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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **301**

January 22, 2007

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

1.1 A bill for an act
1.2 relating to housing; creating a blighted housing rehabilitation program; providing
1.3 for transfer of possession or ownership of nuisance properties to nonprofit
1.4 housing organizations; proposing coding for new law in Minnesota Statutes,
1.5 chapter 463.

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

1.7 Section 1. **[463.270] DEFINITIONS.**

1.8 Subdivision 1. **Scope.** As used in sections 463.270 to 463.276, the terms defined in
1.9 this section have the meanings given them.

1.10 Subd. 2. **Last known address.** "Last known address" includes the address where
1.11 the property is located or the address as listed in the tax records.

1.12 Subd. 3. **Low- or moderate-income housing.** "Low- or moderate-income housing"
1.13 means housing for persons and families whose income does not exceed 80 percent of the
1.14 greater of state median income or area or county median income as determined by the
1.15 federal Department of Housing and Urban Development.

1.16 Subd. 4. **Nonprofit housing organization.** "Nonprofit housing organization" or
1.17 "organization" means a nonprofit corporation organized under chapter 317A or similar law
1.18 of another state that has as one of its purposes the improvement of housing. Nonprofit
1.19 housing organization includes a church, or convention or association of churches, or
1.20 an organization operated primarily for religious purposes that is operated, supervised,
1.21 controlled, or principally supported by a church or convention or association of churches
1.22 described in United States Code, title 26, section 501(c)(3), of the federal Internal Revenue
1.23 Code and exempt from income tax under section 501(a).

1.24 Subd. 5. **Nuisance.** "Nuisance" means any property that because of its physical
1.25 condition or use is a public nuisance, or any property that constitutes a blight on the

2.1 surrounding area, or any property that is not fit for human habitation under the applicable
 2.2 fire, building, and housing codes. Nuisance also means any property on which any illegal
 2.3 activity involving controlled substances as defined in section 152.01, subdivision 4, or
 2.4 marijuana takes place or any property on which any illegal activity by a criminal gang,
 2.5 as defined in section 609.229, subdivision 1, takes place.

2.6 Subd. 6. **Parties in interest.** "Parties in interest" means any owner or owners of
 2.7 record, judgment creditor, tax purchaser, or other party having any legal or equitable
 2.8 title or interest in the property.

2.9 Subd. 7. **Property.** "Property" means any residential real estate that has been
 2.10 continuously unoccupied by persons legally in possession for the preceding year.

2.11 Subd. 8. **Rehabilitation.** "Rehabilitation" means the process of improving the
 2.12 property including, but not limited to, bringing property into compliance with applicable
 2.13 fire, housing, and building codes.

2.14 **Sec. 2. [463.271] PETITION FOR TEMPORARY POSSESSION.**

2.15 Subdivision 1. **General requirements.** (a) A nonprofit housing organization may
 2.16 bring a petition for temporary possession of property if:

2.17 (1) the property has been continuously unoccupied by persons legally in possession
 2.18 for the preceding year;

2.19 (2) the property is a nuisance;

2.20 (3) the organization intends to rehabilitate the property and use the property as
 2.21 housing for low- and moderate-income persons and families; and

2.22 (4) the organization has sent notice to the parties in interest of the property, by
 2.23 certified or registered mail, mailed to the parties' last known address and posted on the
 2.24 property at least 30 but not more than 60 days before the date the petition is brought, of
 2.25 the organization's intent to bring a petition for possession under section 463.272.

2.26 (b) A proceeding under this section may be commenced as a civil action in
 2.27 district court in the county in which the property is located. The petition must allege
 2.28 the conditions specified in paragraph (a). All parties in interest of the property must be
 2.29 named as respondents in the petition. Before a hearing on the petition, the petitioner shall
 2.30 record a notice of the pendency of the petition with the county recorder or the registrar
 2.31 of titles in the case of registered property and shall publish at least one notice of the
 2.32 petition in a qualified newspaper.

2.33 Subd. 2. **Hearing.** (a) At the hearing on the petition, the organization shall submit
 2.34 to the court a plan for the rehabilitation of the property and present evidence that the
 2.35 organization has adequate resources to rehabilitate and manage the property. For the

3.1 purpose of developing a plan, representatives of the organization may be permitted entry
3.2 onto the property by the court at times and on terms as the court deems appropriate.

3.3 (b) Upon request, the court shall grant a respondent 120 days to bring the property
3.4 into compliance with applicable fire, housing, and building codes, provided that the
3.5 respondent submits a plan to the court that is reasonably sufficient for these purposes. The
3.6 court may, for good cause shown, extend the compliance period. If the property is brought
3.7 into compliance within the compliance period, the court shall dismiss the petition. If the
3.8 respondent fails to bring the property into compliance within the compliance period, the
3.9 court shall consider the petition.

3.10 **Sec. 3. [463.272] REHABILITATION ORDER.**

3.11 If the court approves the petition, the court shall enter an order approving the
3.12 rehabilitation plan and granting temporary possession of the property to the organization.
3.13 The organization may, subject to court approval, enter into leases or other agreements
3.14 in relation to the property. The organization shall bring the property into compliance
3.15 with applicable fire, housing, and building codes, and obtain all necessary permits. The
3.16 organization shall complete the code compliance work no later than six months from
3.17 taking temporary possession.

3.18 **Sec. 4. [463.273] ANNUAL REPORT.**

3.19 The organization shall file an annual report with the court in relation to the
3.20 rehabilitation and use of the property. The court shall require reports and status updates to
3.21 be filed as it deems appropriate under the circumstances but no less frequently than once
3.22 per year. The report shall include statements of all expenditures made by the organization
3.23 including, but not limited to, payments for the rehabilitation, operation, and maintenance
3.24 of and repairs to the property, and for real estate taxes, and payments to mortgagees and
3.25 lienholders during the preceding year, and shall include statements of all income and
3.26 receipts from the property for the preceding year.

3.27 **Sec. 5. [463.274] RIGHTS OF OWNER.**

3.28 An owner is entitled to regain possession of the property by petitioning to the court
3.29 for restoration of possession and, upon due notice to the organization, for a hearing on the
3.30 petition. At the hearing, the court shall determine proper compensation to the organization
3.31 for its expenditures, including management fees, based on the organization's reports to
3.32 the court. The court, in determining the proper compensation to the organization, may
3.33 consider income or receipts received from the property, and the increase in the market

4.1 value of the property resulting from the rehabilitation by the organization. In no event
4.2 shall the amount paid be less than the amount spent by the organization plus management
4.3 fees and interest. After the owner pays the compensation to the organization as determined
4.4 by the court, the owner shall resume possession of the property, subject to all existing
4.5 rental agreements, whether written or verbal, entered into by the organization.

4.6 **Sec. 6. [463.275] PROPERTY REDEMPTION.**

4.7 If the property is sold for unpaid taxes, an organization with temporary possession
4.8 may redeem the property in the same manner as the owner is permitted, and amounts paid
4.9 to redeem the property shall be included as expenditures in the organization's report to
4.10 the court.

4.11 **Sec. 7. [463.276] PETITION FOR TRANSFER OF OWNERSHIP.**

4.12 If an owner takes no action to regain possession of the property in the six months
4.13 following entry of an order granting temporary possession of the property to the
4.14 organization, the organization may file a petition for an order transferring ownership of the
4.15 property to the organization. Upon due notice to the named respondents, an order may
4.16 be entered transferring ownership to the organization. The order must specify that the
4.17 property be used for low- and moderate-income housing for at least a ten-year period after
4.18 the order is entered. The organization may sell the property to low- or moderate-income
4.19 home buyers. The organization must record the deed at the county.