

**Subject** Housing policy changes and grant programs

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## Overview

This bill creates grant programs to encourage the development of residential real property, including:

- the greater Minnesota housing infrastructure grant program which awards grants to local governments outside the metro area to fund infrastructure development;
- the housing cost reduction incentive program which reimburses cities for fee waivers and reductions provided to developers;
- the Naturally Occurring Affordable Housing (NOAH) program which provides grants to NOAH owners to acquire and rehabilitate existing NOAH properties; and
- a pilot program for infrastructure grants.

This bill appropriates money to these new grant programs and to existing housing programs, including the economic development and housing challenge program and local housing trust funds. The bill also authorizes issuance of housing infrastructure bonds and general obligation bonds to fund public housing.

This bill would impose an excise tax on corporate entities purchasing residential real property and raise the levy limit of housing and redevelopment authorities.

This bill expands the powers of housing and redevelopment authorities and economic and redevelopment authorities acting as housing and redevelopment authorities to allow them to create workforce housing projects. It also eases pooling restrictions both to increase the amount of increment that a tax increment financing (TIF) authority can spend outside a TIF district and to deem funds spent on certain housing expenditures as occurring within the district.

Finally, this bill authorizes cities to require that property owners provide relocation assistance and notice of changes in property ownership to tenants in affordable housing units.

## Summary

Section	Description
1	<p><b>Greater Minnesota housing infrastructure program.</b> Creates the greater Minnesota housing infrastructure grant program to fund eligible workforce housing development projects outside of the metropolitan area.</p> <p><b>Subd. 1. Grant program established.</b> Authorizes the commissioner of employment and economic development to make grants to counties and cities in greater Minnesota to provide up to 50 percent of the capital costs of public infrastructure for an eligible workforce housing development project. Limits awards to projects which nonstate resources have been committed to completing.</p> <p><b>Subd. 2. Definitions.</b> Defines terms for the purposes of the section.</p> <p><b>Subd. 3. Eligible project.</b> Clarifies that eligible projects may be single-family or multifamily housing developments which are owner-occupied or rental properties.</p> <p><b>Subd. 4. Applications.</b> Requires a county or city application to certify that a nonstate match is available. Requires the commissioner to review applications to determine that a project is necessary to promote housing development and that the increase in housing will result in significant investment in the city.</p> <p><b>Subd. 5. Maximum grant amount.</b> Limits grant awards to \$20,000 per lot for housing containing fewer than four units per building and to \$50,000 per lot for housing with more than four units per building. Limits total awards to a city to \$500,000 for each two-year period.</p> <p><b>Subd. 6. Cancellation of grant; return of grant money.</b> Requires the commissioner to demand repayment of a grant if after five years the commissioner determines that the project has not proceeded in a timely manner and is unlikely to be completed.</p> <p><b>Subd. 7. Appropriation.</b> Appropriates returned grant money to the commissioner for additional grants under the program.</p>
2	<p><b>Real estate excise tax.</b> Imposes an excise tax on residential real estate purchases by corporate entities. Provides exemptions, violations for failure to pay, and rules for administration of the tax.</p>

Section	Description
	<p><b>Subd. 1. Imposition.</b> Imposes a tax upon a corporate entity's purchase of a homesteaded residential single-family home, duplex, or triplex.</p> <p><b>Subd. 2. Rates.</b> Sets blank percentages for the tax rate based on the portion of the home falling within set value ranges.</p> <p><b>Subd. 3. Deposit of funds.</b> Requires 97 percent of the tax go to the state and three percent to the county and provides both dates for payment and reporting requirements.</p> <p><b>Subd. 4. Violations; civil penalties.</b> Provides penalties for failure to pay with differing rates depending on whether the failure was willful.</p> <p><b>Subd. 5. Exemptions.</b> Provides exemptions from the tax for corporate entities owning fewer than five properties, for community land trusts, and for nonprofits.</p>
3	<p><b>Housing infrastructure bonds: authorization.</b></p> <p>Adds the financing of costs of construction, acquisition, and rehabilitation of permanent, affordable housing to households with incomes at or below 50 percent of area median income (AMI) to the authorized uses of housing infrastructure bonds. MHFA is required to give preference for permanent housing projects that will provide affordable housing to households at or below 30 percent of AMI.</p>
4	<p><b>Additional authorization.</b></p> <p>Authorizes MHFA to issue \$400,000,000 of housing infrastructure bonds.</p>
5	<p><b>Additional appropriation.</b></p> <p>Authorizes Minnesota Management and Budget to transfer money from the general fund to pay the debt service on the housing infrastructure bonds authorized under section 5.</p>
6	<p><b>Housing cost reduction incentive program.</b></p> <p>Creates a program to reimburse cities for fee waivers or reductions to housing developments.</p> <p><b>Subd. 1. Grant program established.</b> Establishes the housing cost reduction incentive program.</p> <p><b>Subd. 2. Definitions.</b> Defines terms for the purposes of this section.</p> <p><b>Subd. 3. Application.</b> Requires the agency to develop forms and procedures for applications and requires the agency to determine whether local fee waivers or reductions are necessary for developments to occur in an applicant's boundaries.</p>

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	<p><b>Subd. 4. Grant amount.</b> Authorizes reimbursement of up to 50 percent of the fees waived or reduced. Sets a blank dollar limit on the amount a city can receive under this section.</p>
7	<p><b>Project.</b> Expands the definition of project to include workforce housing projects, thereby increasing the range of activities which can be undertaken by both housing and redevelopment authorities and economic development authorities exercising the powers of a housing and redevelopment authority.</p>
8	<p><b>Workforce housing project.</b> Defines “workforce housing projects” for the purposes of section 8 to include any work to develop single-family housing and market-rate rental property in certain defined areas.</p>
9	<p><b>Operation area as taxing district, special tax.</b> Doubles the levy limit of housing and redevelopment authorities from 0.0185 to 0.037 percent of estimated market value.</p>
10	<p><b>Expenditures outside district.</b> Adds transfers of increment to a housing trust fund as an eligible use of increment for a housing authority. Exempts expenditure of transfers to housing trust funds from annual reporting requirements governing tax increment financing districts. Increases the percentage of increment which all types of tax increment financing districts may expend on certain housing expenditures from 10 to 15 percent. Adds transfer of increment to a housing trust fund as an authorized housing expenditure which all districts may expend up to 15 percent of increment on.</p>
11	<p><b>Relocation assistance for affordable housing unit tenants.</b> Authorizes cities to require that property owners provide relocation assistance and notice of changes in property ownership to tenants in affordable housing units, defined as units affordable to households at or below 50 percent of area median income.</p> <p><b>Subd. 1. Definitions.</b> Defines terms for the purposes of this section.</p> <p><b>Subd. 2. Relocation assistance.</b> Allows cities to require owners of property containing affordable housing units to provide relocation assistance when there is a change in use of the property that converts affordable housing units to market rate units.</p>

Section	Description
	<p><b>Subd. 3. Notice of transfer of ownership.</b> Allows cities to require owners of property containing affordable housing units to notify tenants in affordable housing units of any transfer of ownership of the property.</p>
12	<p><b>Appropriation; housing cost reduction incentive program.</b> Provides a blank onetime appropriation in fiscal year 2024 from the general fund to MHFA to fund the housing cost reduction incentive program.</p>
13	<p><b>Appropriation; Minnesota Housing Finance Agency challenge program.</b> Appropriates \$22,425,000 in fiscal year 2024 from the general fund to MHFA to fund grants and loans under the economic development and housing challenge program.</p>
14	<p><b>Housing infrastructure grant program.</b> Appropriates \$2,500,000 in fiscal year 2024 from the general fund to the commissioner of employment and economic development for grants under the program established in section 1.</p>
15	<p><b>Housing Finance Agency; NOAH appropriation.</b> Creates a grant program for Naturally Occurring Affordable Housing (NOAH) that is at risk of increased rent and occupied by tenants at risk of displacement.</p> <p><b>Subd. 1. Appropriation.</b> Appropriates \$50,000,000 in fiscal year 2023 from the general fund to the MHFA to make loans or grants directly or through a statewide intermediary to experienced, capable owners of NOAH properties for the owners to acquire and rehabilitate NOAH property that is both at risk of increased rents and occupied by tenants at risk of displacement. The appropriation is available until June 30, 2025.</p> <p><b>Subd. 2. Requirements; terms.</b> Requires that an applicant provide financial information and demonstrate that it possesses sufficient capital to improve and maintain the property for at least 15 years. Allows the commissioner to prioritize applications that reserve 15 units to house homeless persons. Requires grantees to agree to maintain the property for at least 15 years at one of three levels of affordability. Requires grantees to accept section 8 vouchers if the subsidy payment standard is no more than five percent below marketplace rent levels. Limits loans and grants to 40 percent of the total acquisition cost of the property and to \$50,000 per rental unit.</p> <p><b>Subd. 3. Report.</b> Requires that grantees report to MHFA or the statewide intermediary information that's required by the agency as a condition of the funding.</p>

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16	<p><b>Public housing rehabilitation.</b></p> <p><b>Subd. 1. Appropriation.</b> Appropriates \$100,000,000 from the bonds proceed fund for the rehabilitation of public housing.</p> <p><b>Subd. 2. Bond sale.</b> Authorizes Minnesota Management and Budget to sell up to \$100,000,000 in bonds to fund the appropriation of subdivision 1.</p>
17	<p><b>Local housing trust fund grants.</b></p> <p>Makes a onetime appropriation of \$10,000,000 from the general fund to the MHFA in fiscal year 2024 for grants to local housing trust funds. Limits grants to matching commitments of public revenue from nonstate and nonfederal sources and sets aside \$100,000 for technical assistance grants to local and regional housing trust funds.</p>
18	<p><b>Appropriation; pilot program for housing infrastructure grants.</b></p> <p>Appropriates \$5,000,000 in fiscal year 2024 from the general fund to MHFA for a pilot program providing grants to municipalities to fund up to 50 percent of infrastructure improvements that developers would otherwise need to pay when constructing new housing developments.</p>



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