Signed by the governor May 14, 1993, 9:09 a.m.

CHAPTER 164—H.F.No. 1579

An act relating to public finance; changing procedures for allocating bonding authority; amending Minnesota Statutes 1992, sections 462A.221, by adding subdivisions; 462A.222, subdivision 3; 474A.047, subdivision 1; and 474A.061, subdivision 2a.

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

Section 1. Minnesota Statutes 1992, section 462A.221, is amended by adding a subdivision to read:

Subd. 4. **METROPOLITAN AREA.** "Metropolitan area" has the meaning given it in section 473.121, subdivision 2.

Sec. 2. Minnesota Statutes 1992, section 462A.221, is amended by adding a subdivision to read:

Subd. 5. **SUBSTANTIAL REHABILITATION.** "Substantial rehabilitation" means rehabilitation of at least $5,000 per unit.

Sec. 3. Minnesota Statutes 1992, section 462A.222, subdivision 3, is amended to read:

Subd. 3. **ALLOCATION PROCEDURE.** (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.

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

~~(2)~~ (ii) new construction or substantial rehabilitation family housing projects in which at least 75 percent of the 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;

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

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(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 in which 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 physical disabilities if at least 50 percent of the units are accessible as provided under Minnesota Rules, chapter 1340;

(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. 4. Minnesota Statutes 1992, section 474A.047, subdivision 1, is amended to read:

Subdivision 1. **ELIGIBILITY.** An issuer may only use the proceeds from residential rental bonds if the proposed project meets one of the following:

(a) The proposed project is a single room occupancy project and all the

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units of the project will be occupied by individuals whose incomes at the time of their initial residency in the project are 50 percent or less of the greater of the statewide or county median income adjusted for household size as determined by the federal Department of Housing and Urban Development;

(b) The proposed project is a multifamily project where at least 75 percent of the units have two or more bedrooms and at least one-third of the 75 percent have three or more bedrooms; or

(c) The proposed project is a multifamily project that meets the following requirements:

(i) the proposed project is the rehabilitation of an existing multifamily building which meets the requirements for minimum rehabilitation expenditures in section 42(e)(2) of the Internal Revenue Code;

(ii) ~~the developer of the proposed project includes a managing general partner which is a nonprofit organization under chapter 317A and meets the requirements for a qualified nonprofit organization in section 42(h)(5) of the Internal Revenue Code; and~~

~~(iii)~~ the proposed project involves participation by the Minnesota housing finance agency or a local unit of government in the financing of the acquisition or rehabilitation of the project. ~~At least 75 percent of the units of the multifamily project must be occupied by individuals or families whose incomes at the time of their initial residency in the project are 60 percent or less of the greater of the: (1) statewide median income or (2) county or metropolitan statistical area median income, adjusted for household size as determined by the federal Department of Housing and Urban Development~~; and

(iii) the proposed project must be occupied by individuals or families whose incomes at the time of their initial residency in the project meet the requirements of section 42(g) of the Internal Revenue Code.

The maximum rent for a proposed single room occupancy unit under paragraph (a) is 30 percent of the amount equal to 30 percent of the greater of the statewide or county median income for a one-member household as determined by the federal Department of Housing and Urban Development. The maximum rent for at least 75 percent of the units of a multifamily project under paragraph (b) is 30 percent of the amount equal to 50 percent of the greater of the statewide or county median income as determined by the federal Department of Housing and Urban Development based on a household size with ~~one person~~ 1.5 persons per bedroom.

Sec. 5. Minnesota Statutes 1992, section 474A.061, subdivision 2a, is amended to read:

Subd. 2a. **HOUSING POOL ALLOCATION.** (a) On the first business day that falls on a Monday of the calendar year and on the first Monday in April, the

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commissioner shall allocate available bonding authority in the housing pool to applications received by the Monday of the previous week for residential rental projects that meet the eligibility criteria under section 474A.047. After April 1, and through April 15, the Minnesota housing finance agency may accept applications from cities for single-family housing programs which meet program requirements as follows:

(1) the housing program must meet a locally identified housing need and be economically viable;

(2) the adjusted income of home buyers ~~cannot exceed the agency's income limits, except in the Minneapolis-St. Paul metropolitan statistical area as determined by the United States Department of Commerce where the adjusted income limits of home buyers~~ may not exceed the greater of the agency's income limits or 80 percent of the area median income as published by the Department of Housing and Urban Development;

(3) house price limits may not exceed:

(i) the greater of agency house price limits or the median purchase price in the city for which the bonds are to be sold up to a maximum of ~~80 percent of the safe harbor limitations for existing housing provided under section 143(e) of the Internal Revenue Code of 1986, as amended through December 31, 1990~~ $95,000; or

(ii) for a new construction affordability initiative, the greater of 115 percent of agency house price limits or 90 percent of the median purchase price in the city for which the bonds are to be sold up to a maximum of ~~80 percent of the safe harbor limitations for existing housing provided under section 143(e) of the Internal Revenue Code of 1986, as amended through December 31, 1990~~ $95,000.

~~House price limits may be 80 percent of the safe harbor limitation for existing housing if subsidy is used to reduce the effective purchase price of the property to the above levels.~~ Data establishing the median purchase price in the city must be included in the application by a city requesting house price limits higher than the housing finance agency's house price limits;

(4) the housing program meets the requirements of section 474A.048; and

(5) an application deposit equal to one percent of the requested allocation must be submitted with the city's ~~application~~ signed allocation agreement. The agency shall submit the city's application and application deposit to the commissioner when requesting an allocation from the housing pool.

The Minnesota housing finance agency may accept applications from July 1 through July 15 from cities for single-family housing programs which meet program requirements specified under clauses (1) to (5) if bonding authority is available in the housing pool. The agency and a representative for each appli-

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cant shall negotiate the terms of an agreement regarding the allocation of available authority among the applicants. The agreement must allot available bonding authority among the applicants. For purposes of paragraphs (a) to (d), "city" has the meaning given it in section 462C.02, subdivision 6, and "agency" means the Minnesota housing finance agency.

(b) Upon reaching agreement with participating cities, the agency shall forward the agreement and application deposit checks to the commissioner. The agreement must specify the amounts allotted to each applicant. The agency may issue bonds on behalf of participating cities. The agency shall request an allocation from the commissioner for all applicants who choose to have the agency issue bonds on their behalf and the commissioner shall allocate the requested amount to the agency. The agency may request an allocation at any time after the first Monday in April and through the last Monday in July, but may request an allocation no later than the last Monday in July. The commissioner shall return any application deposit to a city that paid an application deposit under paragraph (a), clause (5), but was not part of the agreement forwarded to the commissioner under this paragraph.

(c) A city may choose to issue bonds on its own behalf or through a joint powers agreement and may request an allocation from the commissioner. If the total amount requested by all applicants exceeds the amount available in the pool, the city may not receive a greater allocation than the amount it would have received under the agreement forwarded by the Minnesota housing finance agency to the commissioner. No city may request or receive an allocation from the commissioner until the agreement under paragraph (b) has been forwarded to the commissioner. On and after the first Monday in April and through the last Monday in July, no city may receive an allocation from the housing pool which has not first applied to the Minnesota housing finance agency. The commissioner shall allocate the requested amount to the city or cities subject to the limitations under this paragraph.

(d) If a city issues mortgage bonds from an allocation received under paragraph (c), the issuer must provide for the recycling of funds into new loans. If the issuer is not able to provide for recycling, the issuer must notify the commissioner in writing of the reason that recycling was not possible and the reason the issuer elected not to have the Minnesota housing finance agency issue the bonds. "Recycling" means the use of money generated from the repayment and prepayment of loans for further eligible loans or for the redemption of bonds and the issuance of current refunding bonds.

(e) The total amount of allocation for mortgage bonds for one city is limited to the lesser of (i) $4,000,000 or (ii) 20 percent of the total amount available for allocation for mortgage bonds from the housing pool on the first Tuesday after the first Monday in April.

(f) No city in an entitlement county may apply for or be allocated authority to issue bonds from the housing pool.

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Sec. 6. **1993 UNIFIED POOL MORTGAGE BOND ALLOCATIONS.**

Subdivision 1. **APPLICATION.** Notwithstanding Minnesota Statutes, section 474A.091, if federal authorization for mortgage bonds is not effective on or before the last Monday in August 1993, this section applies to mortgage bonds allocated from the unified pool or the common pool authorized under subdivision 4 after the last Monday in August in calendar year 1993. Minnesota Statutes, section 474A.091, applies to mortgage bond allocations made under this section, except as otherwise provided in this section. An entitlement issuer may not apply for an allocation for mortgage bonds under this section unless it has met the permanent issuance requirements specified in Minnesota Statutes, section 474A.091, subdivision 2. The definitions in Minnesota Statutes, section 474A.02, apply to this section.

Subd. 2. **SEPTEMBER 1993 ALLOCATION.** If federal authorization for mortgage bonds is effective after the last Monday in August and before the first Monday in October, other issuers and entitlement issuers other than the Minnesota housing finance agency may apply for an allocation for mortgage bonds from the unified pool on the first and second Monday following the federal effective date and the Minnesota housing finance agency may apply for an allocation from the unified pool on the third and fourth Monday following the federal effective date.

Subd. 3. **OCTOBER 1993 ALLOCATION.** If federal authorization for mortgage bonds is effective on or after the first Monday in October and before the third Monday in October, other issuers and entitlement issuers other than the Minnesota housing finance agency may apply for an allocation for mortgage bonds from the unified pool on the first Monday following the federal effective date and the Minnesota housing finance agency may apply for an allocation from the unified pool on the second Monday following the federal effective date.

Subd. 4. **COMMON POOL.** If federal authorization for mortgage bonds is effective on or after the third Monday in October and before the first Monday in December, the bonding authority in the unified pool is transferred to a common pool and is available for allocation for any purpose authorized under federal tax law on the first Monday following the federal effective date through the last Monday in November. The maximum amount of allocation from the common pool to another issuer is $10,000,000. The maximum amount of allocation from the common pool to an entitlement issuer is 20 percent of the entitlement issuer's entitlement allocation. The reserve and priority requirements established under Minnesota Statutes, section 474A.091, do not apply to allocations from the common pool.

Subd. 5. **CARRYFORWARD.** If federal authorization for mortgage bonds is not effective before the first Monday in December, the commissioner of finance shall allocate bonding authority in the unified pool to the Minnesota housing finance agency on the first Monday in December. If the amount of allocation is greater than $5,000,000, the difference between the amount allocated

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and $5,000,000 must be deducted from the agency's 1994 entitlement allocation and added to the housing pool on January 1, 1994.

Sec. 7. **1993 MORTGAGE BOND RESERVATION.**

Subdivision 1. **APPLICATION.** Notwithstanding Minnesota Statutes, sections 474A.061, subdivision 2a, and 474A.091, if federal authorization for mortgage bonds is not effective before the last Monday in July 1993, this section applies to mortgage bonds allocated as provided under a mortgage bond agreement entered with the Minnesota housing finance agency in 1993 or a subsequent agreement entered as provided under subdivision 3. Minnesota Statutes, section 474A.061, subdivision 2a, applies to mortgage bond allocations made under this section, except as otherwise provided in this section. The definitions in Minnesota Statutes, section 474A.02, apply to this section.

Subd. 2. **RESERVATION IN UNIFIED POOL.** If federal authorization for mortgage bonds is not effective before the last Monday in July, the amount of bonding authority allotted under the 1993 mortgage bond agreement is reserved within the unified pool for mortgage bonds to be issued as provided in the agreement submitted by the Minnesota housing finance agency to the commissioner of finance. A city participating in the agreement must submit an application deposit to the Minnesota housing finance agency in an amount equal to one percent of the amount allotted under the agreement within ten days of the federal effective date. A deposit submitted as provided under this subdivision meets the application deposit requirements specified in Minnesota Statutes, section 474A.061, subdivision 2a.

Subd. 3. **CARRYFORWARD OF RESERVATION.** If federal authorization for mortgage bonds is not effective before the first Monday in November, the amount reserved in the unified pool under subdivision 2 is allocated to the Minnesota housing finance agency on the first Monday in November. The agency shall carry forward the allocation to issue mortgage bonds on behalf of cities who enter a mortgage bond agreement with the agency when federal authorization for mortgage bonds is effective.

Sec. 8. **EFFECTIVE DATE.**

Sections 1 to 3, 5, and 7 are effective the day following final enactment. Section 5 applies to mortgage bonds allocated on or after April 1, 1993.

Presented to the governor May 11, 1993

Signed by the governor May 14, 1993, 9:12 a.m.

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