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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 3982

03/03/2022 Authored by Howard; Gomez; Her; Olson, L.; Jordan and others
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 taxation; local government aid; establishing the local affordable housing
1.3 aid program; appropriating money; proposing coding for new law in Minnesota
1.4 Statutes, chapter 477A.

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

1.6 Section 1. 477A.35 LOCAL AFFORDABLE HOUSING AID.

1.7 Subdivision 1. Purpose. The purpose of this section is to help local governments to
1.8 develop and preserve affordable housing within their jurisdictions in order to keep families
1.9 from losing housing and to help those experiencing homelessness find housing.

1.10 Subd. 2. Definitions. For the purposes of this section, the following terms have the
1.11 meanings given:

1.12 (1) "city" means a statutory or home rule charter city with a population of at least 10,000;

1.13 (2) "city distribution factor" means the number of households in a city that are
1.14 cost-burdened divided by the total number of households that are cost-burdened in Minnesota
1.15 cities. The number of cost-burdened households shall be determined using the most recent
1.16 estimates or experimental estimates provided by the American Community Survey of the
1.17 United States Census Bureau;

1.18 (3) "cost-burdened household" means a household in which gross rent exceeds 30 percent
1.19 of household income or in which homeownership costs exceed 30 percent of household
1.20 income;

1.21 (4) "county distribution factor" means the number of households in a county that are
1.22 cost-burdened divided by the total number of households in Minnesota that are cost-burdened.

2.1 The number of cost-burdened households shall be determined using the most recent estimates  
2.2 or experimental estimates provided by the American Community Survey of the United  
2.3 States Census Bureau; and

2.4 (5) "population" has the meaning given in section 477A.011, subdivision 3.

2.5 Subd. 3. **Distribution.** (a) Each county shall receive the sum of:

2.6 (1) \$15,000; plus

2.7 (2) the product of:

2.8 (i) the county distribution factor; multiplied by

2.9 (ii) the total amount available to counties under this section minus the product of clause

2.10 (1) multiplied by the number of Minnesota counties.

2.11 (b) The commissioner of revenue shall determine the amount of funding available to a  
2.12 city under this section by multiplying the city's city distribution factor and the amount of  
2.13 funding available to cities under this section.

2.14 Subd. 4. **Qualifying projects.** (a) Qualifying projects shall include projects designed  
2.15 for the purpose of construction, acquisition, rehabilitation, demolition or removal of existing  
2.16 structures, construction financing, permanent financing, interest rate reduction, refinancing,  
2.17 and gap financing of housing to provide affordable housing to households that have incomes  
2.18 which do not exceed, for homeownership projects, 115 percent of the greater of state or  
2.19 area median income as determined by the United States Department of Housing and Urban  
2.20 Development, and for rental housing projects, 80 percent of the greater of state or area  
2.21 median income as determined by the United States Department of Housing and Urban  
2.22 Development, except that the housing developed or rehabilitated with funds under this  
2.23 section must be affordable to the local work force.

2.24 (b) Gap financing is either:

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

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

2.29 (c) If a grant under this section is used for demolition or removal of existing structures,  
2.30 the cleared land must be used for the construction of housing to be owned or rented by  
2.31 persons who meet the income limits of paragraph (a).

3.1 Subd. 5. Use of proceeds. (a) Any funds distributed under this section must be spent on  
3.2 a qualifying project.

3.3 (b) Any unspent funds must be returned to the commissioner of revenue by December  
3.4 31 in the third year following the year after the aid was received.

3.5 Subd. 6. Administration. (a) The commissioner of revenue must compute the amount  
3.6 of aid payable to each city and county under this section. By August 1 of each year, the  
3.7 commissioner must certify the amount to be paid to each county and city in the following  
3.8 year. The commissioner must pay local affordable housing aid annually at the times provided  
3.9 in section 477A.015.

3.10 (b) Beginning in 2024, cities and counties shall submit a report annually, no later than  
3.11 December 1 of each year, to the Minnesota Housing Finance Agency. The report shall  
3.12 include documentation of qualifying projects completed or planned with funds under this  
3.13 section. If a city or county fails to submit a report, or if a city or county uses funds for a  
3.14 project that does not qualify under this section, the Minnesota Housing Finance Agency  
3.15 shall notify the Department of Revenue by January 1 of the following year.

3.16 (c) A city or county must repay to the commissioner of revenue funds it received under  
3.17 this section if it:

3.18 (1) fails to spend the funds within the time allowed under subdivision 5, paragraph (b);

3.19 (2) spends the funds on anything other than a qualifying project; or

3.20 (3) fails to submit a report documenting use of the funds.

3.21 (d) The commissioner of revenue may stop distributing funds to any city or county if it  
3.22 repeatedly fails to use funds, misuses funds, or fails to report on its use of funds.

3.23 (e) Any funds repaid to the commissioner of revenue by cities under paragraph (c) must  
3.24 be added to the overall distribution of aids certified under this section for cities in the  
3.25 following year. Any funds repaid to the commissioner of revenue by counties under paragraph  
3.26 (c) must be added to the overall distribution of aids certified under this section for counties  
3.27 in the following year.

3.28 Subd. 7. Appropriations. (a) \$80,000,000 is annually appropriated from the general  
3.29 fund to the commissioner of revenue to make payments to counties as required under this  
3.30 section.

3.31 (b) \$20,000,000 is annually appropriated from the general fund to the commissioner of  
3.32 revenue to make payments to cities as required under this section.

- 4.1 **EFFECTIVE DATE.** This section is effective beginning with aids payable in calendar
- 4.2 year 2023.