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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 1118

02/15/2021 Authored by Agbaje and Vang
The bill was read for the first time and referred to the Committee on Housing Finance and Policy
02/18/2021 Adoption of Report: Re-referred to the Committee on Capital Investment

1.1 A bill for an act
1.2 relating to housing; adding rehabilitation of naturally occurring affordable housing
1.3 to allowable uses of housing infrastructure bonds; amending Minnesota Statutes
1.4 2020, section 462A.37, subdivisions 1, 2.

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

1.6 Section 1. Minnesota Statutes 2020, section 462A.37, subdivision 1, is amended to read:

1.7 Subdivision 1. Definitions. (a) For purposes of this section, the following terms have
1.8 the meanings given.

1.9 (b) "Abandoned property" has the meaning given in section 117.025, subdivision 5.

1.10 (c) "Community land trust" means an entity that meets the requirements of section
1.11 462A.31, subdivisions 1 and 2.

1.12 (d) "Debt service" means the amount payable in any fiscal year of principal, premium,
1.13 if any, and interest on housing infrastructure bonds and the fees, charges, and expenses
1.14 related to the bonds.

1.15 (e) "Foreclosed property" means residential property where foreclosure proceedings
1.16 have been initiated or have been completed and title transferred or where title is transferred
1.17 in lieu of foreclosure.

1.18 (f) "Housing infrastructure bonds" means bonds issued by the agency under this chapter
1.19 that:

1.20 (1) are qualified 501(c)(3) bonds, within the meaning of section 145(a) of the Internal
1.21 Revenue Code;

2.1 (2) finance qualified residential rental projects within the meaning of section 142(d) of
2.2 the Internal Revenue Code;

2.3 (3) finance the construction or rehabilitation of single-family houses that qualify for
2.4 mortgage financing within the meaning of section 143 of the Internal Revenue Code; or

2.5 (4) are tax-exempt bonds that are not private activity bonds, within the meaning of
2.6 section 141(a) of the Internal Revenue Code, for the purpose of financing or refinancing
2.7 affordable housing authorized under this chapter.

2.8 (g) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended.

2.9 (h) "Naturally occurring affordable housing" or "NOAH" means multiunit rental housing
2.10 where the majority of the units are affordable to individuals and families with incomes at
2.11 or below 60 percent of the area median income, that otherwise does not receive place-based
2.12 state or federal governmental subsidies.

2.13 (i) "Senior" means a person 55 years of age or older with an annual income not greater
2.14 than 50 percent of:

2.15 (1) the metropolitan area median income for persons in the metropolitan area; or

2.16 (2) the statewide median income for persons outside the metropolitan area.

2.17 ~~(j)~~ (j) "Senior housing" means housing intended and operated for occupancy by at least
2.18 one senior per unit with at least 80 percent of the units occupied by at least one senior per
2.19 unit, and for which there is publication of, and adherence to, policies and procedures that
2.20 demonstrate an intent by the owner or manager to provide housing for seniors. Senior
2.21 housing may be developed in conjunction with and as a distinct portion of mixed-income
2.22 senior housing developments that use a variety of public or private financing sources.

2.23 ~~(k)~~ (k) "Supportive housing" means housing that is not time-limited and provides or
2.24 coordinates with linkages to services necessary for residents to maintain housing stability
2.25 and maximize opportunities for education and employment.

2.26 Sec. 2. Minnesota Statutes 2020, section 462A.37, subdivision 2, is amended to read:

2.27 Subd. 2. **Authorization.** (a) The agency may issue up to \$30,000,000 in aggregate
2.28 principal amount of housing infrastructure bonds in one or more series to which the payment
2.29 made under this section may be pledged. The housing infrastructure bonds authorized in
2.30 this subdivision may be issued to fund loans, or grants for the purposes of clause (4), on
2.31 terms and conditions the agency deems appropriate, made for one or more of the following
2.32 purposes:

3.1 (1) to finance the costs of the construction, acquisition, and rehabilitation of supportive
3.2 housing for individuals and families who are without a permanent residence;

3.3 (2) to finance the costs of the acquisition and rehabilitation of foreclosed or abandoned
3.4 housing to be used for affordable rental housing and the costs of new construction of rental
3.5 housing on abandoned or foreclosed property where the existing structures will be demolished
3.6 or removed;

3.7 (3) to finance that portion of the costs of acquisition of property that is attributable to
3.8 the land to be leased by community land trusts to low- and moderate-income home buyers;

3.9 (4) to finance the acquisition, improvement, and infrastructure of manufactured home
3.10 parks under section 462A.2035, subdivision 1b;

3.11 (5) to finance the costs of acquisition, rehabilitation, adaptive reuse, or new construction
3.12 of senior housing;

3.13 (6) to finance the costs of acquisition and rehabilitation of federally assisted rental
3.14 housing and for the refinancing of costs of the construction, acquisition, and rehabilitation
3.15 of federally assisted rental housing, including providing funds to refund, in whole or in part,
3.16 outstanding bonds previously issued by the agency or another government unit to finance
3.17 or refinance such costs; and

3.18 (7) to finance the costs of acquisition, and rehabilitation, ~~adaptive reuse, or new~~
3.19 ~~construction of single-family~~ naturally occurring affordable housing in order to preserve a
3.20 long-term source of affordable housing.

3.21 (b) Among comparable proposals for permanent supportive housing, preference shall
3.22 be given to permanent supportive housing for veterans and other individuals or families
3.23 who:

3.24 (1) either have been without a permanent residence for at least 12 months or at least four
3.25 times in the last three years; or

3.26 (2) are at significant risk of lacking a permanent residence for 12 months or at least four
3.27 times in the last three years.

3.28 (c) Among comparable proposals for senior housing, the agency must give priority to
3.29 requests for projects that:

3.30 (1) demonstrate a commitment to maintaining the housing financed as affordable to
3.31 seniors;

4.1 (2) leverage other sources of funding to finance the project, including the use of
4.2 low-income housing tax credits;

4.3 (3) provide access to services to residents and demonstrate the ability to increase physical
4.4 supports and support services as residents age and experience increasing levels of disability;

4.5 (4) provide a service plan containing the elements of clause (3) reviewed by the housing
4.6 authority, economic development authority, public housing authority, or community
4.7 development agency that has an area of operation for the jurisdiction in which the project
4.8 is located; and

4.9 (5) include households with incomes that do not exceed 30 percent of the median
4.10 household income for the metropolitan area.

4.11 (d) To the extent practicable, the agency shall balance the loans made between projects
4.12 in the metropolitan area and projects outside the metropolitan area. Of the loans made to
4.13 projects outside the metropolitan area, the agency shall, to the extent practicable, balance
4.14 the loans made between projects in counties or cities with a population of 20,000 or less,
4.15 as established by the most recent decennial census, and projects in counties or cities with
4.16 populations in excess of 20,000.