

**SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION**

S.F. No. 3994

(SENATE AUTHORS: DRAHEIM, Duckworth and Rest)

DATE	D-PG	OFFICIAL STATUS
03/14/2022	5315	Introduction and first reading
		Referred to Housing Finance and Policy
03/16/2022	5371	Author added Rest
03/31/2022		Comm report: To pass as amended and re-refer to Finance

1.1 A bill for an act

1.2 relating to housing; appropriating money for the governor's supplemental housing

1.3 budget; appropriating money for the Minnesota Housing Finance Agency;

1.4 appropriating money for the Department of Human Rights to investigate income

1.5 discrimination in housing; establishing the community stabilization housing

1.6 program; establishing the strengthening supportive housing model program;

1.7 modifying eligible uses for loans and grants; amending Minnesota Statutes 2020,

1.8 sections 462A.201, subdivision 2; 462A.204, subdivision 8; proposing coding for

1.9 new law in Minnesota Statutes, chapter 462A.

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

1.11 **ARTICLE 1**

1.12 **HOUSING APPROPRIATIONS**

1.13 Section 1. **APPROPRIATIONS.**

1.14 The sums shown in the columns marked "Appropriations" are added to the appropriations

1.15 in Laws 2021, First Special Session chapter 8, or other law, to specified agencies. The

1.16 appropriations are from the general fund, or another named fund, and are available for the

1.17 fiscal years indicated for each purpose. The figures "2022" and "2023" used in this article

1.18 mean that the appropriations listed under them are available for the fiscal year ending June

1.19 30, 2022, or June 30, 2023, respectively.

	<u>APPROPRIATIONS</u>	
	<u>Available for the Year</u>	
	<u>Ending June 30</u>	
	<u>2022</u>	<u>2023</u>

1.24 Sec. 2. **HOUSING FINANCE AGENCY**

1.25 **Subdivision 1. Total Appropriation** **\$ 225,500,000**

2.1 The amounts that may be spent for each
 2.2 purpose are specified in the following
 2.3 subdivisions.

2.4 **Subd. 2. Challenge Program** **25,000,000**

2.5 (a) This appropriation is for the economic
 2.6 development and housing challenge program
 2.7 under Minnesota Statutes, sections 462A.07,
 2.8 subdivision 14, and 462A.33.

2.9 (b) In fiscal years 2024 and 2025, \$15,000,000
 2.10 is added to the agency's base.

2.11 **Subd. 3. Workforce Housing Development** **10,000,000**

2.12 This appropriation is for the Greater
 2.13 Minnesota workforce housing development
 2.14 program under Minnesota Statutes, section
 2.15 462A.39. If requested by the applicant and
 2.16 approved by the agency, funded properties
 2.17 may include a portion of income and rent
 2.18 restricted units. Funded properties may include
 2.19 owner-occupied homes. In fiscal years 2024
 2.20 and 2025, \$8,000,000 is added to the agency's
 2.21 base.

2.22 **Subd. 4. Workforce Homeownership Program** **12,000,000**

2.23 This appropriation is for the workforce
 2.24 homeownership program under Minnesota
 2.25 Statutes, section 462A.38. In fiscal years 2024
 2.26 and 2025, \$12,000,000 is added to the agency's
 2.27 base.

2.28 **Subd. 5. Housing Trust Fund** **10,000,000**

2.29 This appropriation is for deposit in the housing
 2.30 trust fund account created under Minnesota
 2.31 Statutes, section 462A.201, and may be used
 2.32 for the purposes provided in that section. In

3.1 fiscal years 2024 and 2025, \$12,500,000 is
3.2 added to the agency's base.

3.3 **Subd. 6. Homework Starts with Home** 10,000,000

3.4 (a) This appropriation is for the homework
3.5 starts with home program under Minnesota
3.6 Statutes, sections 462A.201, subdivision 2,
3.7 paragraph (a), clause (4), and 462A.204,
3.8 subdivision 8, to provide assistance to
3.9 homeless or highly mobile families with minor
3.10 children or expecting parents. Funding must
3.11 prioritize families with younger children not
3.12 yet in school who are identified as being at
3.13 risk of homelessness or experiencing
3.14 homelessness.

3.15 (b) In fiscal years 2024 and 2025, \$10,000,000
3.16 is added to the agency's base.

3.17 **Subd. 7. Family Homeless Prevention** 24,500,000

3.18 (a) This appropriation is for the family
3.19 homeless prevention and assistance programs
3.20 under Minnesota Statutes, section 462A.204.

3.21 (b) Of this amount, \$5,000,000 in fiscal year
3.22 2023 is for a risk mitigation fund program to
3.23 provide financial guarantees, case management
3.24 services, and other resources such as
3.25 incentives to encourage rental housing owners
3.26 to rent to tenants they would otherwise not
3.27 likely rent to. This is a onetime appropriation.

3.28 (c) In fiscal years 2024 and 2025, \$9,500,000
3.29 is added to the agency's base.

3.30 **Subd. 8. Community Stabilization** 100,000,000

3.31 This appropriation is for the community
3.32 stabilization program under Minnesota
3.33 Statutes, section 462A.41, to finance

4.1 improvements for naturally occurring
 4.2 affordable housing. This is a onetime
 4.3 appropriation.

4.4 **Subd. 9. Flexible Financing for Capital Costs** 10,000,000

4.5 This appropriation is to provide gap financing
 4.6 to rental housing developments financed by
 4.7 the agency. This is a onetime appropriation.

4.8 **Subd. 10. Homeownership Assistance Fund** 12,000,000

4.9 (a) This appropriation is for the home
 4.10 ownership assistance program under
 4.11 Minnesota Statutes, section 462A.21,
 4.12 subdivision 8. The agency shall continue to
 4.13 strengthen its efforts to address the disparity
 4.14 gap in the homeownership rate between white
 4.15 households and Indigenous American Indians
 4.16 and communities of color. To better
 4.17 understand and address the disparity gap, the
 4.18 agency is required to collect, on a voluntary
 4.19 basis, demographic information regarding
 4.20 race, color, national origin, and sex of
 4.21 applicants for agency programs intended to
 4.22 benefit homeowners and home buyers.

4.23 (b) In fiscal years 2024 and 2025, \$10,000,000
 4.24 is added to the agency's base.

4.25 **Subd. 11. Strengthen the Supportive Housing**
 4.26 **Model** 12,000,000

4.27 This appropriation is for the strengthening
 4.28 supportive housing model program under
 4.29 Minnesota Statutes, section 462A.42, to
 4.30 provide funding to strengthen supportive
 4.31 housing for individuals and families who are
 4.32 at risk of homelessness or have experienced
 4.33 homelessness. In fiscal years 2024 and 2025,
 4.34 \$15,000,000 is added to the agency's base.

5.1 **Sec. 3. DEPARTMENT OF HUMAN RIGHTS** **\$ 383,000**

5.2 \$383,000 in fiscal year 2023 is to the

5.3 commissioner of human rights for increased

5.4 capacity and associated costs to investigate

5.5 sources of income discrimination cases in

5.6 housing.

ARTICLE 2

HOUSING PROGRAM ELIGIBILITY

5.9 Section 1. Minnesota Statutes 2020, section 462A.201, subdivision 2, is amended to read:

5.10 Subd. 2. **Low-income housing.** (a) The agency may use money from the housing trust
5.11 fund account to provide loans or grants for:

5.12 (1) projects for the development, construction, acquisition, preservation, and rehabilitation
5.13 of low-income rental and limited equity cooperative housing units, including temporary
5.14 and transitional housing;

5.15 (2) the costs of operating rental housing, as determined by the agency, that are unique
5.16 to the operation of low-income rental housing or supportive housing;

5.17 (3) rental assistance, either project-based or tenant-based; and

5.18 (4) programs to secure stable housing for families with minor children or with children
5.19 eligible for enrollment in a prekindergarten through grade 12 academic program.

5.20 For purposes of this section, "transitional housing" has the meaning given by the United
5.21 States Department of Housing and Urban Development. Loans or grants for residential
5.22 housing for migrant farmworkers may be made under this section.

5.23 (b) The housing trust fund account must be used for the benefit of persons and families
5.24 whose income, at the time of initial occupancy, does not exceed 60 percent of median income
5.25 as determined by the United States Department of Housing and Urban Development for the
5.26 metropolitan area. At least 75 percent of the funds in the housing trust fund account must
5.27 be used for the benefit of persons and families whose income, at the time of initial occupancy,
5.28 does not exceed 30 percent of the median family income for the metropolitan area as defined
5.29 in section 473.121, subdivision 2. For purposes of this section, a household with a housing
5.30 assistance voucher under Section 8 of the United States Housing Act of 1937, as amended,
5.31 is deemed to meet the income requirements of this section.

5.32 The median family income may be adjusted for families of five or more.

6.1 (c) Rental assistance under this section must be provided by governmental units which
6.2 administer housing assistance supplements or by for-profit or nonprofit organizations
6.3 experienced in housing management. Rental assistance shall be limited to households whose
6.4 income at the time of initial receipt of rental assistance does not exceed 60 percent of median
6.5 income, as determined by the United States Department of Housing and Urban Development
6.6 for the metropolitan area. Priority among comparable applications for tenant-based rental
6.7 assistance will be given to proposals that will serve households whose income at the time
6.8 of initial application for rental assistance does not exceed 30 percent of median income, as
6.9 determined by the United States Department of Housing and Urban Development for the
6.10 metropolitan area. Rental assistance must be terminated when it is determined that 30 percent
6.11 of a household's monthly income for four consecutive months equals or exceeds the market
6.12 rent for the unit in which the household resides plus utilities for which the tenant is
6.13 responsible. Rental assistance may only be used for rental housing units that meet the housing
6.14 maintenance code of the local unit of government in which the unit is located, if such a code
6.15 has been adopted, or the housing quality standards adopted by the United States Department
6.16 of Housing and Urban Development, if no local housing maintenance code has been adopted.

6.17 (d) In making the loans or grants, the agency shall determine the terms and conditions
6.18 of repayment and the appropriate security, if any, should repayment be required. To promote
6.19 the geographic distribution of grants and loans, the agency may designate a portion of the
6.20 grant or loan awards to be set aside for projects located in specified congressional districts
6.21 or other geographical regions specified by the agency. The agency may adopt rules for
6.22 awarding grants and loans under this subdivision.

6.23 Sec. 2. Minnesota Statutes 2020, section 462A.204, subdivision 8, is amended to read:

6.24 Subd. 8. ~~School~~ **Childhood housing stability**. (a) The agency in consultation with the
6.25 Interagency Council on Homelessness may establish a ~~school~~ childhood housing stability
6.26 project under the family homeless prevention and assistance program. The purpose of the
6.27 project is to secure stable housing for families with ~~school-age~~ minor children who have
6.28 moved frequently and for unaccompanied youth. For purposes of this subdivision,
6.29 "unaccompanied youth" are minors who are leaving foster care or juvenile correctional
6.30 facilities, or minors who meet the definition of a child in need of services or protection
6.31 under section 260C.007, subdivision 6, but for whom no court finding has been made
6.32 pursuant to that statute.

6.33 (b) The agency shall make grants to family homeless prevention and assistance projects
6.34 in communities with a school or schools that have a significant degree of student mobility

7.1 or in communities with a significant degree of homelessness among families with minor
 7.2 children.

7.3 (c) Each project must be designed to reduce school absenteeism; stabilize children in
 7.4 one home setting or, at a minimum, in one school setting; ~~and~~ or reduce shelter usage. Each
 7.5 project must include plans for the following:

7.6 (1) targeting of families with minor children who ~~are eligible for a prekindergarten~~
 7.7 ~~through grade 12 academic program and~~ are living in overcrowded conditions in their current
 7.8 housing; are paying more than 50 percent of their income for rent; or who lack a fixed,
 7.9 regular, and adequate nighttime residence;

7.10 (2) targeting of unaccompanied youth in need of an alternative residential setting;

7.11 (3) connecting families with the social services necessary to maintain the families'
 7.12 stability in their home, including but not limited to housing navigation, legal representation,
 7.13 and family outreach; and

7.14 (4) one or more of the following:

7.15 (i) provision of rental assistance for a specified period of time, which may exceed 24
 7.16 months; or

7.17 (ii) provision of support and case management services to improve housing stability,
 7.18 including but not limited to housing navigation and family outreach.

7.19 (d) In selecting projects for funding under this subdivision, preference shall be given to
 7.20 organizations granted funding under section 462A.201, subdivision 2, paragraph (a), clause
 7.21 (4).

7.22 (e) No grantee under this subdivision is required to have an advisory committee as
 7.23 described in subdivision 6.

7.24 Sec. 3. **[462A.41] COMMUNITY STABILIZATION PROGRAM.**

7.25 Subdivision 1. Establishment. The agency shall establish a community stabilization
 7.26 program for the purpose of providing grants or loans for the preservation of naturally
 7.27 occurring affordable housing through acquisition or rehabilitation.

7.28 Subd. 2. Definitions. For the purposes of this section, "naturally occurring affordable
 7.29 housing" means:

7.30 (1) multiunit rental housing that:

7.31 (i) is at least 20 years old;

8.1 (ii) has rents in a majority of units that are affordable to households at or below 60
8.2 percent of the greater of state or area median income as determined by the United States
8.3 Department of Housing and Urban Development; and

8.4 (iii) meets other requirements as determined by the agency; or

8.5 (2) single-family, owner-occupied housing located in communities where market
8.6 pressures or significant deferred rehabilitation needs, as defined by the agency, are creating
8.7 opportunities for displacement or the loss of single-family homes affordable to households
8.8 at or below 115 percent of the greater of state or area median income as determined by the
8.9 United States Department of Housing and Urban Development.

8.10 Subd. 3. **Eligible recipients.** Grants or loans may be made to a local unit of government;
8.11 a federally recognized American Indian tribe located in Minnesota or its Tribally Designated
8.12 Housing Entity; a private developer; limited equity cooperatives; cooperatives created under
8.13 chapter 308A or 308B; community land trusts created for the purposes outlined in section
8.14 462A.31, subdivision 1; or a nonprofit organization. The agency may consider the use of
8.15 an intermediary or intermediaries to facilitate the acquisition of existing housing.

8.16 Subd. 4. **Eligible uses.** The program shall provide grants or loans for the purpose of
8.17 acquisition, rehabilitation, interest rate reduction, or gap financing of housing to support
8.18 the preservation of naturally occurring affordable housing. Priority in funding may be given
8.19 to proposals that serve lower incomes.

8.20 Subd. 5. **Single-family, owner-occupied housing income limits.** Households served
8.21 through grants or loans related to single-family, owner-occupied housing must have, at
8.22 initial occupancy, income that is at or below 115 percent of the greater of state or area
8.23 median income as determined by the United States Department of Housing and Urban
8.24 Development.

8.25 Subd. 6. **Multifamily housing rent limits.** Multifamily housing financed through grants
8.26 or loans under this section must remain affordable to low-income or moderate-income
8.27 households as defined by the agency.

8.28 Subd. 7. **Application.** The agency shall develop forms and procedures for soliciting and
8.29 reviewing applications for loan or grants under this section. The agency shall consult with
8.30 interested stakeholders when developing the guidelines and procedures for the program.

8.31 Notwithstanding any other applicable law, the agency may accept applications on a
8.32 noncompetitive, rolling basis in order to provide funds for eligible properties as they become
8.33 available.

9.1 Subd. 8. **Voucher requirement for multifamily properties.** Rental properties that
9.2 receive funds must accept rental subsidies, including but not limited to vouchers under
9.3 Section 8 of the United States Housing Act of 1937, as amended.

9.4 Sec. 4. **[462A.42] STRENGTHENING SUPPORTIVE HOUSING MODEL.**

9.5 Subdivision 1. **Establishment.** The agency shall establish a strengthening supportive
9.6 housing model program for the purpose of providing funding to strengthen supportive
9.7 housing for individuals and families who are at risk of homelessness or have experienced
9.8 homelessness.

9.9 Subd. 2. **Definition.** For the purposes of this section, "supportive housing" means housing
9.10 that is not time-limited and provides or coordinates with linkages to services necessary for
9.11 residents to maintain housing stability and maximize opportunities for education and
9.12 employment.

9.13 Subd. 3. **Eligible recipients.** Funding may be made to a local unit of government, a
9.14 federally recognized American Indian Tribe or its Tribally Designated Housing Entity
9.15 located in Minnesota, a private developer, or a nonprofit organization.

9.16 Subd. 4. **Eligible uses.** (a) Funds shall be used to cover costs needed for supportive
9.17 housing to operate effectively that are not covered by other federal or state resources. Costs
9.18 may include but are not limited to building operating expenses such as front desk, tenant
9.19 service coordination, revenue shortfall, and security costs.

9.20 (b) Funds shall be used to create partnerships with the health care sector and other sectors
9.21 to demonstrate sustainable ways to provide services for supportive housing residents, improve
9.22 access to health care, and reduce the use of expensive emergency and institutional care.
9.23 This may be done in partnership with other state agencies, including the Department of
9.24 Health and the Department of Human Services.

9.25 Subd. 5. **Application.** The commissioner shall develop forms and procedures for soliciting
9.26 and reviewing applications for funding under this section. The commissioner shall consult
9.27 with interested stakeholders when developing the guidelines and procedures for the program.