.** (a) By January 15 of each odd-numbered year, the
11.10 council must submit a report to the legislature on the activities for which money has been
11.11 or will be spent for the current biennium and the activities for which money is recommended
11.12 to be spent in the next biennium.

11.13 (b) By January 15 of each even-numbered year, the council may submit to the legislature
11.14 supplemental recommendations on the manner in which money from the rental opportunity
11.15 fund should be appropriated in the next fiscal year.

11.16 Subd. 9. **Compensation.** Members may be compensated as provided in section 15.059.

11.17 Sec. 7. **EFFECTIVE DATE.**

11.18 This article is effective July 1, 2025, if the constitutional amendment proposed in article
11.19 1, section 1, is adopted by the voters.