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State of Minnesota  
HOUSE OF REPRESENTATIVES  
NINETIETH SESSION

H. F. No. 1162

02/13/2017 Authored by Garofalo  
The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance

1.1 A bill for an act  
1.2 relating to housing; establishing workforce housing challenge grants; requiring  
1.3 reports; proposing coding for new law in Minnesota Statutes, chapter 462A.

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

1.5 Section 1. 462A.331 HOUSING CHALLENGE PROGRAM; WORKFORCE  
1.6 HOUSING GRANTS.

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

1.9 (b) "City" means a statutory or home rule charter city.

1.10 (c) "Eligible project area" means an area that meets the following criteria:

1.11 (1) a census block with a population density over 200 persons per square mile according  
1.12 to the most recent United States census data available, or located in an area served by a joint  
1.13 county-city economic development authority;

1.14 (2) located in a greater Minnesota city with at least 500 jobs, as measured in the QCEW;  
1.15 and

1.16 (3) the average vacancy rate for market rate residential rental properties, as defined in  
1.17 paragraph (f), located in the municipality and in any statutory or home rule charter city  
1.18 located within 15 miles or less of the boundaries of the municipality has been four percent  
1.19 or less for any two of the last five years, based on a market housing analysis that supports  
1.20 demand for the proposed development.

2.1 (d) "Greater Minnesota" means the area of Minnesota located outside the metropolitan  
2.2 area as defined in section 473.121, subdivision 2.

2.3 (e) "Joint county-city economic development authority" means an economic development  
2.4 authority, formed under Laws 1988, chapter 516, section 1, as a joint partnership between  
2.5 a city and county and excluding those established by the county only.

2.6 (f) "Market rate residential rental properties" means properties that are rented at market  
2.7 value and excludes properties constructed with:

2.8 (1) financial assistance requiring the property to be occupied by residents that meet  
2.9 income limits under federal or state law of initial occupancy; and

2.10 (2) federal, state, or local flood recovery assistance, regardless of whether that assistance  
2.11 imposed income limits as a condition of receiving assistance.

2.12 (g) "Program" means the economic development and housing challenge program in  
2.13 section 462A.33.

2.14 (h) "QCEW" means the Quarterly Census of Employment and Wages with the most  
2.15 recent annual data published by the commissioner.

2.16 (i) "Qualified investment" means a cash investment or the fair market value equivalent  
2.17 for common stock, land, a partnership or membership interest, preferred stock, debt with  
2.18 mandatory conversion to equity, or an equivalent ownership interest as determined by the  
2.19 commissioner that is made by a project investor in a qualified workforce housing project.

2.20 (j) "Qualified workforce housing project" means a project:

2.21 (1) for market rate residential rental properties with a minimum of three dwelling units;

2.22 (2) with an average construction cost per unit of no more than \$250,000 and no less than  
2.23 \$75,000;

2.24 (3) located in an eligible project area;

2.25 (4) that has more than 50 percent nonstate funding proposed to fund the project; and

2.26 (5) that has been designated by the commissioner as a qualified workforce housing  
2.27 project.

2.28 (k) "Workforce Housing Undersupply Ratio" means the total number of full-time jobs  
2.29 in an eligible project area, as reported in the QCEW, divided by the total number of persons  
2.30 over the age of 16 who are employed and living in the eligible project area, as reported by

3.1 the United States Census "EMPLOYMENT STATUS" dataset or similar United States  
3.2 Census dataset.

3.3 Subd. 2. **Project investor grants.** (a) Notwithstanding any contrary provision under  
3.4 section 462A.33, the program shall provide grants to a project investor that makes a qualified  
3.5 investment in a qualified workforce housing project equal to 40 percent of the amount of  
3.6 the qualified investment. The requirements of section 462A.33 do not apply to grants awarded  
3.7 under this section.

3.8 (b) Any portion of funds not allocated by the commissioner from money appropriated  
3.9 for the purposes of this section for any year does not cancel and shall be carried forward to  
3.10 the subsequent year. The commissioner must not allocate more than 40 percent of the funds  
3.11 available for this purpose each year to any one project investor.

3.12 (c) Applications for grants must be made available by the commissioner by November  
3.13 1 of each year. The commissioner must make every effort to provide applications and  
3.14 relevant data to applicants in a simple, concise manner using plain language, and distribute  
3.15 relevant eligibility information on the MHFA Web site. In allocating the grant funds, the  
3.16 commissioner must give preference to projects with the highest Workforce Housing  
3.17 Undersupply Ratio, except where the commissioner determines the investment is  
3.18 circumventing the spirit of the law or where little or no local economic growth would occur  
3.19 as a result of the investment. The commissioner must approve or reject a grant application  
3.20 within 15 days of receiving the application. The investment specified in the application  
3.21 must be made within one year of the allocation of the grant. If the investment is not made  
3.22 within one year, the commissioner may determine that the grant is revoked and the investor  
3.23 must repay the grant funds. A project investor who fails to invest as specified in the  
3.24 application must notify the commissioner immediately and no later than five business days  
3.25 after the expiration of the one-year investment period. The commissioner may require an  
3.26 application fee for the applications submitted under this subdivision.

3.27 Subd. 3. **Reporting.** Beginning in 2019, the commissioner must annually report by  
3.28 March 15 to the chairs and ranking minority members of the committees in the senate and  
3.29 house of representatives with jurisdiction over housing and economic development, in  
3.30 compliance with sections 3.195 and 3.197, on grants issued under this section. The report  
3.31 must include:

3.32 (1) information about the availability of workforce housing in greater Minnesota;

3.33 (2) information from employers and communities in greater Minnesota about whether  
3.34 or not workforce housing needs are being met;

4.1 (3) which projects have been funded by the challenge grant workforce housing program  
4.2 under this section and whether previously funded projects have created economic growth;

4.3 (4) any suggested legislation to accelerate construction of workforce housing;

4.4 (5) the number and amount of grants issued and the identity of the recipients;

4.5 (6) the number and amount of grants revoked under subdivision 2, paragraph (d);

4.6 (7) the location, total cost of, and expected rent to be received as a result of qualified  
4.7 workforce housing projects funded under this section; and

4.8 (8) any other relevant information needed to evaluate the effect of the challenge grant  
4.9 workforce housing program.

4.10 **EFFECTIVE DATE.** This section is effective July 1, 2017.

4.11 Sec. 2. **APPROPRIATION.**

4.12 Of the existing appropriation to the commissioner of housing finance for the purposes  
4.13 of housing challenge grants under Minnesota Statutes, section 462A.33, \$6,600,000 in fiscal  
4.14 year 2018 and \$6,600,000 in fiscal year 2019 are for the workforce housing challenge grants  
4.15 under Minnesota Statutes, section 462A.331.