

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

S.F. No. 3647

(SENATE AUTHORS: **BOLDON and Port**)

DATE
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Introduction and first reading
Referred to Housing and Homelessness Prevention

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to housing; establishing a locally controlled housing fund; requiring a
1.3 report; appropriating money; proposing coding for new law in Minnesota Statutes,
1.4 chapter 462A.

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

1.6 Section 1. **462A.41** **LOCALLY CONTROLLED HOUSING FUND.**

1.7 Subdivision 1. **Establishment.** The locally controlled housing fund is established as a
1.8 separate account in the housing development fund. The agency may use the money from
1.9 the locally controlled housing fund to assist eligible recipients with acquiring, rehabilitating,
1.10 demolishing, or removing existing structures and constructing new housing and for
1.11 construction financing, permanent financing, interest rate reduction, refinancing, and gap
1.12 financing of housing to increase the amount of an eligible recipient's locally controlled
1.13 housing stock.

1.14 Subd. 2. **Definitions.** (a) For the purposes of this section, the following terms have the
1.15 meanings given.

1.16 (b) "Approved partner" means a nonprofit organization or a housing cooperative that
1.17 meets all applicable requirements of the agency.

1.18 (c) "City" has the meaning given in section 462C.02, subdivision 6.

1.19 (d) "Eligible household" means a household whose income, at the time of application
1.20 or initial lease agreement, does not exceed 400 percent of area median income as published
1.21 by the Department of Housing and Urban Development, as adjusted for household size.

2.1 (e) "Eligible recipient" means a city, a county, a federally recognized American Indian
2.2 Tribe or subdivision located in Minnesota, a Tribal housing corporation, or a local housing
2.3 authority.

2.4 (f) "Locally controlled housing" means:

2.5 (1) any multifamily or single-family property where the eligible recipient has at least a
2.6 75 percent controlling stake in ownership of the entire property and the remaining interest
2.7 is owned by an approved partner; or

2.8 (2) any multifamily or single-family properties where an approved partner owns the
2.9 building and the eligible recipient owns the land.

2.10 Subd. 3. **Eligible recipient requirements.** (a) Eligible recipients may operate and
2.11 manage locally controlled housing or may contract with a third party approved by the agency.

2.12 (b) Upon repayment to the fund of an amount equal to the initial award, an eligible
2.13 recipient may retain, reinvest, or otherwise use proceeds from housing financed by the fund
2.14 to further the goals of affordable housing production or acquisition in the recipient's
2.15 jurisdiction.

2.16 Subd. 4. **Fund requirements and applications.** (a) To the extent practicable:

2.17 (1) the agency must make funding available so that an approximately equal number of
2.18 housing units are financed in the metropolitan area and in the nonmetropolitan area; and

2.19 (2) the agency must fund projects that include accessible units, as defined in section
2.20 1002 of the current State Building Code Accessibility Provisions for Dwelling Units in
2.21 Minnesota.

2.22 (b) In multifamily properties financed under this section, at least 30 percent of the units
2.23 must be occupied by households whose income, at the time of application or initial lease
2.24 agreement, does not exceed 50 percent of the area median income as published by the
2.25 Department of Housing and Urban Development, as adjusted for household size, and at
2.26 least 30 percent of the units must be occupied by households whose income, at the time of
2.27 application or initial lease agreement, exceeds 50 percent but does not exceed 100 percent
2.28 of the area median income as published by the Department of Housing and Urban
2.29 Development, as adjusted for household size. The agency may approve alternative rent and
2.30 income limits.

2.31 (c) Applications for funding must include a housing needs assessment that identifies the
2.32 estimated range of affordability for each project.

3.1 Subd. 5. Use of funds. The agency shall establish a revolving loan fund to make loans
3.2 to eligible recipients for financing the acquisition, rehabilitation, adaptive reuse, or new
3.3 construction of locally controlled housing. Locally controlled housing financed in part or
3.4 whole through the fund must meet the following requirements:

3.5 (1) all housing must meet applicable accessibility requirements;

3.6 (2) no feature of the housing, including the design, construction, or location, may have
3.7 the effect of segregating or otherwise separating residents based on income level or the
3.8 amount of rent paid;

3.9 (3) eligible recipients must maximize the affordability of rental units in locally controlled
3.10 housing based on the housing needs identified by the recipient in its application for assistance
3.11 under this section;

3.12 (4) for single-family homes, locally controlled housing must be occupied by households
3.13 with incomes at or below 50 percent of the area median income for the applicable county
3.14 or metropolitan area as published by the Department of Housing and Urban Development,
3.15 as adjusted for household size; and

3.16 (5) lease agreements signed with eligible households must include all applicable tenant
3.17 protections included in public housing lease agreements.

3.18 Subd. 6. Sale of locally controlled housing. (a) An eligible recipient must not sell its
3.19 ownership stake of locally controlled housing financed with funds from this section for 50
3.20 years after its receipt of funding under this section, unless approved by the agency.

3.21 (b) Upon sale of its ownership stake, an eligible recipient must repay the fund any
3.22 outstanding balance.

3.23 Subd. 7. Administration. The agency must employ at least one full-time equivalent
3.24 staff to serve as the director of the locally controlled housing fund. The director of the fund
3.25 shall work with eligible recipients to ensure compliance with all requirements under this
3.26 section and provide outreach to new eligible recipients.

3.27 Subd. 8. Annual reports. Beginning January 15, 2024, the commissioner must annually
3.28 submit a report to the chairs and ranking minority members of the legislative committees
3.29 with jurisdiction over housing specifying the projects that receive funding under this section
3.30 and the specific purposes for which the funds were spent.

4.1 Sec. 2. **APPROPRIATION; LOCALLY CONTROLLED HOUSING FUND.**

4.2 \$500,000,000 in fiscal year 2024 is appropriated from the general fund to the
4.3 commissioner of the Housing Finance Agency to create, fund, and administer a locally
4.4 controlled housing fund.