

CHAPTER 462A

HOUSING FINANCE AGENCY

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462A.01 CITATION.

Sections 462A.01 to 462A.34 shall be known as and may be cited as the "Minnesota Housing Finance Agency Law of 1971."

History: *1Sp2001 c 4 art 4 s 1*

462A.03 DEFINITIONS.

Subdivision 1. **Application.** For the purpose of this chapter, the terms defined in this section have the meanings ascribed to them.

[For text of subs 2 to 5, see M.S.2000]

Subd. 6. **Agency.** "Agency" means the Minnesota housing finance agency created by this chapter.

[For text of subs 7 to 9, see M.S.2000]

Subd. 10. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" means persons and families, irrespective of race, creed, national origin, sex, or status with respect to guardianship or conservatorship, determined by the agency to require such assistance as is made available by this chapter on account of personal or family income not sufficient to afford adequate housing. In making such determination the agency shall take into account the following: (a) The amount of the total income of such persons and families available for housing needs, (b) the size of the family, (c) the cost and condition of housing facilities available, (d) the eligibility of such persons and families to compete successfully in the normal housing market and to pay the amounts at which private enterprise is providing sanitary, decent and safe housing. In the case of federally subsidized mortgages with respect to which income limits have been established by any agency of the federal government having jurisdiction thereover for the purpose of defining eligibility of low and moderate income families, the limits so established shall govern under the provisions of this chapter. In all other cases income limits for the purpose of defining low or moderate income persons shall be established by the agency by rules.

[For text of subs 11 to 22, see M.S.2000]

Subd. 23. **Metropolitan area.** "Metropolitan area" has the meaning given in section 473.121, subdivision 2.

History: *1Sp2001 c 4 art 4 s 2-5*

462A.04 HOUSING FINANCE AGENCY.

[For text of subs 1 to 4, see M.S.2000]

Subd. 6. **Management, control.** The management and control of the agency shall be vested solely in the members in accordance with the provisions of this chapter.

[For text of subs 7 to 9, see M.S.2000]

History: 1Sp2001 c 4 art 4 s 6

462A.05 SPECIFIC POWERS OF THE AGENCY.

[For text of subs 1 to 13, see M.S.2000]

Subd. 14. **Rehabilitation loans.** It may agree to purchase, make, or otherwise participate in the making, and may enter into commitments for the purchase, making, or participation in the making, of eligible loans for rehabilitation to persons and families of low and moderate income, and to owners of existing residential housing for occupancy by such persons and families, for the rehabilitation of existing residential housing owned by them. The loans may be insured or uninsured and may be made with security, or may be unsecured, as the agency deems advisable. The loans may be in addition to or in combination with long-term eligible mortgage loans under subdivision 3. They may be made in amounts sufficient to refinance existing indebtedness secured by the property, if refinancing is determined by the agency to be necessary to permit the owner to meet the owner's housing cost without expending an unreasonable portion of the owner's income thereon. No loan for rehabilitation shall be made unless the agency determines that the loan will be used primarily to make the housing more desirable to live in, to increase the market value of the housing, for compliance with state, county or municipal building, housing maintenance, fire, health or similar codes and standards applicable to housing, or to accomplish energy conservation related improvements. In unincorporated areas and municipalities not having codes and standards, the agency may, solely for the purpose of administering the provisions of this chapter, establish codes and standards. Except for accessibility improvements under this subdivision and subdivisions 14a and 24, clause (1), no secured loan for rehabilitation of any property shall be made in an amount which, with all other existing indebtedness secured by the property, would exceed 110 percent of its market value, as determined by the agency. No loan under this subdivision shall be denied solely because the loan will not be used for placing the residential housing in full compliance with all state, county, or municipal building, housing maintenance, fire, health, or similar codes and standards applicable to housing. Rehabilitation loans shall be made only when the agency determines that financing is not otherwise available, in whole or in part, from private lenders upon equivalent terms and conditions. Accessibility rehabilitation loans authorized under this subdivision may be made to eligible persons and families without limitations relating to the maximum incomes of the borrowers if:

- (1) the borrower or a member of the borrower's family requires a level of care provided in a hospital, skilled nursing facility, or intermediate care facility for persons with mental retardation or related conditions;
- (2) home care is appropriate; and
- (3) the improvement will enable the borrower or a member of the borrower's family to reside in the housing.

The agency may waive any requirement that the housing units in a residential housing development be rented to persons of low and moderate income if the development consists of four or less dwelling units, one of which is occupied by the owner.

Subd. 14a. **Rehabilitation loans; existing owner occupied residential housing.** It may make loans to persons and families of low and moderate income to rehabilitate or to assist in rehabilitating existing residential housing owned and occupied by those persons or families. No loan shall be made unless the agency determines that the loan will be used primarily for rehabilitation work necessary for health or safety, essential

accessibility improvements, or to improve the energy efficiency of the dwelling. No loan for rehabilitation of owner occupied residential housing shall be denied solely because the loan will not be used for placing the residential housing in full compliance with all state, county or municipal building, housing maintenance, fire, health or similar codes and standards applicable to housing. The amount of any loan shall not exceed the lesser of (a) a maximum loan amount determined under rules adopted by the agency not to exceed \$20,000, or (b) the actual cost of the work performed, or (c) that portion of the cost of rehabilitation which the agency determines cannot otherwise be paid by the person or family without the expenditure of an unreasonable portion of the income of the person or family. Loans made in whole or in part with federal funds may exceed the maximum loan amount to the extent necessary to comply with federal lead abatement requirements prescribed by the funding source. In making loans, the agency shall determine the circumstances under which and the terms and conditions under which all or any portion of the loan will be repaid and shall determine the appropriate security for the repayment of the loan. Loans pursuant to this subdivision may be made with or without interest or periodic payments.

[For text of subds 14b to 15c, see M.S.2000]

Subd. 16. Payments for structural defects. (a) It may make payments or expenditures from the housing development fund to persons of low or moderate income, who are recipients of an eligible loan as defined in section 462A.03, subdivision 11, or who have purchased residential housing from a recipient of such eligible loan, and who are owners and occupants of residential housing constructed or rehabilitated under this chapter, when, in the agency's determination, such residential housing contains defects or omissions which affect the structural soundness, or the use and the livability of such housing, including but not limited to defects or omissions in materials, hardware, fixtures, design, workmanship and landscaping of whatever kind and nature incorporated in said housing and which are covered by an agency approved warranty, for the purposes of (i) correcting such defects, or (ii) paying the claims of the owner arising from such defects, provided, that this authority shall exist only if the owner has requested assistance from the agency not later than four years after the issuance of the eligible loan, or where such residential housing was rehabilitated under this chapter only if the owner has requested assistance from the agency not later than two years after the issuance of the eligible loan.

(b) If such owner elects to receive payments or expenditures pursuant to this section, the agency is subrogated to the right of such owner to recover damages against any party or persons reasonably calculated to be responsible for such damages.

(c) The agency may require from the seller of such residential housing, or the contractor responsible for the construction or rehabilitation of such housing, an agreement to reimburse the agency for any payments and expenditures made pursuant to this subdivision with respect to such residential housing.

[For text of subds 17 to 21, see M.S.2000]

Subd. 22. Loans to financial institutions. It may make or participate in the making and enter into commitments for the making of loans to any banking institution, savings association, or other lender approved by the members, organized under the laws of this or any other state or of the United States having an office in this state, notwithstanding the provisions of section 462A.03, subdivision 13, if it first determines that the proceeds of such loans will be utilized for the purpose of making loans to or for the benefit of eligible persons and families as provided and in accordance with this chapter. Loans pursuant to this subdivision shall be secured, repaid and bear interest at the rate as determined by the members.

[For text of subds 23 to 25, see M.S.2000]

Subd. 26. Formation of nonprofit corporations. It may, when the agency determines it is necessary or desirable to carry out its purposes and to exercise any or all of the powers conferred upon it by this chapter, and subject to the provisions of

subdivision 27, form or consent to the formation of one or more corporations under the Minnesota Nonprofit Corporation Act, as amended, or under other laws of this state. The agency may be a member of the corporations, and the members and employees of the agency from time to time may be members of the board of directors or officers of the corporations. The agency may enter into agreements with them providing for the agency to approve various aspects of their operations. The agency may capitalize the corporations and may acquire all or a part of the corporations' share or member certificates. The agency may require that it approve aspects of the operation of the corporations including the corporations' articles of incorporation or bylaws, directors, projects and expenditures, and the sale or conveyance of projects, and the issuance of obligations. The agency may agree to and may take title to property of the corporations upon their dissolution.

[For text of subds 27 to 41, see M.S.2000]

History: 1Sp2001 c 4 art 4 s 7-11

462A.06 GENERAL POWERS OF THE AGENCY.

Subdivision 1. **Listed here.** For the purpose of exercising the specific powers granted in section 462A.05 and effectuating the other purposes of this chapter, the agency shall have the general powers granted in this section.

[For text of subds 2 and 3, see M.S.2000]

Subd. 4. **Rules.** It may make, and from time to time, amend and repeal rules not inconsistent with the provisions of this chapter.

[For text of subds 5 to 12, see M.S.2000]

History: 1Sp2001 c 4 art 4 s 12,13

462A.07 ADDITIONAL POWERS AND DUTIES OF THE AGENCY.

[For text of subds 1 to 9a, see M.S.2000]

Subd. 10. **Human rights.** It may establish and enforce such rules as may be necessary to insure compliance with chapter 363, and to insure that occupancy of housing assisted under this chapter shall be open to all persons, and that contractors and subcontractors engaged in the construction of such housing shall provide an equal opportunity for employment to all persons, without discrimination as to race, color, creed, religion, national origin, sex, marital status, age, and status with regard to public assistance or disability.

[For text of subd 11, see M.S.2000]

Subd. 12. **Use of other agencies.** It may delegate, use or employ any federal, state, regional or local public or private agency or organization, including organizations of physically handicapped persons, upon terms it deems necessary or desirable, to assist in the exercise of any of the powers granted by this chapter and to carry out the objectives of this chapter and may pay for the services from the housing development fund.

[For text of subds 13 to 16, see M.S.2000]

History: 1Sp2001 c 4 art 4 s 14,15

462A.073 SINGLE-FAMILY MORTGAGE BONDS; LIMITATIONS.

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given them:

(b) "Existing housing" means single-family housing that (i) has been previously occupied prior to the first day of the origination period; or (ii) has been available for occupancy for at least 12 months but has not been previously occupied.

(c) "New housing" means single-family housing that has not been previously occupied.

(d) "Origination period" means the period that loans financed with the proceeds of qualified mortgage revenue bonds are available for the purchase of single-family housing. The origination period begins when financing actually becomes available to the borrowers for loans.

(e) "Redevelopment area" means a compact and contiguous area within which the city finds by resolution that 70 percent of the parcels are occupied by buildings, streets, utilities, or other improvements and more than 25 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance.

(f) "Single-family housing" means dwelling units eligible to be financed from the proceeds of qualified mortgage revenue bonds under federal law.

(g) "Structurally substandard" means containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light, ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

[For text of subs 2 to 5, see M.S.2000]

History: *1Sp2001 c 4 art 4 s 16*

462A.15 STATE PLEDGE AGAINST IMPAIRMENT OF CONTRACTS.

The state pledges and agrees with the holders of any notes or bonds issued under this chapter, that the state will not limit or alter the rights vested in the agency to fulfill the terms of any agreements made with the holders thereof, or in any way impair the rights and remedies of the holders until the notes or bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. The agency is authorized to include this pledge and agreement of the state in any agreement with the holders of such notes or bonds.

History: *1Sp2001 c 4 art 4 s 17*

462A.17 POWERS AND DUTIES OF TRUSTEE.

[For text of subs 1 and 2, see M.S.2000]

Subd. 3. **Ramsey county venue; notice of principal due.** The venue of any action or proceedings brought by the trustees under this chapter, shall be in Ramsey county. Before declaring the principal of notes or bonds due and payable, the trustee shall first give 30 days' notice in writing to the governor, to the agency and to the state treasurer.

History: *1Sp2001 c 4 art 4 s 18*

462A.20 HOUSING DEVELOPMENT FUND; CREATION, SOURCES.

[For text of subs 1 and 2, see M.S.2000]

Subd. 3. **Separate accounts; transfers; limits.** Whenever any money is appropriated by the state to the agency solely for a specified purpose or purposes, the agency shall establish a separate bookkeeping account or accounts in the housing development fund to record the receipt and disbursement of such money and of the income, gain, and loss from the investment and reinvestment thereof. Earnings from investment of any amounts appropriated by the state to the agency for a specified purpose or purposes may be aggregated. The costs and expenses necessary and incidental to the development and operation of all programs funded by state appropriations may be paid from the aggregated earnings from investments prior to periodic distributions of earnings to separate accounts to be used for the same purpose as the respective original appropriation. The agency may transfer unencumbered balances from one appropriated account

to another, provided that no money appropriated for the purpose of agency loan programs may be transferred to an account to be used for making grants, except that money appropriated for the purpose of section 462A.05, subdivision 14a, may be transferred for the purpose of section 462A.05, subdivision 15a.

[For text of subd 4, see M.S.2000]

History: *1Sp2001 c 4 art 4 s 19*

462A.201 HOUSING TRUST FUND ACCOUNT.

[For text of subd 1, see M.S.2000]

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

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

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

(3) rental assistance, either project-based or tenant-based.

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

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

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

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

(d) In making the loans or grants, the agency shall determine the terms and conditions of repayment and the appropriate security, if any, should repayment be required. To promote the geographic distribution of grants and loans, the agency may designate a portion of the grant or loan awards to be set aside for projects located in

specified congressional districts or other geographical regions specified by the agency. The agency may adopt rules for awarding grants and loans under this subdivision.

[For text of subd 3, see M.S.2000]

Subd. 4. [Repealed, 1Sp2001 c 4 art 5 s 10]

Subd. 6. **Report.** The agency shall submit a biennial report to the legislature and the governor on the use of the housing trust fund account including the number of loans and grants made, the number and types of residential units assisted through the account, the number of households for whom rental assistance payments were provided, and the number of residential units assisted through the account that were rented to or cooperatively owned by persons or families at or below 30 percent of the median family income of the metropolitan area at the time of initial occupancy.

[For text of subd 7, see M.S.2000]

History: 1Sp2001 c 4 art 5 s 1,2

462A.2035 MANUFACTURED HOME PARK REDEVELOPMENT PROGRAM.

Subdivision 1. **Establishment.** The agency shall establish a manufactured home park redevelopment program for the purpose of making manufactured home park redevelopment grants or loans to cities, counties, or community action programs. Cities, counties, and community action programs may use grants and loans under this program to:

- (1) provide current residents of manufactured home parks with buy-out assistance not to exceed \$4,000 per home with preference given to older manufactured homes;
- (2) provide down-payment assistance for the purchase of new and preowned manufactured homes that comply with the current version of the State Building Code in effect at the time of the sale, not to exceed \$10,000 per home; and
- (3) make improvements in manufactured home parks as requested by the grant recipient.

Subd. 2. **Eligibility requirements.** Households assisted under this section must have an annual household income at or below 80 percent of the area median household income. Cities, counties, or community action programs receiving funds under the program must give preference to households at or below 50 percent of the area median household income. Participation in the program is voluntary and no park resident shall be required to participate. The agency shall attempt to make grants and loans in approximately equal amounts to applicants outside and within the metropolitan area.

History: 1Sp2001 c 4 art 4 s 20

462A.204 FAMILY HOMELESS PREVENTION AND ASSISTANCE PROGRAM.

[For text of subs 1 and 2, see M.S.2000]

Subd. 3. **Set aside.** At least one grant must be awarded in an area located outside of the metropolitan area. A county, a group of contiguous counties jointly acting together, or a community-based nonprofit organization with a sponsoring resolution from each of the county boards of the counties located within its operating jurisdiction may apply for and receive grants for areas located outside the metropolitan area.

[For text of subs 4 to 7, see M.S.2000]

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

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

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

(1) targeting of families with children under age 12 who, in the last 12 months have either: changed schools or homes at least once or been absent from school at least 15 percent of the school year and who have either been evicted from their housing; are living in overcrowded conditions in their current housing; or are paying more than 50 percent of their income for rent;

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

(3) connecting families with the social services necessary to maintain the families' stability in their home; and

(4) one or more of the following:

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

(ii) development of permanent supportive housing or transitional housing.

(d) Notwithstanding subdivision 2, grants under this section may be used to acquire, rehabilitate, or construct transitional or permanent housing.

(e) Each grantee under the project must include representatives of the local school district or targeted schools, or both, and of the local community correction agencies on its advisory committee.

History: 2001 c 178 art 1 s 44; 1Sp2001 c 4 art 4 s 21

462A.205 RENT ASSISTANCE FOR FAMILY STABILIZATION DEMONSTRATION PROJECT.

[For text of subs 1 to 3, see M.S.2000]

Subd. 4. **Amount and payment of rent assistance.** (a) This subdivision applies to both the voucher option and the project-based voucher option.

(b) Within the limits of available appropriations, eligible families may receive monthly rent assistance for a 60-month period starting with the month the family first receives rent assistance under this section. The amount of the family's portion of the rental payment is equal to at least 30 percent of gross income.

(c) The rent assistance must be paid by the local housing organization to the property owner.

(d) Subject to the limitations in paragraph (e), the amount of rent assistance is the difference between the rent and the family's portion of the rental payment.

(e) In no case:

(1) may the amount of monthly rent assistance be more than \$250 for housing located within the metropolitan area or more than \$200 for housing located outside of the metropolitan area;

(2) may the owner receive more rent for assisted units than for comparable unassisted units; nor

(3) may the amount of monthly rent assistance be more than the difference between the family's portion of the rental payment and the fair market rent for the unit as determined by the Department of Housing and Urban Development.

Subd. 4a. **Additional authorized expenses.** In addition to the monthly rent assistance authorized under subdivision 4, rent assistance may include up to \$200 for a security deposit for housing located outside the metropolitan area and up to \$250 for a security deposit for housing located within the metropolitan area.

[For text of subds 5 to 9, see M.S.2000]

History: 1Sp2001 c 4 art 4 s 22,23

462A.207 [Repealed, 1Sp2001 c 4 art 5 s 10]

462A.209 HOMEOWNERSHIP EDUCATION, COUNSELING, AND TRAINING PROGRAM.

Subdivision 1. **Full cycle homeownership services.** The homeownership education, counseling, and training program shall be used to provide funding to community-based nonprofit organizations and political subdivisions to assist them in building the capacity to provide and providing full cycle homeownership services to low and moderate income home buyers and homeowners, including seniors. The purpose of the program is to encourage private investment in affordable housing and collaboration of nonprofit organizations and political subdivisions with each other and private lenders in providing full cycle homeownership services.

Subd. 2. **Definition.** "Full cycle homeownership services" means supporting eligible home buyers and home owners through all phases of purchasing and keeping a home, by providing prepurchase home buyer education; prepurchase counseling and credit repair; prepurchase and postpurchase property inspection and technical and financial assistance to buyers in rehabilitating the home; postpurchase counseling, including home equity conversion loan counseling, mortgage default counseling, postpurchase assistance with home maintenance, entry cost assistance; foreclosure prevention and assistance; and access to flexible loan products.

Subd. 3. **Eligibility.** The agency shall establish eligibility criteria for nonprofit organizations and political subdivisions to receive funding under this section. The eligibility criteria must require the nonprofit organization or political subdivision to provide, to build capacity to provide, or support full cycle homeownership services for eligible home buyers. The agency may fund a nonprofit organization or political subdivision that will provide full cycle homeownership services by coordinating with one or more other organizations that will provide specific components of full cycle homeownership services. The agency may make exceptions to providing all components of full cycle lending if justified by the application. If there are more applicants requesting funding than there are funds available, the agency shall award the funds on a competitive basis and also assure an equitable geographic distribution of the available funds. The eligibility criteria must require the nonprofit organization or political subdivision to have a demonstrated involvement in the local community and to target the housing affordability needs of the local community or to have demonstrated experience with counseling older persons on housing, or both. The eligibility criteria may include a requirement for specific training provided by designated state or national entities. The agency may also include an eligibility criteria that requires counselor certification or organizational accreditation by specified organizations which provide certification or accreditation services. Partnerships and collaboration with innovative, grass roots, or community-based initiatives shall be encouraged. The agency shall give priority to nonprofit organizations and political subdivisions that have funding from other sources for full cycle homeownership services. Applicants for funds under section 462A.057 may also apply funds under this program.

Subd. 4. [Repealed, 1Sp2001 c 4 art 5 s 10]

Subd. 5. **Selection criteria.** The agency shall take the following criteria into consideration when determining whether to award funds to an eligible organization:

(1) the extent to which there is an equitable geographic distribution of funds among program applicants;

(2) the prior experience and documented familiarity of the organization, as may be applicable, in establishing, administering, and maintaining some or all of the components of full cycle homeownership services;

(3) the reasonableness of the proposed budget in meeting the program objectives, a demonstrated ability to leverage program money with other sources of funding, and the extent of the leveraging of other sources of funding;

(4) the extent to which efforts are targeted towards households with incomes that do not exceed 80 percent of the state or area median income or underserved segments of the local population; and

(5) the extent to which program funding does not duplicate other efforts currently available in the local area and will enable, expand, or enhance existing activities.

Subd. 6. Designated areas. A program administrator must designate specific areas, communities, or neighborhoods within which the program is proposed to be operated for the purpose of focusing resources.

Subd. 7. Assistance to prevent mortgage foreclosures. (a) Program assistance and counseling to prevent mortgage foreclosures or cancellations of contract for deeds includes general information, screening, assessment, referral services, case management, advocacy, and financial assistance to borrowers who are delinquent on mortgage or contract for deed payments.

(b) Not more than one-half of funds awarded for foreclosure prevention and assistance activities may be used for mortgage or financial counseling services.

(c) Financial assistance consists of payments for delinquent mortgage or contract for deed payments, future mortgage or contract for deed payments for a period of up to six months, property taxes, assessments, utilities, insurance, home improvement repairs, future rent payments for a period of up to six months, and relocation costs if necessary, or other costs necessary to prevent foreclosure.

(d) An individual or family may receive a maximum of \$5,500 of financial assistance to prevent a mortgage foreclosure or the cancellation of a contract for deed.

(e) The agency may require the recipient of financial assistance to enter into an agreement with the agency for repayment. The repayment agreement for mortgages or contract for deed buyers must provide that in the event the property is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence, the recipient shall repay all or a portion of the financial assistance. The agency may take into consideration financial hardship in determining repayment requirements. The repayment agreement may be secured by a lien on the property for the benefit of the agency.

Subd. 8. Report. By January 10 of every year, each nonprofit organization that delivers services under this section must submit a report to the agency that summarizes the number of people served and the sources and amounts of nonstate money used to fund the services. The agency shall annually submit a report to the legislature by February 15.

History: *1Sp2001 c 4 art 5 s 3*

462A.2091 CONTRACT FOR DEED GUARANTEE ACCOUNT.

[For text of subds 1 and 2, see M.S.2000]

Subd. 3. Eligible property. Contracts for deed eligible for refinancing with guarantee fund assistance must be for the purchase of an owner-occupied single-family or duplex structure. In a city of the first class in the metropolitan area, eligible properties must be located in an area in which at least one census tract meets at least three of the following four criteria:

(1) at least 70 percent of the housing structures were built before 1960;

(2) at least 60 percent of the single-family housing is owner-occupied;

(3) the median market value of the area's owner-occupied housing, as recorded in the most recent federal decennial census, is not more than 100 percent of the purchase price limit for existing homes eligible for purchase in the area under the agency's home mortgage loan program; and

(4) between 1980 and 1990, the rate of owner occupancy of residential properties in the area declined by at least five percent, or at least 80 percent of the residential properties in the area are rental properties.

The area must include eight blocks in any direction from the census tract. Priority must be given for property located in an area that meets all four criteria.

History: *1Sp2001 c 4 art 4 s 24*

462A.2093 INNOVATIVE AND INCLUSIONARY HOUSING PROGRAM.

Subdivision 1. **Definitions.** For purposes of this section, the following terms have the meanings given them in this subdivision.

(a) "Municipality" means a town or a statutory or home rule city.

(b) "Nonmetropolitan" means the area of the state outside of the metropolitan area.

(c) "Inclusionary housing development" means a new construction development including owner-occupied or rental housing, or a combination of both, with a variety of prices and designs which serve families with a range of incomes and housing needs.

[For text of subd 2, see M.S.2000]

History: *1Sp2001 c 4 art 4 s 25*

462A.2097 RENTAL HOUSING.

The agency may establish a tenant-based or project-based rental housing assistance program for persons of low income or for persons with a mental illness or families that include an adult family member with a mental illness. Rental assistance may be in the form of direct rental subsidies for housing for persons or families with incomes, at the time of initial occupancy, of up to 50 percent of the area median income as determined by the United States Department of Housing and Urban Development, adjusted for families of five or more. Housing for the mentally ill must be operated in coordination with social service providers who provide services requested by tenants. Direct rental subsidies must be administered by the agency for the benefit of eligible tenants. Financial assistance provided under this section must be in the form of vendor payments whenever possible.

History: *1Sp2001 c 4 art 4 s 26*

462A.21 HOUSING DEVELOPMENT FUND; ADVANCES, USE REPAYMENT.

[For text of subs 1 to 4], see M.S.2000]

Subd. 5. **Other agency purposes.** It may expend moneys in the fund, not otherwise appropriated, for such other agency purposes as previously enumerated in this chapter as the agency in its discretion shall determine and provide.

[For text of subs 6 to 9a, see M.S.2000]

Subd. 10. **Certain appropriations available until expended.** Notwithstanding the repeal of section 462A.26 and the provisions of section 16A.28 or any other law relating to lapse of an appropriation, the appropriations made to the agency by the legislature in 1976 and subsequent years are available until fully expended, and the allocations provided in the appropriations remain in effect. Earnings from investments of any of the amounts appropriated to the agency are appropriated to the agency to be used for the same purposes as the respective original appropriations, after payment of the costs and expenses necessary and incidental to the development and operation of the programs authorized under this chapter.

[For text of subs 12a to 16, see M.S.2000]

Subd. 17. [Repealed, 1Sp2001 c 4 art 5 s 10]

[For text of subds 18 to 26, see M.S.2000]

Subd. 27. **Economic development and housing challenge program.** The agency may spend money for the purposes of section 462A.33 and may pay the costs and expenses necessary and incidental to the development and operation of the program.

Subd. 28. **Family stabilization demonstration project.** The agency may spend money for the purposes of section 462A.205 and may pay costs and expenses necessary and incidental to the development and operation of the project.

Subd. 29. **Disaster relief contingency fund.** It may establish a disaster relief contingency fund to provide loans or grants, on terms and conditions it deems advisable, to assist with the rehabilitation or replacement of housing damaged as a result of a natural disaster in areas of the state designated under presidential declarations of a major disaster. It may transfer to the disaster relief contingency fund any repayments of grants or loans made from appropriations specifically for assistance after natural disasters in areas of the state designated under a presidential declaration of a major disaster.

Subd. 30. **Manufactured home park redevelopment.** The agency may spend money for the purposes of section 462A.2035 and may pay costs and expenses necessary and incidental to the development and operation of the program.

History: 1Sp2001 c 4 art 4 s 27-31; art 5 s 4

462A.221 DEFINITIONS.

[For text of subds 1 to 3, see M.S.2000]

Subd. 4. [Repealed, 1Sp2001 c 4 art 4 s 39]

[For text of subd 5, see M.S.2000]

462A.222 LOW-INCOME HOUSING CREDITS.

[For text of subd 1, see M.S.2000]

Subd. 1a. **Determination of regional credit pools.** The agency shall divide the annual per capita amount used in determining the state ceiling for low-income housing tax credits provided under section 42 of the Internal Revenue Code of 1986, as amended, into a metropolitan pool and a greater Minnesota pool. The metropolitan pool shall serve the metropolitan area. The greater Minnesota pool shall serve the remaining counties of the state. The percentage of the annual per capita amount allotted to each pool must be determined as follows:

(a) The percentage set-aside for projects involving a qualified nonprofit organization as provided in section 42 of the Internal Revenue Code of 1986, as amended, must be deducted from the annual per capita amount used in determining the state ceiling.

(b) Of the remaining amount, the metropolitan pool must be allotted a percentage equal to the metropolitan counties' percentage of the total number of state recipients of the Minnesota family investment program, general assistance, Minnesota supplemental aid, and supplemental security income in the state, as reported annually by the department of human services. The greater Minnesota pool must be allotted the amount remaining after the metropolitan pool's percentage has been allotted.

The set-aside for qualified nonprofit organizations must be divided between the two regional pools in the same percentage as determined for the credit amounts above.

[For text of subds 2 to 4, see M.S.2000]

History: 1Sp2001 c 4 art 4 s 32

462A.24 CONSTRUCTION.

This chapter is necessary for the welfare of the state of Minnesota and its inhabitants; therefore, it shall be liberally construed to effect its purpose.

History: 1Sp2001 c 4 art 4 s 33

462A.30 DEFINITIONS.

[For text of subd 1, see M.S.2000]

Subd. 2. [Repealed, 1Sp2001 c 4 art 4 s 39]

[For text of subs 3 to 9, see M.S.2000]

462A.33 ECONOMIC DEVELOPMENT AND HOUSING CHALLENGE PROGRAM.

Subdivision 1. **Created.** The economic development and housing challenge program is created to be administered by the agency.

(a) The program shall provide grants or loans for the purpose of construction, acquisition, rehabilitation, demolition or removal of existing structures, construction financing, permanent financing, interest rate reduction, refinancing, and gap financing of housing to support economic development and redevelopment activities or job creation or job preservation within a community or region by meeting locally identified housing needs.

Gap financing is either:

(1) the difference between the costs of the property, including acquisition, demolition, rehabilitation, and construction, and the market value of the property upon sale; or

(2) the difference between the cost of the property and the amount the targeted household can afford for housing, based on industry standards and practices.

(b) Preference for grants and loans shall be given to comparable proposals that include regulatory changes or waivers that result in identifiable cost avoidance or cost reductions, such as increased density, flexibility in site development standards, or zoning code requirements. Preference must also be given among comparable proposals to proposals for projects that are accessible to transportation systems, jobs, schools, and other services.

(c) If a grant or loan is used for demolition or removal of existing structures, the cleared land must be used for the construction of housing to be owned or rented by persons who meet the income limits of this section or for other housing-related purposes that primarily benefit the persons residing in the adjacent housing. In making selections for grants or loans for projects that demolish affordable housing units, the agency must review the potential displacement of residents and consider the extent to which displacement of residents is minimized.

Subd. 2. **Eligible recipients.** Challenge grants or loans may be made to a city, a private developer, a nonprofit organization, or the owner of the housing, including individuals. For the purpose of this section, "city" has the meaning given it in section 462A.03, subdivision 21. To the extent practicable, grants and loans shall be made so that an approximately equal number of housing units are financed in the metropolitan area and in the nonmetropolitan area.

Subd. 3. **Contribution requirement.** Fifty percent of the funds appropriated for this section must be used for challenge grants or loans which meet the requirements of this subdivision. These challenge grants or loans must be used for economically viable homeownership or rental housing proposals that:

(1) include a financial or in-kind contribution from an area employer and either a unit of local government or a private philanthropic, religious, or charitable organization; and

(2) address the housing needs of the local work force.

For the purpose of this subdivision, an employer contribution may consist partially or wholly of the premium paid for federal housing tax credits.

Preference for grants and loans shall also be given to comparable proposals that include a financial or in-kind contribution from a unit of local government, an area employer, and a private philanthropic, religious, or charitable organization.

Subd. 4. [Repealed, 1Sp2001 c 4 art 5 s 10]

Subd. 5. **Income limits.** Households served through challenge grants or loans must not have incomes at the time of initial occupancy that exceed, for homeownership projects, 115 percent of the greater of state or area median income as determined by the United States Department of Housing and Urban Development, and for rental housing projects, 80 percent of the greater of state or area median income as determined by the United States Department of Housing and Urban Development except that the housing developed or rehabilitated with challenge fund grants or loans must be affordable to the local work force.

Preference among comparable proposals shall be given those that provide housing opportunities for an expanded range of household incomes within a community or that provide housing opportunities for a wide range of incomes within the development.

Subd. 6. [Repealed, 1Sp2001 c 4 art 5 s 10]

Subd. 7. [Repealed, 1Sp2001 c 4 art 5 s 10]

Subd. 8. **Limitation on return.** The limitations on return of eligible mortgagors contained in section 462A.03, subdivision 13, do not apply to loans or grants for rental housing if the loans or grants made by the agency, from all sources, are less than 50 percent of the total costs, as determined by the agency.

History: 1Sp2001 c 4 art 4 s 34; art 5 s 5-9

462A.34 VISITABILITY REQUIREMENT.

All new construction of single-family homes, duplexes, triplexes, and multilevel townhouses that are financed in whole or in part by the agency must incorporate basic visitability access into their design and construction. For the purpose of this section, "visitability" means designing a dwelling so that people with mobility impairments may enter and comfortably stay for a duration. The specific design elements include one no-step entrance, 32-inch clear doorways throughout the dwelling, and a one-half bathroom on the main level. The agency may waive the one-half bathroom requirement if it reduces affordability for the targeted population of the agency program from which it is funded. The agency may waive the no-step entrance requirement if site conditions make the requirement impractical or if it reduces affordability for the targeted population of the agency program from which it is funded. This section does not apply to owner-occupied housing financed by the agency through a mortgage program unless the agency has provided appropriated funds to finance the construction of the new owner-occupied housing.

History: 1Sp2001 c 4 art 4 s 35