

Subject Metropolitan Sales Tax to Fund Metropolitan Housing Programs

Authors Howard and Agbaje

Analyst Justin Cope

Date March 24, 2023

Overview

This bill would require the Metropolitan Council to impose a metropolitan region sales and use tax of a quarter of a percent.

Proceeds from the tax would be split between rental assistance in the metropolitan area and an aid program to metropolitan cities and counties. Aid could be used on emergency rental assistance and on the development of rental housing and homeownership projects.

Summary

Section	Description
---------	-------------

- | | |
|---|---|
| 1 | <p>Metropolitan region sales and use tax.</p> <p>Requires the Metropolitan Council to impose a sales tax at a rate of one quarter of a percent within the metropolitan area and distributes the program to accounts to fund housing programs.</p> <p>Subd. 1. Definitions. Defines terms for the purposes of the metropolitan region sales and use tax, including defining “metropolitan sales tax” as the tax imposed under this section.</p> <p>Subd. 2. Sales tax imposition; rate. Requires the Metropolitan Council to impose a sales and use tax at a rate of 0.25 percent on taxable sales and uses within the metropolitan area.</p> <p>Subd. 3. Administration; collection; enforcement. Applies statutory provisions governing local sales taxes to the metropolitan sales tax.</p> <p>Subd. 4. Distribution. Distributes 25 percent of the proceeds of the metropolitan sales tax to the state rent assistance account, 15 percent to the metropolitan city aid account, and 60 percent to the metropolitan county aid account.</p> |
|---|---|

Section	Description
2	<p>Rent assistance program.</p> <p>Amends the powers of the Minnesota Housing Finance Agency (MHFA) to include administering the rent assistance program created under section 462A.2095.</p>
3	<p>Rent assistance program established.</p> <p>Creates section 462A.2095, a new rent assistance program administered by MHFA.</p> <p>Subd. 1. Program established. Establishes the state rent assistance account. Grants from MHFA to program administrators under the rent assistance program are funded through this account. Requires that money appropriated to the program from proceeds from the metropolitan sales tax to be spent on program administrators within the metropolitan area.</p> <p>Subd. 2. Definitions. The terms “eligible household” and “program administrator” are defined in this subdivision for the purposes of the rent assistance program.</p> <p>“Eligible household” means a household with an annual income up to 50 percent of the area median income and paying more than 30 percent of the household’s annual income on rent. Households receiving Section 8 federal assistance are not eligible for the rent assistance program.</p> <p>“Program administrator” means (1) a housing and redevelopment authority or other local government agency or authority that administers Section 8 federal assistance, (2) a Tribal government or Tribal housing authority, or (3) a nongovernmental organization determined by MHFA to have the capacity to run the rent assistance program in the event the local housing authority, Tribal government, or Tribal housing authority declines to administer it.</p> <p>Subd. 3. Grants to program administrators. Authorizes MHFA to make grants to program administrators to provide project- or tenant-based vouchers for eligible households. Requires the agency to make grants statewide in proportion to the number of eligible households in each county according to data from the most recent American Community Survey. Allows program administrators to use existing procedures to administer the rent assistance program or to develop alternative procedures approved by MHFA.</p> <p>Subd. 4. Amount of rent assistance. Sets the amount of rent assistance to eligible households as the difference between 30 percent of household income and the rent charged, plus an allowance for utilities if they are not included in the rent amount. The amount of assistance cannot exceed the difference between 30 percent of household income and 120 percent of the payment standard, plus</p>

Section	Description
---------	-------------

utilities, established by the local public housing authority, unless approved by MHFA.

Subd. 5. Administrative fee. Requires MHFA to consult with local public housing authorities in determining the amount of administrative expenses to allow program administrators.

Subd. 6. Rent assistance not income. Excludes rent assistance from income calculated for the purposes of income taxes or public assistance.

Subd. 7. Oversight. Allows the agency to direct program administrators to comply with federal regulations governing the section 8 program.

4 **Local affordable housing aid.**

Establishes an aid program for metropolitan cities with populations over 10,000 and metropolitan counties to develop and rehabilitate affordable housing; establishes a grant program for metropolitan cities not qualifying for aid; provides rules for distributing funds and administering the program; defines qualifying uses of the funds.

Subd. 1. Purpose. States purpose to help local governments develop and preserve affordable housing.

Subd. 2. Definitions. Sets distribution factors for counties and cities, based on each government unit's share of cost-burdened households paying more than 30 percent of their income towards housing.

Subd. 3. Distribution. Provides that counties will receive three percent of the amount available to counties plus a proportionate share of the amount of money remaining for counties based on each county's number of cost-burdened households. Provides that cities with populations over 10,000 will receive a proportionate share of the amount of money available to cities based on each city's number of cost-burdened households.

Subd. 4. Grants to nonqualifying local governments. Establishes a grant program with the MHFA for cities not qualifying for aid under subdivision 3; allows MHFA to create program guidelines and procedures.

Subd. 5. Qualifying projects. Defines a qualifying project as emergency rental assistance or a project to develop or rehabilitate housing affordable to families at or below 115 percent of the greater of state or area median income for homeownership projects, or at or below 80 percent of the greater of state or area median income for rental properties. These requirements mirror the project requirements of the economic development and housing challenge program.

Section Description

Requires prioritization of projects affordable to families at or below 80 percent of the greater of state or area median income for homeownership projects, or at or below 50 percent of the greater of state or area median income for rental properties. Requires buildings with more than four units funded with this aid to include one sensory unit and one sensory accessible unit.

Subd. 6. Use of proceeds. Requires that distributed funds either be spent on a qualifying project or remitted to MHFA for use on the family homeless prevention and assistance program, the challenge program, or the workforce and affordable homeownership development program.

Subd. 7. Administration. Requires the Department of Revenue (DOR) to certify the amount available to cities and counties and to distribute funds; requires DOR to transfer annually ten percent of the amount of metropolitan aid to cities and counties from the prior year to MHFA for the grant program under subdivision 4; requires cities and counties to report on use of the funds to MHFA for certification that the funds were used for a qualifying project; requires cities and counties to return funds to DOR if they misspend funds, fail to report on use of funds, or fail to use funds; requires DOR to redistribute returned funds to cities and counties.

Subd. 8. County consultation with local governments. Requires counties to consult with the local governments where county projects are located.

5 Housing assistance fund.

Subd. 1. Fund established. Establishes a housing assistance fund in the state treasury funded by the metropolitan sales tax.

Subd. 2. Metropolitan county aid account; appropriation. Establishes a metropolitan county aid account in the housing assistance fund. Appropriates money from the account to the commissioner of revenue to fund local affordable housing aid.

Subd. 3. Metropolitan city aid account; appropriation. Establishes a metropolitan city aid account in the housing assistance fund. Appropriates money from the account to the commissioner of revenue to fund local affordable housing aid.



Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.

www.house.mn/hrd | 651-296-6753 | 155 State Office Building | St. Paul, MN 55155