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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH
SESSION

HOUSE FILE No. 1721

May 17, 2011

Authored by Gunther

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

1.1 A bill for an act
1.2 relating to economic development; authorizing redevelopment demolition loans;
1.3 amending Minnesota Statutes 2010, sections 116J.571; 116J.572; 116J.575,
1.4 by adding a subdivision; proposing coding for new law in Minnesota Statutes,
1.5 chapter 116J.

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

1.7 Section 1. Minnesota Statutes 2010, section 116J.571, is amended to read:

1.8 **116J.571 CREATION OF ACCOUNTS.**

1.9 Two redevelopment accounts are created, one in the general fund and one in the
1.10 bond proceeds fund. Money in the accounts for the program may be used to make grants
1.11 as provided in section 116J.575 and loans as provided in section 116J.5761 and to pay
1.12 for the commissioner's costs in reviewing applications and making grants and loans and
1.13 is available until spent. The repayment of principal and interest on loans and other
1.14 income earned on money in the accounts may be used for making grants and loans and for
1.15 administrative costs and are appropriated for such purposes.

1.16 Sec. 2. Minnesota Statutes 2010, section 116J.572, is amended to read:

1.17 **116J.572 DEFINITIONS.**

1.18 Subdivision 1. **Scope of application.** For purposes of sections 116J.571 to ~~116J.575~~
1.19 116J.5765, the terms in this section have the meanings given.

1.20 Subd. 1a. **Demolition costs.** "Demolition costs" means the costs of demolition,
1.21 destruction, removal and clearance of all structures and other improvements on the project
1.22 site, including interior remedial activities, and proper disposal thereof. As used in this
1.23 subdivision, "structure" has the meaning given it in section 116G.03, subdivision 11.

2.1 Subd. 2. **Development authority.** "Development authority" includes a statutory
 2.2 or home rule charter city, county, housing and redevelopment authority, economic
 2.3 development authority, or port authority.

2.4 Subd. 2a. **Metropolitan area.** "Metropolitan area" means the seven-county
 2.5 metropolitan area, as defined in section 473.121, subdivision 2.

2.6 Subd. 2b. **Municipality.** "Municipality" means the statutory or home rule charter
 2.7 city, town, or, in the case of unorganized territory, the county in which the redevelopment
 2.8 or project is located.

2.9 Subd. 3. **Redevelopment costs or costs.** "Redevelopment costs" or "costs" means
 2.10 the costs of land acquisition, stabilizing unstable soils when infill is required, ~~demolition,~~
 2.11 infrastructure improvements, and ponding or other environmental infrastructure,
 2.12 demolition costs and costs necessary for adaptive reuse of buildings, including remedial
 2.13 activities.

2.14 Sec. 3. Minnesota Statutes 2010, section 116J.575, is amended by adding a subdivision
 2.15 to read:

2.16 Subd. 4. **Grant repayment.** If a project fails to substantially provide the public
 2.17 benefits listed in the grant application within five years from the date of the grant award,
 2.18 the commissioner shall require that 100 percent of the grant amount be repaid by the
 2.19 development authority over a term not to exceed ten years. The commissioner may
 2.20 exercise discretion to require repayment of only a portion of the grant amount taking into
 2.21 account the public benefits generated by the completed development.

2.22 Sec. 4. **[116J.5761] LOANS.**

2.23 Subdivision 1. **Authority.** The commissioner may make loans to development
 2.24 authorities for projects that meet the criteria under sections 116J.5761 to 116J.5764. The
 2.25 commissioiner may make a loan for up to 100 percent of the estimated land acquisition and
 2.26 demolition costs of the project. The determination whether to make a loan for a project
 2.27 is within the discretion of the commissioner, subject to this section, sections 116J.5761
 2.28 to 116J.5764, and available unencumbered money in the redevelopment accounts. The
 2.29 commissioner's decisions and application of the priorities under this section are not subject
 2.30 to judicial review, except for abuse of discretion.

2.31 Subd. 2. **Qualifying projects.** A project qualifies for a loan under this section,
 2.32 if the following criteria are met:

2.33 (1) the property and structures are owned by the development authority;

2.34 (2) the structures on the property have bee vacant for at least one year;

- 3.1 (3) the structures constitute a threat to public safety because of inadequate
 3.2 maintenance, dilapidation, obsolescence, or abandonment;
 3.3 (4) the structures are not listed on the National Register of Historic Places; and
 3.4 (5) upon completion of the demolition, the development authority reasonably
 3.5 expects that the property will be improved and these improvements will result in economic
 3.6 development benefits to the municipality.

3.7 **Sec. 5. [116J.5762] LOAN APPLICATIONS.**

3.8 Subdivision 1. **Application required.** To obtain a demolition loan, a development
 3.9 authority shall apply to the commissioner. The governing body of the municipality must
 3.10 approve the application by resolution.

3.11 Subd. 2. **Required content.** The commissioner shall prescribe and provide the
 3.12 application form. The application must include at least the following information:

3.13 (1) identification of the property;

3.14 (2) proof of ownership by the development authority;

3.15 (3) a description of how the structures on the property constitute a threat to public
 3.16 safety, are functionally obsolete, or are economically unfeasible to repair;

3.17 (4) length of vacancy;

3.18 (5) a detailed estimate, along with supporting evidence, of the total demolition
 3.19 costs for the project;

3.20 (6) evidence that the structures on the property are not listed on the National Register
 3.21 of Historic Places;

3.22 (7) an assessment of the development potential or likely use of the property after
 3.23 completion of the demolition plan;

3.24 (8) the current appraised or assessed value of the property;

3.25 (9) financial documentation necessary for loan underwriting;

3.26 (10) other sources of funding if the total estimated demolition costs exceed the
 3.27 loan amount;

3.28 (11) the proposed source of funds to be used for repayment of the loan;

3.29 (12) information showing the applicant's financial condition and ability to repay
 3.30 the loan;

3.31 (13) the proposed term and principal repayment schedule for the loan;

3.32 (14) the statutory authorization for the applicant to issue bonds, together with a
 3.33 statement that the statutory provision authorizes the use of proceeds of such bonds to pay
 3.34 demolition costs and secure the loan; and

3.35 (15) any additional information the commissioner prescribes.

4.1 Sec. 6. **[116J.5763] PRIORITIES.**

4.2 Subdivision 1. **Priorities.** (a) If applications for loans exceed the available
4.3 appropriations, loans shall be made for projects that, in the commissioner's judgment,
4.4 provide the highest return in public benefits for the public costs incurred. "Public benefits"
4.5 include health, safety and other environmental benefits, blight reduction including
4.6 the property's potential for improved economic vitality, functionality and aesthetics,
4.7 community stabilization, crime reduction, reduced maintenance costs, and the potential
4.8 for future development. In making this judgment, the commissioner shall consider the
4.9 following:

4.10 (1) the extent to which the existing property conditions threaten public safety;

4.11 (2) the length of vacancy of the property;

4.12 (3) the development potential of the property;

4.13 (4) the proximity of the property to existing sufficient public infrastructure;

4.14 (5) the applicant's financial condition and ability to repay the loan.

4.15 (b) The factors in paragraph (a) are not listed in a rank order or priority; rather, the
4.16 commissioner may weigh each factor, depending upon the facts and circumstances, as
4.17 the commissioner considers appropriate. The commissioner may consider other factors
4.18 that affect the net return of public benefits.

4.19 Subd. 2. **Application cycle.** The commissioner shall establish semiannual
4.20 application deadlines in which loans will be authorized from available money in the
4.21 accounts.

4.22 Sec. 7. **[116J.5764] LOAN TERMS AND CONDITIONS.**

4.23 Subdivision 1. **Terms.** Loans to development authorities for demolition costs may
4.24 be made by the commissioner subject to the following terms and conditions:

4.25 (1) the agreement to repay the loan must be a general obligation of the development
4.26 authority, payable primarily from a dedicated source of revenue, and the development
4.27 authority must deliver its bond or note to the commissioner to secure the loan;

4.28 (2) the term of the loan may not exceed 15 years;

4.29 (3) the loan shall bear interest at a rate equal to two percent, but interest will not
4.30 accrue during the first two years of the loan term;

4.31 (4) the development authority shall make semiannual interest payments and annual
4.32 principal payments beginning in the third year of the loan until the end of the term;

4.33 (5) the principal amount of a loan may not exceed \$1,000,000;

5.1 (6) loan proceeds shall be disbursed for eligible demolition costs as incurred or
5.2 paid by borrower and upon submission of invoices and other supporting documentation
5.3 satisfactory to the commissioner;

5.4 (7) an eligible borrower shall establish a dedicated source of revenue for repayment
5.5 of the loan.

5.6 Subd. 2. **Modification of loan terms.** The commissioner has the discretion to
5.7 consent to the modification of the rate of interest, time of payment, installment of principal
5.8 or interest, or other term of a loan made under sections 116J.5761 to 116J.5764.

5.9 Subd. 3 **Forgiveness.** The commissioner may forgive principal of the loan and
5.10 interest accrued but unpaid thereon, if any, up to 50 percent of the original loan amount,
5.11 not to exceed the costs of demolition, upon completion of the redevelopment plan, if the
5.12 project would otherwise have received grant funding in the most recent semiannual grant
5.13 round, based on the priorities in section 116J.575.

5.14 Sec. 8. **[116J.5765] NONLIABILITY.**

5.15 The state shall have no responsibility or liability relating to or arising out of
5.16 activities at the site of a project solely by reason of the making of a grant or loan by the
5.17 commissioner under sections 116J.5761 to 116J.5764.