

# House Research Act Summary

**CHAPTER:** 288 (H.F. 1721/S.F. 1441)

**SESSION:** 2012 Regular Session

**TOPIC:** Redevelopment demolition loans

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## Overview

Authorizes redevelopment demolition loans.

- 1 Application cycles; reporting to legislature.** Strikes redundant reporting requirements.
- 2 Creation of accounts.** Authorizes loans, in addition to grants, to be made from the Greater Minnesota Redevelopment Account. Specifies that the repayment of principal and interest on loans and other income earned on money in the accounts may be used for making grants and loans and for administrative costs and appropriates these funds for loans, grants, and administrative costs.
- 3 Definitions.** Provides definitions.
- 4 Grant repayments.** Provides for the repayment of grants made for projects that fail to substantially provide the public benefits listed in the grant application within five years from the date of the grant award. Gives the commissioner discretion over repayments.
- 5 Loans.**

**Subd. 1.** Authorizes the commissioner to make loans from the redevelopment account. Loans may be up to 100 percent of the estimated land acquisition and demolition costs of the project.

**Subd. 2. Qualifying projects.** Projects eligible for loans must satisfy the following requirements:

  - property and structure owned by the development authority;
  - structures on property have been vacant for at least one year;
  - structures constitute a public safety threat due to maintenance, dilapidation, obsolescence, or abandonment issues;
  - structures are not listed on the National Register of Historic Places; and

- upon demolition, the development authority reasonably expects the property will be improved and these improvements will result in economic development benefits to the municipality.

- 6** **Loan applications.** Requires loan applications, approved by local resolution, that include: property identification, proof of ownership by the development authority, description of public safety threat, length of vacancy, estimate and evidence of total demolition costs, proof that structure is not on historical register, assessment of future development potential and use of property after demolition, current appraised or assessed value of property, financial documentation related to loan underwriting, all funding sources and source of funds to be used for loan repayment, information on the applicant's financial condition and loan repayment ability, proposed terms and principal repayment schedule, statutory authorization of applicant to issue bonds and statement regarding authorization to use proceeds, and other information as necessary.
- 7** **Priorities.** If loan applications exceed resources available, the commissioner is required to prioritize applications based on the highest level of public benefit for the public cost incurred and must consider: the extent to which the property threatens public safety, length of vacancy, development potential, proximity to other infrastructure, and applicant's financial condition.
- 8** **Loan terms and conditions.** Loan terms include:
- agreement to repay the loan must be a general obligation of the development authority;
  - terms cannot exceed 15 years;
  - loans are interest-bearing at a two percent interest rate with interest not accruing during the first two years of the loan term;
  - development authority must make semiannual interest payments and annual principle payments beginning in the third year of the loan;
  - principle amounts may not exceed \$1,000,000;
  - loan proceeds shall be disbursed for eligible demolition costs as incurred and paid by borrower and upon submission of invoices and other supporting documents as required by the commissioner; and
  - eligible borrower must establish a dedicated source of revenue for loan repayment.
- Loan terms may be modified by the commissioner, including loan forgiveness of up to 50 percent of the principle amount.
- 9** **Nonliability.** Provides that the state has no liability relating to or arising out of activities at the site of the project based solely on the grant or loan.
- 10** **Business assistance.** Establishes a small business advocate office at DEED to provide access for small businesses needing information or assistance with licensing, regulatory requirements, or dispute resolution.
- 11** **Albert Lea; industrial sewer charge rebate authority.** Authorizes the city of Albert Lea to rebate sewer charges for new or expanding businesses.
- 12** **Revisor instruction.** Directs the revisor of statutes to change references from "neighborhood land trust(s)" to "community land trust(s)."