

Subject Funding for Existing Affordable Housing Buildings

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Date March 18, 2024

Overview

This bill would authorize the Minnesota Housing Finance Agency (MHFA) to use Preserving Affordable Rental Investment Fund (PARIF) and housing infrastructure bonds (HIBs) to provide money to buildings which have rents that are affordable to households that are at or below 60 percent of area median income and which are experiencing one of several forms of financial distress. This money could be used for recapitalization, as defined in the bill, which includes both capital restructuring and paying for building improvements and operational costs.

This bill would also make additional changes relating to HIBs, including allowing MHFA to issue taxable HIBs, setting aside half of the 2024 appropriation for HIBs for recapitalization, requiring a percentage of HIBs go to recapitalization until 2033, and setting up an alternative process for MHFA to handle applications for HIBs to be used for recapitalization.

Summary

| Section | Description |
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| 1 | Distressed building. |
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Adds a new definition of “distressed building,” applicable to the chapter of law governing MHFA. “Distressed building” is a building which has rents that are affordable to households that are at or below 60 percent of area median income and which are experiencing one of several forms of financial distress.

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| 2 | Recapitalization. |
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Adds a new definition of “recapitalization,” applicable to the chapter of law governing MHFA. “Recapitalization” means funding for a distressed building to be used for capital restructuring or for paying for building improvements and operational costs. Provides that recapitalization may mean reimbursement to a nonprofit sponsor or owner of a distressed building for expenditures that would have been eligible for recapitalization.

| Section | Description |
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| 3 | Refinancing mortgages. Modifies the PARIF program to allow financing for recapitalization. |
| 4 | Family rental housing. Modifies the PARIF program so that the “eligible mortgagor” standard does not apply for buildings seeking recapitalization. |
| 5 | Definitions. Modifies the HIB program definition of “housing infrastructure bonds” to include taxable bonds, bonds proceeds, and money appropriated to MHFA for use on HIB purposes. |
| 6 | Authorization. Modifies the HIB program so that grants or loans can be issued for any eligible use of HIBs. Allows use of HIBs for recapitalization of any distressed building, as defined in the bill, including supportive housing, senior housing, and federally assisted rental housing. Requires that the agency prioritize recapitalization to buildings that are at risk of foreclosure or under workout agreements with lenders. Allows HIB awards to be used for operational costs of supportive housing providers. Requires MHFA to consult with others when determining which types of projects to prioritize. Requires 50 percent of HIB awards from July 2024 to June 2033 to be used on recapitalization. |
| 7 | Procedures for considering requests for recapitalization financing. Requires a separate request for proposal process for buildings seeking recapitalization through HIBs, requiring the agency to accept and process applications on a rolling basis, to make determinations on applications within 60 days of receipt, and to issue payment within 120 days of receiving an application the agency approves. Requires MHFA to report on its compliance with this section. |
| 8 | Housing infrastructure. Requires that \$50,000,000 of the 2024 appropriation for housing infrastructure purposes be spent on recapitalization. |
| 9 | Task force on long-term sustainability of affordable housing. Establishes a task force at MHFA to evaluate the agency’s process of awarding and closing awards of HIBs and low-income housing tax credits. Requires the task force to make final recommendations to MHFA by April 30, 2025. |



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