

## CHAPTER 368—H.F.No. 1987

*An act relating to housing; establishing a procedure for the allocation of low-income housing tax credits; amending Minnesota Statutes 1988, sections 462A.221, by adding subdivisions; 462A.222, subdivisions 2, 3, and by adding subdivisions; and 462A.223, subdivision 2.*

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

Section 1. Minnesota Statutes 1988, section 462A.221, is amended by adding a subdivision to read:

Subd. 1a. ALLOCATING AGENCY. "Allocating agency" means the Minnesota housing finance agency and each county and city that allocates reserved tax credits as provided under section 462A.222, subdivision 1.

Sec. 2. Minnesota Statutes 1988, section 462A.221, is amended by adding a subdivision to read:

Subd. 1b. ALLOCATION. An "allocation" is considered to have been made either when Part I of Internal Revenue Service Form 8609, Low-Income Housing Credit Allocation Certification, is completed and signed by an authorized official of the allocating agency and mailed to the owner of the qualified low-income building or when the allocating agency issues a carryover.

Sec. 3. Minnesota Statutes 1988, section 462A.221, is amended by adding a subdivision to read:

Subd. 2a. COMMITMENT. "Commitment" means a nontransferable, legally binding agreement between an allocating agency and a developer for the use of tax credits.

Sec. 4. Minnesota Statutes 1988, section 462A.222, is amended by adding a subdivision to read:

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 through December 31, 1989, 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 through December 31, 1989, must be deducted from the annual per capita amount used in determining the state ceiling.

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(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: aid to families with dependent children, 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.

Sec. 5. Minnesota Statutes 1988, section 462A.222, subdivision 2, is amended to read:

Subd. 2. **CREDIT FORMULA.** The agency shall reserve to each eligible city and county ~~a~~ a percentage amount from the appropriate regional pool equal to the greater of (1) the product obtained by: (a) deducting from the per capita amount used in determining the annual state ceiling for low-income housing credits provided under section 42 of the Internal Revenue Code of 1986, a percentage portion of the per capita amount equal to the percentage set-aside apportionment for projects involving a qualified nonprofit organization, as provided therein; and (b) multiplying the difference obtained in clause (a) by the population of the city or county; and (c) multiplying the product obtained under clause (b) by 1.5; or (2) 90 percent of the total state ceiling for low-income housing credits, multiplied by a fraction that has as its numerator the number of rental units located within the city or county and that has as its denominator the total number of rental units located within the state city's or county's percentage share of the total population of the counties comprising the pool and multiplied, in 1990 by 1.25. After calendar year 1990, the agency shall allocate tax credits among eligible cities and counties based on the distribution plan established under section 7. For purposes of this subdivision, the state demographer shall provide population and rental unit estimates to the agency.

Sec. 6. Minnesota Statutes 1988, section 462A.222, subdivision 3, is amended to read:

Subd. 3. **RETURN OF RESERVED CREDITS ALLOCATION PROCEDURE.** Unused portions of the state ceiling for low-income housing credits reserved to cities and counties for allocation may be returned at any time to the agency for allocation. On or before October 1 of each calendar year, each city and county acting as a housing credit agency, or the Minneapolis/Saint Paul housing finance board, must submit a written notice to the agency of the portion of the low-income housing credit ceiling reserved to it which has not been allocated. The unallocated credit must then be allocated by the agency as provided in section 462A.223. (a) Projects will be awarded tax credits in three 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.

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(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) In the first round, an allocating agency may allocate tax credits only to the following types of projects:

(1) single-room occupancy projects which are affordable by households whose income does not exceed 30 percent of the median income;

(2) family housing projects in which at least 75 percent of the units contain two or more bedrooms and at least 25 percent contain three or more bedrooms;

(3) projects in which at least 50 percent of the units are for mentally ill, mentally retarded, drug dependent, developmentally disabled, or physically handicapped persons;

(4) projects which preserve existing subsidized housing which is subject to prepayment if the use of tax credits is necessary to prevent conversion to market rate use; or

(5) projects financed by the Farmers Home Administration which meet statewide distribution goals.

(d) Before the date for applications for the second round, the allocating agencies other than the agency shall return all uncommitted and unallocated tax credits to the pool from which they were allocated, along with copies of any allocation or commitment. In the second round, the agency shall allocate the remaining credits from the regional pools to projects from the respective regions.

(e) In the third round, all unallocated tax credits must be transferred 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.

Sec. 7. Minnesota Statutes 1988, section 462A.222, is amended by adding a subdivision to read:

Subd. 4. DISTRIBUTION PLAN. (a) By October 1, 1990, the metropolitan council, in consultation with the agency and representatives of local government and housing and redevelopment authorities, shall develop and submit to the agency a plan for allocating tax credits in 1991 and thereafter in the metropolitan area, based on regional housing needs and priorities.

(b) By October 1, 1990, the agency, in consultation with representatives of local government and housing and redevelopment authorities, shall develop a plan for allocating tax credits in 1991 and thereafter in greater Minnesota, based on regional housing needs and priorities.

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(c) In preparing the distribution plans, the metropolitan council and the agency shall estimate the number of households in the metropolitan area and in greater Minnesota, respectively, who are paying more than 50 percent of their income for rent and the cost of providing sufficient rental or other assistance so that no household pays more than 50 percent of its income for rent. In addition, the metropolitan council and the agency shall identify the nature and scope of existing programs which primarily serve families at 60 percent of the median income and individuals at 30 percent of the median income. In preparing the estimate, the metropolitan council and the agency shall rely on existing and available data and shall report the results to the legislature no later than January 31, 1991.

Sec. 8. Minnesota Statutes 1988, section 462A.223, subdivision 2, is amended to read:

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 ~~on a statewide basis~~ 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.

Sec. 9. **EFFECTIVE DATE.**

Sections 1 to 8 are effective the day following final enactment.

Presented to the governor March 28, 1990

Signed by the governor March 29, 1990, 9:42 p.m.

#### CHAPTER 369—S.F.No. 1663

*An act relating to local government; abandoning judicial ditch number 17 in Redwood and Lyon counties; authorizing the Faribault county local redevelopment agency board to have nine members.*

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

New language is indicated by underline, deletions by ~~strikeout~~.