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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE No. **2406**

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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 economic development; establishing a transit improvement center  
1.3 grant program; appropriating money; amending Minnesota Statutes 2006,  
1.4 sections 116J.415, subdivision 1; 116J.554, subdivision 2; 116J.575, subdivision  
1.5 1a; 462A.201, subdivision 2; 473.252, subdivision 1a; 473.253, subdivision 2;  
1.6 473.351, subdivision 1; proposing coding for new law in Minnesota Statutes,  
1.7 chapter 469.

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

1.9 Section 1. Minnesota Statutes 2006, section 116J.415, subdivision 1, is amended to  
1.10 read:

1.11 Subdivision 1. **Organization.** The commissioner shall make challenge grants to  
1.12 regional organizations, for the purpose of providing financial assistance to encourage  
1.13 private investment, to provide jobs or job enhancement for low-income persons, to  
1.14 fund transit improvement centers under section 469.350, and to promote economic  
1.15 development in the rural areas of the state.

1.16 Sec. 2. Minnesota Statutes 2006, section 116J.554, subdivision 2, is amended to read:

1.17 Subd. 2. **Qualifying sites.** A site qualifies for a grant under this section, if the  
1.18 following criteria are met:

1.19 (1) the site is not scheduled for funding during the current or next fiscal year under  
1.20 the Comprehensive Environmental Response, Compensation, and Liability Act, United  
1.21 States Code, title 42, section 9601, et seq. or under the Environmental Response, and  
1.22 Liability Act under sections 115B.01 to 115B.20;

1.23 (2) the appraised value of the site after adjusting for the effect on the value of the  
1.24 presence or possible presence of contaminants using accepted appraisal methodology, or

2.1 the current market value of the site as issued under section 273.121, separately taking into  
 2.2 account the effect of the contaminants on the market value, (i) is less than 75 percent of  
 2.3 the estimated project costs for the site or (ii) is less than or equal to the estimated cleanup  
 2.4 costs for the site and the cleanup costs equal or exceed \$3 per square foot for the site; and

2.5 (3) if the proposed cleanup is completed, it is expected that the site will be improved  
 2.6 with buildings or other improvements and these improvements will provide a substantial  
 2.7 increase in the property tax base within a reasonable period of time or the site will be used  
 2.8 for an important publicly owned or tax-exempt facility or a transit improvement center  
 2.9 under section 469.350.

2.10 Sec. 3. Minnesota Statutes 2006, section 116J.575, subdivision 1a, is amended to read:

2.11 Subd. 1a. **Priorities.** (a) If applications for grants exceed the available  
 2.12 appropriations, grants shall be made for sites that, in the commissioner's judgment, provide  
 2.13 the highest return in public benefits for the public costs incurred. "Public benefits" include  
 2.14 job creation, bioscience development, environmental benefits to the state and region,  
 2.15 efficient use of public transportation, efficient use of existing infrastructure, provision of  
 2.16 affordable housing, multiuse development that constitutes community rebuilding rather  
 2.17 than single-use development, crime reduction, blight reduction, community stabilization,  
 2.18 and property tax base maintenance or improvement. In making this judgment, the  
 2.19 commissioner shall give priority to redevelopment projects with one or more of the  
 2.20 following characteristics:

2.21 (1) the need for redevelopment in conjunction with contamination remediation needs;

2.22 (2) the redevelopment project meets current tax increment financing requirements  
 2.23 for a redevelopment district and tax increments will contribute to the project;

2.24 (3) the redevelopment potential within the municipality;

2.25 (4) proximity to public transit if located in the metropolitan area; and

2.26 (5) multijurisdictional projects that take into account the need for affordable  
 2.27 housing, transportation, and environmental impact, including, but not limited to, transit  
 2.28 improvement centers under section 469.350.

2.29 (b) The factors in paragraph (a) are not listed in a rank order of priority; rather, the  
 2.30 commissioner may weigh each factor, depending upon the facts and circumstances, as  
 2.31 the commissioner considers appropriate.

2.32 Sec. 4. Minnesota Statutes 2006, section 462A.201, subdivision 2, is amended to read:

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

3.1 (1) projects for the development, construction, acquisition, preservation, and  
3.2 rehabilitation of low-income rental and limited equity cooperative housing units, including  
3.3 temporary and transitional housing, and housing included in a transit improvement center  
3.4 under section 469.350;

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

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

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

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

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

3.22 (c) Rental assistance under this section must be provided by governmental  
3.23 units which administer housing assistance supplements or by for-profit or nonprofit  
3.24 organizations experienced in housing management. Rental assistance shall be limited  
3.25 to households whose income at the time of initial receipt of rental assistance does not  
3.26 exceed 60 percent of median income, as determined by the United States Department of  
3.27 Housing and Urban Development for the metropolitan area. Priority among comparable  
3.28 applications for tenant-based rental assistance will be given to proposals that will serve  
3.29 households whose income at the time of initial application for rental assistance does not  
3.30 exceed 30 percent of median income, as determined by the United States Department  
3.31 of Housing and Urban Development for the metropolitan area. Rental assistance must  
3.32 be terminated when it is determined that 30 percent of a household's monthly income  
3.33 for four consecutive months equals or exceeds the market rent for the unit in which the  
3.34 household resides plus utilities for which the tenant is responsible. Rental assistance may  
3.35 only be used for rental housing units that meet the housing maintenance code of the local  
3.36 unit of government in which the unit is located, if such a code has been adopted, or the

4.1 housing quality standards adopted by the United States Department of Housing and Urban  
4.2 Development, if no local housing maintenance code has been adopted.

4.3 (d) In making the loans or grants, the agency shall determine the terms and  
4.4 conditions of repayment and the appropriate security, if any, should repayment be required.  
4.5 To promote the geographic distribution of grants and loans, the agency may designate  
4.6 a portion of the grant or loan awards to be set aside for projects located in specified  
4.7 congressional districts or other geographical regions specified by the agency. The agency  
4.8 may adopt rules for awarding grants and loans under this subdivision.

4.9 **Sec. 5. [469.350] TRANSIT IMPROVEMENT PROGRAM.**

4.10 Subdivision 1. **Definitions.** (a) The terms defined in this section have the meanings  
4.11 given them.

4.12 (b) "Applicant" means a local governmental unit or a joint powers board, established  
4.13 under section 471.59.

4.14 (c) "Commissioner" means the commissioner of employment and economic  
4.15 development.

4.16 (d) "Local governmental unit" means a statutory or home rule charter city or town,  
4.17 county, or school district.

4.18 (e) "Minor transit station" means a physical structure that supports the  
4.19 interconnection of various public transportation modes, and that promotes and achieves  
4.20 the loading, discharging, and transporting of people. "Major transit station" offers  
4.21 access to frequent high-speed service. If the term "transit station" is used without being  
4.22 designated as major or minor, both types of transit stations are intended to be included.

4.23 (f) "Transit improvement center" means a geographic area designated by the  
4.24 commissioner composed of parcels that lie in part within one-quarter mile of a minor  
4.25 transit station, or one-half mile from a major transit station.

4.26 Subd. 2. **Priorities.** The commissioner shall designate a transit improvement  
4.27 center if the proposed transit improvement center will increase the effectiveness of a  
4.28 mass transit project by incorporating one or more modes of public transportation with  
4.29 commercial and housing development, as well as providing a clean and pleasant place for  
4.30 pedestrian use. Before designating a transit improvement center, the commissioner shall  
4.31 consult with other affected state or regional agencies. This includes, but is not limited to,  
4.32 the Department of Transportation, the Minnesota Housing Finance Agency, and, if the  
4.33 proposed transit center is within the seven-county metropolitan area, the Metropolitan  
4.34 Council. The commissioner may modify the transit improvement plan, including the  
4.35 boundaries of the transit improvement center, if it would better meet the objectives

5.1 of the transit improvement center. The commissioner shall notify the applicant of the  
 5.2 modifications and provide a statement of the reasons for the modifications.

5.3 Subd. 3. **Transit improvement center plan.** The applicant must adopt by resolution  
 5.4 a transit improvement plan for the transit improvement center before submitting the  
 5.5 application to the commissioner. The transit improvement plan must, at a minimum,  
 5.6 include the following:

5.7 (1) a map indicating the geographic boundaries of the transit center;

5.8 (2) if there is a residential component, the plan must propose at least six residential  
 5.9 units per acre for a transit improvement center to support a minor transit station and at  
 5.10 least 12 residential units per acre for a transit improvement center designed to encourage  
 5.11 use of a major transit station. The plan must include a statement regarding the variety of  
 5.12 housing types, including housing appropriate for disabled people and senior citizens, and  
 5.13 prices to be offered within the transit improvement center;

5.14 (3) commercial areas in the plan must provide a minimum of 25 employees per acre  
 5.15 and a minimum of 50 employees per acre for transit improvement centers that include a  
 5.16 major transit station;

5.17 (4) an analysis of the demographic mix that is anticipated to use the transit station;

5.18 (5) a statement as to the facilities to be constructed, including public infrastructure  
 5.19 and privately owned structures, parks, and public buildings;

5.20 (6) a finding that the redevelopment or development of the transit center will  
 5.21 promote higher density land uses, which would lead to increased ridership;

5.22 (7) a description of pedestrian-friendly improvements to be provided, including  
 5.23 walkways, parkways, and signage; and

5.24 (8) specify how state, regional, and local resources will be used.

5.25 Subd. 4. **Report.** The commissioner shall report annually to the legislative  
 5.26 committees with jurisdiction over economic development and transportation on the status  
 5.27 of the transit improvement center program.

5.28 Sec. 6. **[469.351] REDEVELOPMENT AND TRANSIT IMPROVEMENT**  
 5.29 **INVESTMENT FUND.**

5.30 Subdivision 1. **Investment fund establishment.** A redevelopment and transit  
 5.31 improvement investment fund is established in the state treasury. The commissioner  
 5.32 of employment and economic development shall make low or no-interest loans to  
 5.33 eligible organizations for public infrastructure, including parks, walkways, and parking  
 5.34 facilities, environmental infrastructure, remediation, site acquisition, blight mitigation,  
 5.35 and geotechnical connections.

6.1 Subd. 2. **Investment authorized.** The commissioner may make loans under the  
6.2 following terms:

6.3 (1) the organization seeking a loan must guarantee repayment of 100 percent of  
6.4 the funds;

6.5 (2) loans must be for a term of ten years, unless repayment will be made from a  
6.6 tax increment financing district or other state or federal funds, at an interest rate to be  
6.7 negotiated by the commissioner;

6.8 (3) during the ten-year term of the loan, the eligible organization shall make annual  
6.9 interest-only payments;

6.10 (4) at the end of the ten-year term, the eligible organization must pay the entire  
6.11 principal amount of the initial loan;

6.12 (5) a loan may not exceed \$2,000,000;

6.13 (6) the full amount of state investment will be advanced to the approved organization  
6.14 upon execution of a formal loan agreement specifying the terms of the loan, as well as  
6.15 reporting and other requirements outlined in subdivision 5;

6.16 (7) the eligible organization must maintain the funds in accounts that allow the funds  
6.17 to be readily available for business investments;

6.18 (8) the eligible organization and the commissioner may agree on contract  
6.19 specifications that are consistent with payback from a tax increment financing district or  
6.20 any other state and federal funds that may be forthcoming; and

6.21 (9) an organization that receives a loan shall report annually, in a format prescribed  
6.22 by the commissioner, the nature and amount of the business investments made, including,  
6.23 for each financing transaction involving funds received as provided in this section, all  
6.24 forms and amounts of financing from sources other than the loan under this section, along  
6.25 with the number of jobs created and private sector investment leveraged.

6.26 Subd. 3. **Requirements for state investments.** All investments are subject to an  
6.27 investment agreement that must include:

6.28 (1) a description of the eligible organization, including business finance experience,  
6.29 qualifications, and investment history;

6.30 (2) a description of the uses of investment proceeds by the eligible organization;

6.31 (3) an explanation of the investment objectives; and

6.32 (4) a description of the method of payment.

6.33 Sec. 7. Minnesota Statutes 2006, section 473.252, subdivision 1a, is amended to read:

6.34 Subd. 1a. **Development authority.** For the purpose of this section, "development  
6.35 authority" means a statutory or home rule charter city, housing and redevelopment

7.1 authority, economic development authority, transit improvement center under section  
7.2 469.350, and a port authority.

7.3 Sec. 8. Minnesota Statutes 2006, section 473.253, subdivision 2, is amended to read:

7.4 Subd. 2. **Distribution of funds.** The council shall use the funds in the livable  
7.5 communities demonstration account to make grants or loans to municipalities participating  
7.6 in the local housing incentives program under section 473.254 or to metropolitan area  
7.7 counties or development authorities to fund the initiatives specified in section 473.25,  
7.8 paragraph (b), in participating municipalities. A grant to a metropolitan county or a  
7.9 development authority must be used for a project in a participating municipality. For the  
7.10 purpose of this section, "development authority" means a statutory or home rule charter  
7.11 city, housing and redevelopment authority, economic development authority, a transit  
7.12 improvement center under section 469.350, or port authority.

7.13 Sec. 9. Minnesota Statutes 2006, section 473.351, subdivision 1, is amended to read:

7.14 Subdivision 1. **Definitions.** The definitions in this subdivision apply to this section.

7.15 (a) "Implementing agency" means the counties of Anoka, Washington, Ramsey,  
7.16 Scott, Carver, Dakota, the city of St. Paul, the city of Bloomington, the Minneapolis Park  
7.17 and Recreation Board, and the Three Rivers Park District.

7.18 (b) "Operation and maintenance expenditures" means the cost of providing for the  
7.19 operation and maintenance of waters, lands, and facilities that are a part of the metropolitan  
7.20 area regional park and open space system or a transit improvement center under section  
7.21 469.350, including but not limited to, the provision of fire, police, maintenance, forestry,  
7.22 rehabilitation expenses pertaining to routine care, and the allocation of the administrative  
7.23 overhead costs of the regional park and open space systems.

7.24 (c) "Operation and maintenance money" means money appropriated by the  
7.25 legislature to the commissioner of employment and economic development for distribution  
7.26 by the Metropolitan Council.

7.27 (d) "Regional recreation open space systems" means those parks that have been  
7.28 designated by the Metropolitan Council under section 473.145.

7.29 Sec. 10. **APPROPRIATION.**

7.30 \$12,000,000 is appropriated in fiscal year 2008 from the general fund to the  
7.31 commissioner of employment and economic development for the loan program in the  
7.32 redevelopment and transit improvement investment fund. This appropriation is available  
7.33 until expended.