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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 5459

05/07/2024 Authored by Anderson, P. E., The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to economic development; modifying the annual volume cap allocations
1.3 and allocation procedure for public facility projects funded by public facility bonds;
1.4 amending Minnesota Statutes 2022, sections 474A.03, subdivision 1; 474A.091,
1.5 subdivisions 2a, 3.

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

1.7 Section 1. Minnesota Statutes 2022, section 474A.03, subdivision 1, is amended to read:

1.8 Subdivision 1. Under federal tax law; allocations. At the beginning of each calendar
1.9 year after December 31, 2001, the commissioner shall determine the aggregate dollar amount
1.10 of the annual volume cap under federal tax law for the calendar year, and of this amount
1.11 the commissioner shall make the following allocation:

1.12 (1) ~~\$74,530,000~~ \$25,500,000 to the small issue pool;

1.13 (2) \$122,060,000 to the housing pool, of which 27 percent of the adjusted allocation is
1.14 reserved until the last Monday in June each year until 2021 for single-family housing
1.15 programs, after which 31 percent of the adjusted allocation is reserved until the last Monday
1.16 in June for single-family programs;

1.17 (3) ~~\$12,750,000~~ \$61,780,000 to the public facilities pool; and

1.18 (4) amounts to be allocated as provided in subdivision 2a.

1.19 If the annual volume cap is greater or less than the amount of bonding authority allocated
1.20 under clauses (1) to (4) and subdivision 2a, paragraph (a), clauses (1) to (4), the allocation
1.21 must be adjusted so that each adjusted allocation is the same percentage of the annual volume
1.22 cap as each original allocation is of the total bonding authority originally allocated.

2.1 Sec. 2. Minnesota Statutes 2022, section 474A.091, subdivision 2a, is amended to read:

2.2 Subd. 2a. **Application for all other types of qualified bonds.** (a) Issuers may apply
2.3 for an allocation for all types of qualified bonds other than residential rental bonds under
2.4 this section by submitting to the department an application on forms provided by the
2.5 department accompanied by:

2.6 (1) a preliminary resolution;

2.7 (2) a statement of bond counsel that the proposed issue of obligations requires an
2.8 allocation under this chapter and the Internal Revenue Code;

2.9 (3) the type of qualified bonds to be issued;

2.10 (4) an application deposit in the amount of two percent of the requested allocation; and

2.11 (5) a public purpose scoring worksheet for manufacturing and enterprise zone
2.12 applications.

2.13 The issuer must pay the application deposit to the Department of Management and Budget.
2.14 An entitlement issuer may not apply for an allocation for public facility bonds or mortgage
2.15 bonds under this section unless it has either permanently issued bonds equal to the amount
2.16 of its entitlement allocation for the current year plus any amount carried forward from
2.17 previous years or returned for reallocation all of its unused entitlement allocation. For
2.18 purposes of this subdivision, an entitlement allocation includes an amount obtained under
2.19 section 474A.04, subdivision 6.

2.20 (b) An issuer that receives an allocation under this subdivision must permanently issue
2.21 obligations equal to all or a portion of the allocation received on or before ~~120~~ 180 days of
2.22 the allocation. If an issuer that receives an allocation under this subdivision does not
2.23 permanently issue obligations equal to all or a portion of the allocation received within the
2.24 time period provided in this paragraph or returns the allocation to the commissioner, the
2.25 amount of the allocation is canceled and returned for reallocation through the unified pool.

2.26 (c) Notwithstanding the restrictions imposed on entitlement issuers under this subdivision,
2.27 the Minnesota Housing Finance Agency may not receive an allocation for mortgage bonds
2.28 under this section prior to the first Monday in October, but may be awarded allocations for
2.29 mortgage bonds from the unified pool on or after the first Monday in October. The Minnesota
2.30 Housing Finance Agency, the Minnesota Office of Higher Education, and the Minnesota
2.31 Rural Finance Authority may apply for and receive an allocation under this section without
2.32 submitting an application deposit.

3.1 Sec. 3. Minnesota Statutes 2022, section 474A.091, subdivision 3, is amended to read:

3.2 Subd. 3. **Allocation procedure.** (a) The commissioner shall allocate available bonding
 3.3 authority under this section on the Monday of every other week beginning with the first
 3.4 Monday in July through and on the last Monday in November. Applications for allocations
 3.5 must be received by the department by 4:30 p.m. on the Monday preceding the Monday on
 3.6 which allocations are to be made. If a Monday falls on a holiday, the allocation will be made
 3.7 or the applications must be received by the next business day after the holiday.

3.8 (b) Prior to October 1, only the following applications shall be awarded allocations from
 3.9 the unified pool. Allocations shall be awarded in the following order of priority:

3.10 (1) applications for residential rental project bonds;

3.11 (2) applications for public facility projects funded by public facility bonds;

3.12 (3) applications for small issue bonds for manufacturing projects; and

3.13 ~~(3)~~ (4) applications for small issue bonds for agricultural development bond loan projects.

3.14 (c) On the first Monday in October through the last Monday in November, allocations
 3.15 shall be awarded from the unified pool in the following order of priority:

3.16 (1) applications for student loan bonds issued by or on behalf of the Minnesota Office
 3.17 of Higher Education;

3.18 (2) applications for mortgage bonds;

3.19 ~~(3) applications for public facility projects funded by public facility bonds;~~

3.20 ~~(4)~~ (3) applications for small issue bonds for manufacturing projects;

3.21 ~~(5)~~ (4) applications for small issue bonds for agricultural development bond loan projects;

3.22 ~~(6)~~ (5) applications for residential rental project bonds;

3.23 ~~(7)~~ (6) applications for enterprise zone facility bonds;

3.24 ~~(8)~~ (7) applications for governmental bonds; and

3.25 ~~(9)~~ (8) applications for redevelopment bonds.

3.26 (d) If there are two or more applications for manufacturing projects from the unified
 3.27 pool and there is insufficient bonding authority to provide allocations for all manufacturing
 3.28 projects in any one allocation period, the available bonding authority shall be awarded based
 3.29 on the number of points awarded a project under section 474A.045 with those projects
 3.30 receiving the greatest number of points receiving allocation first. If two or more applications

4.1 for manufacturing projects receive an equal amount of points, available bonding authority
4.2 shall be awarded by lot unless otherwise agreed to by the respective issuers.

4.3 (e) If there are two or more applications for enterprise zone facility projects from the
4.4 unified pool and there is insufficient bonding authority to provide allocations for all enterprise
4.5 zone facility projects in any one allocation period, the available bonding authority shall be
4.6 awarded based on the number of points awarded a project under section 474A.045 with
4.7 those projects receiving the greatest number of points receiving allocation first. If two or
4.8 more applications for enterprise zone facility projects receive an equal amount of points,
4.9 available bonding authority shall be awarded by lot unless otherwise agreed to by the
4.10 respective issuers.

4.11 (f) If there are two or more applications for residential rental projects from the unified
4.12 pool and there is insufficient bonding authority to provide allocations for all residential
4.13 rental projects in any one allocation period, the available bonding authority shall be awarded
4.14 in the following order of priority: (1) preservation projects; (2) 30 percent AMI residential
4.15 rental projects; (3) 50 percent AMI residential rental projects for which the amount of bonds
4.16 requested in their respective applications do not exceed the aggregate bond limitations; (4)
4.17 100 percent LIHTC projects; (5) 20 percent LIHTC projects; and (6) other residential rental
4.18 projects. If there are two or more applications for residential rental projects at the same
4.19 priority level and there is insufficient bonding authority to provide allocations for all the
4.20 projects in any one allocation period, available bonding authority shall be randomly awarded
4.21 by lot but only for projects that can receive the full amount of their respective requested
4.22 allocations. If a residential rental project does not receive any of its requested allocation
4.23 pursuant to this paragraph and the project applies in the next successive housing pool or the
4.24 next successive unified pool for an allocation of bonds, the project shall be fully funded up
4.25 to its original application request for bonding authority before any new project, applying
4.26 in the same allocation period, that has an equal priority shall receive bonding authority.

4.27 (g) From the first Monday in July through the last Monday in November, \$20,000,000
4.28 of bonding authority or an amount equal to the total annual amount of bonding authority
4.29 allocated to the small issue pool under section 474A.03, subdivision 1, less the amount
4.30 allocated to issuers from the small issue pool for that year, whichever is less, is reserved
4.31 within the unified pool for small issue bonds to the extent the amounts are available within
4.32 the unified pool.

4.33 (h) From the first Monday in July through the last Monday in November, \$50,000,000
4.34 of bonding authority or an amount equal to the total annual amount of bonding authority
4.35 allocated to the public facilities pool under section 474A.03, subdivision 1, less the amount

5.1 allocated to issuers from the public facilities pool for that year, whichever is less, is reserved
5.2 within the unified pool for public facilities bonds to the extent the amounts are available
5.3 within the unified pool.

5.4 ~~(h)~~ (i) The total amount of allocations for mortgage bonds from the housing pool and
5.5 the unified pool may not exceed:

5.6 (1) \$10,000,000 for any one city; or

5.7 (2) \$20,000,000 for any number of cities in any one county.

5.8 ~~(i)~~ (j) The total amount of allocations for student loan bonds from the unified pool may
5.9 not exceed \$25,000,000 per year.

5.10 ~~(j)~~ (k) If there is insufficient bonding authority to fund all projects within any qualified
5.11 bond category other than enterprise zone facility projects, manufacturing projects, and
5.12 residential rental projects, allocations shall be awarded by lot unless otherwise agreed to
5.13 by the respective issuers.

5.14 ~~(k)~~ (l) If an application is rejected, the commissioner must notify the applicant and return
5.15 the application deposit to the applicant within 30 days unless the applicant requests in writing
5.16 that the application be resubmitted.

5.17 ~~(l)~~ (m) The granting of an allocation of bonding authority under this section must be
5.18 evidenced by issuance of a certificate of allocation.