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State of Minnesota HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. **2309**

03/13/2025

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

1.1 A bill for an act

1.2 relating to housing; modifying housing provisions; modifying funding provisions

1.3 of the rental assistance program; expanding eligibility criteria for certain programs;

1.4 removing certain funding restrictions for workforce housing projects; clarifying

1.5 eligible uses for housing aid funds; modifying provisions in the high-rise sprinkler

1.6 system program; amending Minnesota Statutes 2024, sections 462A.051,

1.7 subdivision 2; 462A.2095, subdivision 3; 462A.33, subdivision 9; 462A.40,

1.8 subdivision 3; 477A.35, subdivision 5; 477A.36, subdivision 5; Laws 2023, chapter

1.9 37, article 1, section 2, subdivision 21; article 2, section 10.

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

1.11 Section 1. Minnesota Statutes 2024, section 462A.051, subdivision 2, is amended to read:

1.12 Subd. 2. **Application.** This section applies to all forms of financial assistance provided

1.13 by the Minnesota Housing Finance Agency, as well as the allocation and award of federal

1.14 low-income housing credits by all allocating agencies as defined under section 462A.221,

1.15 for the development, construction, rehabilitation, renovation, or retrofitting of ~~multifamily~~

1.16 ~~residential~~ multifamily housing, including loans, grants, tax credits, loan guarantees, loan

1.17 insurance, and other financial assistance.

1.18 Sec. 2. Minnesota Statutes 2024, section 462A.2095, subdivision 3, is amended to read:

1.19 Subd. 3. **Grants to program administrators.** (a) The agency may make grants to

1.20 program administrators to provide rental assistance for eligible households. Notwithstanding

1.21 section 16C.06, the commissioner may use a formula to determine award amounts to program

1.22 administrators. For both tenant-based and project-based assistance, program administrators

1.23 shall pay assistance directly to housing providers. Rental assistance may be provided in the

1.24 form of tenant-based assistance or project-based assistance. Notwithstanding the amounts

awarded under subdivision 1, paragraph (b), and to the extent practicable, the agency must make grants statewide in proportion to the number of households eligible for assistance in each county according to the most recent American Community Survey of the United States Census Bureau. The agency may, at its discretion, redistribute unused or underutilized funds among eligible program administrators to increase program efficiency and effectiveness.

(b) The program administrator may use its existing procedures to administer the rent assistance program or may develop alternative procedures with the goals of reaching households most in need and incentivizing landlord participation. The agency must approve a program administrator's alternative procedures. Priority for rental assistance shall be given to households with children 18 years of age and under, and annual incomes of up to 30 percent of the area median income. Program administrators may establish additional priority populations based on local need.

Sec. 3. Minnesota Statutes 2024, section 462A.33, subdivision 9, is amended to read:

Subd. 9. **Grant funding to schools.** A school district; a cooperative unit, as defined in section 123A.24, subdivision 2; or a charter school may receive funding under this section in the form of a grant less than \$100,000. A school district, intermediate district, or charter school that uses a grant under this section to construct a home for owner occupancy must require the future occupant to participate in the homeownership education counseling and training program under section 462A.209. A nonprofit organization contracted by a school district; a cooperative unit, as defined in section 123A.24, subdivision 2; or a charter school may receive funding under the requirements of this subdivision.

Sec. 4. Minnesota Statutes 2024, section 462A.40, subdivision 3, is amended to read:

Subd. 3. **Eligible recipients; definitions; restrictions; use of funds.** (a) The agency may award a grant or a loan to any recipient that qualifies under subdivision 2. The agency must not award a grant or a loan to a disqualified individual or disqualified business.

(b) For the purposes of this subdivision disqualified individual means:

(1) an individual who or an individual whose immediate family member made a contribution to the account in the current or prior taxable year and received a credit certificate;

(2) an individual who or an individual whose immediate family member owns the housing for which the grant or loan will be used;

(3) an individual who meets the following criteria:

(i) the individual is an officer or principal of a business entity; and

(ii) that business entity made a contribution to the account in the current or previous taxable year and received a credit certificate; or

(4) an individual who meets the following criteria:

(i) the individual directly owns, controls, or holds the power to vote 20 percent or more of the outstanding securities of a business entity; and

(ii) that business entity made a contribution to the account in the current or previous taxable year and received a credit certificate.

(c) For the purposes of this subdivision disqualified business means a business entity that:

(1) made a contribution to the account in the current or prior taxable year and received a credit certificate;

(2) has an officer or principal who is an individual who made a contribution to the account in the current or previous taxable year and received a credit certificate; or

(3) meets the following criteria:

(i) the business entity is directly owned, controlled, or is subject to the power to vote 20 percent or more of the outstanding securities by an individual or business entity; and

(ii) that controlling individual or business entity made a contribution to the account in the current or previous taxable year and received a credit certificate.

(d) For purposes of this subdivision, "immediate family" means the taxpayer's spouse, parent or parent's spouse, sibling or sibling's spouse, or child or child's spouse. For a married couple filing a joint return, the limitations in this subdivision apply collectively to the taxpayer and spouse.

(e) For purposes of this subdivision, "officer or principal" excludes an individual serving as a volunteer board member of a nonprofit organization governed by chapter 317A.

~~(e)~~ (f) Before applying for a grant or loan, all recipients must sign a disclosure that the disqualifications under this subdivision do not apply. The Minnesota Housing Finance Agency must prescribe the form of the disclosure. The Minnesota Housing Finance Agency may rely on the disclosure to determine the eligibility of recipients under paragraph (a).

~~(f)~~ (g) The agency may award grants or loans to a city as defined in section 462A.03, subdivision 21; a federally recognized American Indian tribe or subdivision located in Minnesota; a tribal housing corporation; a private developer; a nonprofit organization; a housing and redevelopment authority under sections 469.001 to 469.047; a public housing

authority or agency authorized by law to exercise any of the powers granted by sections 469.001 to 469.047; or the owner of the housing. The provisions of subdivision 2, and paragraphs (a) to ~~(e)~~ (f) and ~~(g)~~ (h) of this subdivision, regarding the use of funds and eligible recipients apply to grants and loans awarded under this paragraph.

~~(g)~~ (h) Except for projects receiving funding under section 462A.39, eligible recipients must use the funds to serve households that meet the income limits as provided in section 462A.33, subdivision 5.

Sec. 5. Minnesota Statutes 2024, section 477A.35, subdivision 5, is amended to read:

Subd. 5. **Use of proceeds.** (a) Any funds distributed under this section must be spent on a qualifying project. Funds are considered spent on a qualifying project if:

(1) a tier I city or county demonstrates to the Minnesota Housing Finance Agency that the city or county cannot expend funds on a qualifying project by the deadline imposed by paragraph (b) due to factors outside the control of the city or county; and

(2) the funds are transferred to a local housing trust fund.

Funds transferred to a local housing trust fund under this paragraph must be spent on a project or household that meets the affordability requirements of subdivision 4, paragraph (a).

(b) Funds must be spent by December 31 in the third year following the year after the aid was received. The requirements of this paragraph are satisfied if funds are:

(1) committed to a qualifying project by December 31 in the third year following the year after the aid was received; and

(2) expended by December 31 in the fourth year following the year after the aid was received.

(c) An aid recipient may not use aid money to reimburse itself for prior expenditures.

(d) Any program income generated from funds distributed under this section must be used on a qualifying project.

Sec. 6. Minnesota Statutes 2024, section 477A.36, subdivision 5, is amended to read:

Subd. 5. **Use of proceeds.** (a) Any funds distributed under this section must be spent on a qualifying project. If a tier I city or county demonstrates to the Minnesota Housing Finance Agency that the tier I city or county cannot expend funds on a qualifying project by the deadline imposed by paragraph (b) due to factors outside the control of the tier I city or

county, funds shall be considered spent on a qualifying project if the funds are transferred to a local housing trust fund. Funds transferred to a local housing trust fund must be spent on a project or household that meets the affordability requirements of subdivision 4, paragraph (a).

(b) Funds must be spent by December 31 in the third year following the year after the aid was received. The requirements of this paragraph are satisfied if funds are:

(1) committed to a qualifying project by December 31 in the third year following the year after the aid was received; and

(2) expended by December 31 in the fourth year following the year after the aid was received.

(c) An aid recipient may not use aid funds to reimburse itself for prior expenditures.

(d) Any program income generated from funds distributed under this section must be used on a qualifying project.

Sec. 7. Laws 2023, chapter 37, article 1, section 2, subdivision 21, is amended to read:

Subd. 21. Local Housing Trust Fund Grants	4,800,000	-0-
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(a) This appropriation is for deposit in the housing development fund for grants to local housing trust funds established under Minnesota Statutes, section 462C.16, to incentivize local funding. This is a onetime appropriation.

(b) A grantee is eligible to receive a grant amount equal to 100 percent of the public revenue committed to the local housing trust fund from any source other than the state or federal government, up to \$150,000, and in addition, an amount equal to 50 percent of the public revenue committed to the local housing trust fund from any source other than the state or federal government that is more than \$150,000 but not more than \$300,000.

6.1 (c) A grantee must use grant funds within ~~eight~~
6.2 five years of receipt for purposes (1)
6.3 authorized under Minnesota Statutes, section
6.4 462C.16, subdivision 3, and (2) benefiting
6.5 households with incomes at or below 115
6.6 percent of the state median income. A grantee
6.7 must return any grant funds not used for these
6.8 purposes within eight years of receipt to the
6.9 commissioner of the Minnesota Housing
6.10 Finance Agency for deposit into the housing
6.11 development fund.

6.12 Sec. 8. Laws 2023, chapter 37, article 2, section 10, is amended to read:

6.13 Sec. 10. **HIGH-RISE SPRINKLER SYSTEM GRANT AND LOAN PROGRAM.**

6.14 Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this section.

6.15 (b) "Eligible building" means an existing residential building in which:

6.16 (1) ~~at least one story used for human occupancy is~~ the building is seven stories or more
6.17 in height or 75 feet or more above the lowest level of fire department vehicle access; and

6.18 (2) at least two-thirds of its units are affordable to households with an annual income at
6.19 or below ~~50~~ 60 percent of the area median income as determined by the United States
6.20 Department of Housing and Urban Development, adjusted for family size, ~~that is paying~~
6.21 ~~no more than 30 percent of annual income on rent.~~

6.22 (c) "Sprinkler system" means the same as the term "fire protection system" as defined
6.23 in Minnesota Statutes, section 299M.01.

6.24 Subd. 2. ~~Grant program~~ Use of funds. The commissioner of the Housing Finance
6.25 Agency must make grants or loans to owners of eligible buildings for installation of sprinkler
6.26 systems and, if necessary, for relocation of residents during the installation of sprinkler
6.27 systems. Priority shall be given to nonprofit applicants. The maximum grant per eligible
6.28 building shall be \$2,000,000. Each grant to a nonprofit organization shall require a 25
6.29 percent match. Each grant to a for-profit organization shall require a 50 percent match.