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HOUSE FILE NO. 2734

FIRST COMMITTEE ENGROSSMENT

February 12, 2008

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The bill was read for the first time and referred to the Committee on Finance

Referred by Chair to Housing Policy and Finance and Public Health Finance Division.

February 25, 2008

Returned to the Committee on Finance as Amended.

1.1 A bill for an act

1.2 relating to capital investment; appropriating money for public housing;
1.3 establishing nonprofit housing bonds; authorizing sale and issuance of state
1.4 bonds; requiring a report; amending Minnesota Statutes 2006, section 462A.21,
1.5 by adding a subdivision; proposing coding for new law in Minnesota Statutes,
1.6 chapter 462A.

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

1.8 Section 1. **CAPITAL IMPROVEMENT APPROPRIATIONS.**

1.9 The sums shown in the column under "Appropriations" are appropriated from the
1.10 bond proceeds fund, or another named fund, to the state agencies or officials indicated,
1.11 to be spent for public purposes. Appropriations of bond proceeds must be spent as
1.12 authorized by the Minnesota Constitution, article XI, section 5, paragraph (a), to acquire
1.13 and better public land and buildings and other public improvements of a capital nature, or
1.14 as authorized by the Minnesota Constitution, article XI, section 5, paragraphs (b) to (j), or
1.15 article XIV. Unless otherwise specified, the appropriations in this act are available until
1.16 the project is completed or abandoned subject to Minnesota Statutes, section 16A.642.

1.17 Sec. 2. **PRIORITIES.**

1.18 Subdivision 1. **General.** The Housing Policy and Finance and Public Health
1.19 Finance Division of the House Finance Committee prioritizes the appropriations in this act
1.20 as provided in this section.

1.21 Subd. 2. **High priorities.** (1) For the housing development fund under section 3,
1.22 subdivision 1;

1.23 (2) for public housing rehabilitation under section 3, subdivision 2;

1.24 (3) for the Hennepin County Opportunity Center under section 3, subdivision 3; and

2.1 (4) for debt service appropriations under section 5.

2.2 Subd. 3. **Medium.**

2.3 Subd. 4. **Low.**

2.4 Subd. 5. **Do not fund.**

2.5 **Sec. 3. APPROPRIATION.**

2.6 **Subdivision 1. **Housing Development Fund**** \$ 10,000,000

2.7 To the commissioner of the Housing
 2.8 Finance Agency for transfer to the housing
 2.9 development fund for the purposes specified
 2.10 in this subdivision. This appropriation is
 2.11 for loans or grants: (1) for publicly owned
 2.12 emergency shelter; (2) for publicly owned
 2.13 temporary or transitional housing under
 2.14 Minnesota Statutes, section 462A.201,
 2.15 subdivision 2; and (3) for publicly owned
 2.16 permanent rental housing under Minnesota
 2.17 Statutes, section 462A.202, subdivision
 2.18 3a, for persons who have been without a
 2.19 permanent residence either for at least 12
 2.20 months or on at least four occasions in the
 2.21 last three years, or who were at significant
 2.22 risk of lacking a permanent residence for at
 2.23 least 12 months or on at least four occasions
 2.24 in the last three years. Loans or grants
 2.25 under Minnesota Statutes, section 462A.202,
 2.26 subdivision 3a, must be for housing that
 2.27 provides or coordinates with linkages to
 2.28 services necessary for residents to maintain
 2.29 housing stability and maximize opportunities
 2.30 for education and employment.

2.31 **Subd. 2. **Public Housing Rehabilitation**** \$ 20,000,000

2.32 To the Housing Finance Agency for the
 2.33 purposes of financing the rehabilitation costs
 2.34 to preserve public housing. For purposes of

3.1 this subdivision, "public housing" is housing
 3.2 for low-income persons and households
 3.3 financed by the federal government and
 3.4 owned and operated by public housing
 3.5 authorities and agencies. Eligible public
 3.6 housing authorities must have a public
 3.7 housing assessment system rating of standard
 3.8 or above. Priority must be given to proposals
 3.9 that maximize federal or local resources to
 3.10 finance the capital costs.

3.11 **Subd. 3. Hennepin County Opportunity Center** \$ 2,500,000

3.12 To the commissioner of human services
 3.13 for a grant to Hennepin County for site
 3.14 acquisition, design, and development of the
 3.15 Opportunity Center. The Opportunity Center
 3.16 will provide a one-stop site connecting
 3.17 people experiencing homelessness or at risk
 3.18 of becoming homeless to the continuum of
 3.19 services needed to secure and maintain safe
 3.20 and permanent housing. Heading Home
 3.21 Hennepin, the Minneapolis/Hennepin County
 3.22 ten-year plan to end homelessness, calls for
 3.23 opening the Opportunity Center in 2009.

3.24 Sec. 4. Minnesota Statutes 2006, section 462A.21, is amended by adding a subdivision
 3.25 to read:

3.26 Subd. 32. **Nonprofit housing bonds account.** The agency may establish a nonprofit
 3.27 housing bond account as a separate account within the housing development fund.
 3.28 Proceeds of nonprofit housing bonds and payments made by the state pursuant to section
 3.29 462A.36 may be deposited in the account. The agency may transfer the proceeds of
 3.30 nonprofit housing bonds to another account within the housing development fund that it
 3.31 determines appropriate to accomplish the purposes for which the bonds are authorized
 3.32 under section 462A.36.

3.33 Sec. 5. **[462A.36] NONPROFIT HOUSING BONDS; AUTHORIZATION;**
 3.34 **STANDING APPROPRIATION.**

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

4.3 (b) "Debt service" means the amount payable in any fiscal year of principal of,
4.4 premium, if any, and interest on nonprofit housing bonds and the fees, charges, and
4.5 expenses related to the bonds.

4.6 (c) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended.

4.7 (d) "Nonprofit housing bonds" means bonds issued by the agency under this chapter
4.8 that are "qualified 501(c)(3) bonds" (within the meaning of Section 145(a) of the Internal
4.9 Revenue Code) or are not "private activity bonds" (within the meaning of Section 141(a)
4.10 of the Internal Revenue Code) for the purpose of financing or refinancing affordable
4.11 housing authorized under this chapter.

4.12 Subd. 2. **Appropriation of debt service; payment to agency or trustee.** (a) Up to
4.13 \$2,400,000 annually is appropriated from the general fund for deposit in the nonprofit
4.14 housing bond account established in section 462A.21, subdivision 32, to pay the debt
4.15 service on nonprofit housing bonds. The appropriation may be made for no more than 20
4.16 years, commencing with the fiscal year beginning July 1, 2009.

4.17 (b) On July 1 of each year, but no earlier than July 1, 2009, and for so long as any
4.18 nonprofit housing bonds are outstanding, the state must transfer from the general fund
4.19 to the nonprofit housing bond account established under section 462A.21, subdivision
4.20 32, the amount of debt service payable in the fiscal year certified by the agency to the
4.21 commissioner of finance, not to exceed \$2,400,000 annually.

4.22 (c) The agency may pledge to the payment of the nonprofit housing bonds the
4.23 payments to be made by the state pursuant to this section.

4.24 Subd. 3. **No full faith and credit.** The nonprofit housing bonds are not public debt
4.25 of the state, and the full faith and credit and taxing powers of the state are not pledged
4.26 to the payment of the nonprofit housing bonds or to any payment that the state agrees to
4.27 make under this section. The bonds must contain a conspicuous statement to such effect.

4.28 Subd. 4. **Authorization.** The agency may issue up to \$30 million of nonprofit
4.29 housing bonds in one or more series to which the payments made pursuant to this section
4.30 may be pledged. The nonprofit housing bonds authorized in this subdivision may be issued
4.31 for the purpose of making loans, on terms and conditions the agency deems appropriate,
4.32 to finance the costs of the construction, acquisition, preservation, and rehabilitation of
4.33 permanent supportive housing for individuals and families who: (1) either have been
4.34 without a permanent residence for at least 12 months or at least four times in the last three
4.35 years; or (2) are at significant risk of lacking a permanent residence for 12 months or at
4.36 least four times in the last three years. An insubstantial portion of the bond proceeds

5.1 may be used for permanent supportive housing for individuals and families experiencing
5.2 homelessness who do not meet the criteria of the previous sentence. For purposes of this
5.3 subdivision, "permanent supportive housing" means housing that is not time-limited and
5.4 provides or coordinates with linkages to services necessary for residents to maintain
5.5 housing stability and maximize opportunities for education and employment.

5.6 **Sec. 6. BOND SALE AUTHORIZATION.**

5.7 To provide the money appropriated in this act from the bond proceeds fund, the
5.8 commissioner of finance shall sell and issue bonds of the state in an amount up to
5.9 \$32,500,000 in the manner, upon the terms, and with the effect prescribed by Minnesota
5.10 Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI,
5.11 sections 4 to 7.

5.12 **Sec. 7. STAKEHOLDER CONSULTATION.**

5.13 The Minnesota Housing Finance Agency shall meet with the stakeholders described
5.14 in section 8 for the following purposes:

5.15 (1) to consider the use of 501(c)(3) bonds as a means to prevent residential mortgage
5.16 foreclosures and to address the effects of widespread residential mortgage foreclosures;

5.17 (2) to consider means to make community activity set aside (CASA) mortgages
5.18 more accessible to neighborhood land trusts; and

5.19 (3) to consider alternative tax classifications for neighborhood land trust properties
5.20 to make taxation of such properties more equitable and to provide an incentive for greater
5.21 utilization of neighborhood land trusts.

5.22 **Sec. 8. STAKEHOLDERS.**

5.23 The stakeholders referenced in section 7 must include individuals with experience in
5.24 community land trusts, providers of mortgage foreclosure prevention services, bankers,
5.25 individuals who have experienced mortgage foreclosure, legal aid attorneys, and a
5.26 representative of the property tax division of the Department of Revenue.

5.27 **Sec. 9. REPORT TO LEGISLATURE.**

5.28 The Minnesota Housing Finance Agency shall report the results and
5.29 recommendations of the meetings under section 7 to the legislature by January 1, 2009.

5.30 **Sec. 10. EFFECTIVE DATE.**

5.31 Except as otherwise provided, this act is effective the day following final enactment.