

Sec. 20. **EFFECTIVE DATE.**

Sections 1 to 17 are effective the day following final enactment.

Presented to the governor May 29, 1991

Signed by the governor June 1, 1991, 5:12 p.m.

CHAPTER 287—S.F.No. 652

An act relating to housing; providing for the payment of fees for certain publicly owned facilities; providing for use of neighborhood land trusts; amending Minnesota Statutes 1990, sections 327.23, subdivision 3; and 462A.02, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 462A.

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

Section 1. Minnesota Statutes 1990, section 327.23, subdivision 3, is amended to read:

Subd. 3. **MUNICIPAL PARKS.** Any manufactured home park or recreational camping area owned or operated by any municipality or political subdivision of this state shall meet all sanitary and safety provisions of sections 327.10, 327.11, 327.14 to 327.28, shall be inspected as herein provided, pay all fees, and make all reports, as herein required of a licensee.

Sec. 2. **[462A.30] DEFINITIONS.**

Subdivision 1. APPLICABILITY. The definitions in this section apply to sections 2 to 4.

Subd. 2. AGENCY. "Agency" means the Minnesota housing finance agency.

Subd. 3. FIRST OPTION TO PURCHASE. "First option to purchase" means a right of a neighborhood land trust or the agency to purchase all or any portion of the improvements and leasehold interest of a lessee, sublessee, or other resident of property subject to a ground lease, prior to the rights of any other party and at a limited equity price.

Subd. 4. GROUND LEASE. "Ground lease" means a lease of real property in which the lease does not include buildings or other improvements.

Subd. 5. LEASEHOLD INTEREST. "Leasehold interest" means the real property interest of a lessee in a ground lease in which the neighborhood land trust is the lessor.

Subd. 6. LIMITED EQUITY FORMULA. "Limited equity formula" means a method, to be determined by rule adopted by the agency, for calculation of the limited equity price, designed to maintain the affordability of the housing and the public subsidy.

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Subd. 7. LIMITED EQUITY PRICE. “Limited equity price” means a price for the sale of any building or other improvement located on land owned by a neighborhood land trust determined by means of the limited equity formula.

Subd. 8. NEIGHBORHOOD LAND TRUST. “Neighborhood land trust” means a nonprofit corporation organized under chapter 317A that complies with section 3 and that qualifies for tax exempt status under United States Code, title 26, section 501(c)(3), and meets all other criteria for neighborhood land trust set by the agency.

Subd. 9. PERSONS AND FAMILIES OF LOW AND MODERATE INCOME. “Persons and families of low and moderate income” has the meaning specified in section 462A.03, subdivision 10.

Sec. 3. [462A.31] NEIGHBORHOOD LAND TRUSTS.

Subdivision 1. PURPOSES. A neighborhood land trust must have as one of its purposes the holding of land and the leasing of land for the purpose of preserving the affordability of housing on that land for persons and families of low and moderate income.

Subd. 2. POWERS. A neighborhood land trust may have any or all of the powers permitted to a nonprofit corporation under chapter 317A, except that a neighborhood land trust must have the power to buy and sell land, to mortgage and otherwise encumber land, and to negotiate and enter into ground leases with an initial term of up to 99 years.

Subd. 3. RESTRICTIONS. A ground lease in which a neighborhood land trust is the lessor must contain provisions designed to preserve the affordability of housing on the land. Each ground lease must reserve to the neighborhood land trust the first option to purchase any building or improvement on the land, or any condominium or cooperative unit located in a building on the land, at a limited equity price specified in the ground lease. Each ground lease must grant to the Minnesota housing finance agency the right to exercise that first option to purchase if the neighborhood land trust does not, for any reason, exercise the first option. Each ground lease must exempt sales to persons and families of low and moderate income from the provisions granting the first option to purchase to the neighborhood land trust and to the Minnesota housing finance agency. Sales to persons and families of low and moderate income are not exempt from the limited equity price. A ground lease may also contain appropriate restrictions on:

- (1) subletting or assigning the ground lease;
- (2) construction and renovation of buildings and other improvements; and
- (3) sale of buildings and improvements.

Subd. 4. MORTGAGES. (a) A ground lease with a neighborhood land trust must prohibit the lessee from mortgaging the lessee's interest in the lease or in buildings or other improvements without the consent of the neighborhood

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land trust. A ground lease may obligate a neighborhood land trust as lessor and fee title holder to consent to, join in, or subordinate its interest to, a mortgage entered into by a lessee as mortgagor for the purpose of obtaining financing for construction or renovation of housing on the land. A lease provision so obligating a neighborhood land trust must specify that the mortgage must provide to the neighborhood land trust the right to receive from the mortgagee prompt notice of default in the mortgage and the right to cure the default or to purchase the mortgagee's interest in the mortgage. The limited equity price and provisions in subdivision 3 do not apply if the lessee or the neighborhood land trust fails to cure the default or purchase the mortgagee's interest in the mortgage.

(b) A ground lease with a neighborhood land trust must provide that the neighborhood land trust will not, during the term of the lease, mortgage or otherwise encumber its interest in the property or permit any liens on its interest in the property to exist. This prohibition does not apply to mortgages that require the mortgagee to subordinate the lien of its mortgage to a mortgage entered into by a lessee as mortgagor for the purpose of obtaining financing for construction or renovation of housing on the land.

Subd. 5. RIGHTS OF HEIRS. A ground lease with a neighborhood land trust must provide that the heirs of the lessee may assume the lease, if the heirs agree to occupy the lease property as their homestead. For purposes of this subdivision, "the heirs" means the heirs at law of a lessee who dies intestate or the devisees of a lessee who dies testate.

Sec. 4. Minnesota Statutes 1990, section 462A.02, is amended by adding a subdivision to read:

Subd. 11. It is further declared that it is in the best interests of the citizens of the state of Minnesota that public money used for the purposes of this chapter be used in a manner that best assures the long-term affordability of housing to low- and moderate-income citizens. To achieve that public purpose, the agency shall consider, in the making of grants and loans and other uses of agency resources, the degree to which such grants, loans, and other uses will assure the long-term affordability of the housing, by use of the neighborhood land trust model or other techniques.

Sec. 5. EFFECTIVE DATE.

Section 1 applies to fees payable in 1992, and thereafter.

Presented to the governor May 29, 1991

Signed by the governor June 1, 1991, 4:02 p.m.

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