1.1 1.2	Senator Port from the Committee on Housing and Homelessness Prevention, to which was referred
1.3 1.4 1.5 1.6	S.F. No. 4053: A bill for an act relating to cooperatives; providing for the organization and operation of housing cooperatives for seniors, low and moderate income people, limited equity cooperatives and leasing cooperatives for designated members; proposing coding for new law as Minnesota Statutes, chapter 308C.
1.7	Reports the same back with the recommendation that the bill be amended as follows:
1.8	Page 1, delete subdivision 2
1.9	Page 1, after line 6, insert:
1.10	"ARTICLE 1
1.11	MINNESOTA COOPERATIVE HOUSING ACT"
1.12	Page 2, line 13, delete "[or another state]" and insert "or another state"
1.13	Page 8, line 15, delete " <u>\$</u> " and insert " <u>\$35.</u> "
1.14	Page 11, line 8, delete "the" and insert "each"
1.15	Page 12, line 29, before "80" insert "at least"
1.16	Page 27, line 4, delete "The cooperative may authorize in its bylaws that"
1.17	Page 27, line 5, after the first "board", insert "must" and delete everything after "members"
1.18	and insert a comma
1.19	Page 27, delete lines 6 to 9
1.20	Page 27, line 10, delete "shall be"
1.21	Page 29, line 20, after the period, insert "The board must record the action, along with
1.22	an explanation of why the action was taken and why it occurred outside an open meeting.
1.23	Any member of the cooperative may access the record."
1.24	Page 37, line 22, after "members" insert "of the"
1.25	Page 41, line 24, delete "otherwise" and insert "more frequent meetings are"
1.26	Page 41, line 30, before "condition" insert "financial"
1.27	Page 43, line 22, delete everything after the first "members" and insert a period
1.28	Page 55, line 16, delete "member's" and insert "member"
1.29	Page 72, line 30, before "before" insert "for a nonoccupant membership interest"
1.30	Page 72, line 31, before the period, insert "for a nonoccupant membership interest"

Page 72, line 32, after "new contribution" insert "for a nonoccupant membership interest" 2.1 Page 90, after line 31, insert: 2.2 "ARTICLE 2 2.3 **CROSS-REFERENCE UPDATES** 2.4 Section 1. Minnesota Statutes 2022, section 116J.395, subdivision 3, is amended to read: 2.5 Subd. 3. Eligible applicants. Eligible applicants for grants awarded under this section 2.6 include: 2.7 (1) an incorporated business or a partnership; 2.8 (2) a political subdivision; 2.9 (3) an Indian tribe; 2.10 (4) a Minnesota nonprofit organization organized under chapter 317A; 2.11 (5) a Minnesota cooperative association organized under chapter 308A or, 308B, or 2.12 2.13 308C; or (6) a Minnesota limited liability corporation organized under chapter 322C, to expand 2.14 broadband access. 2.15 Sec. 2. Minnesota Statutes 2022, section 273.11, subdivision 8, is amended to read: 2.16 Subd. 8. Limited equity cooperative apartments. For the purposes of this subdivision, 2.17 the terms defined in this subdivision have the meanings given them. 2.18 A "limited equity cooperative" is a corporation organized under chapter 308A or, 308B, 2.19 or 308C, which has as its primary purpose the provision of housing and related services to 2.20 its members which meets one of the following criteria with respect to the income of its 2.21 members: (1) a minimum of 75 percent of members must have incomes at or less than 90 2.22 percent of area median income, (2) a minimum of 40 percent of members must have incomes 2.23 at or less than 60 percent of area median income, or (3) a minimum of 20 percent of members 2.24 must have incomes at or less than 50 percent of area median income. For purposes of this 2.25 clause, "member income" shall mean the income of a member existing at the time the 2.26 member acquires cooperative membership, and median income shall mean the St. 2.27 Paul-Minneapolis metropolitan area median income as determined by the United States 2.28 Department of Housing and Urban Development. It must also meet the following 2.29 requirements: 2.30

(a) The articles of incorporation set the sale price of occupancy entitling cooperative shares or memberships at no more than a transfer value determined as provided in the articles. That value may not exceed the sum of the following:

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- (1) the consideration paid for the membership or shares by the first occupant of the unit, as shown in the records of the corporation;
- (2) the fair market value, as shown in the records of the corporation, of any improvements to the real property that were installed at the sole expense of the member with the prior approval of the board of directors;
- (3) accumulated interest, or an inflation allowance not to exceed the greater of a ten percent annual noncompounded increase on the consideration paid for the membership or share by the first occupant of the unit, or the amount that would have been paid on that consideration if interest had been paid on it at the rate of the percentage increase in the revised Consumer Price Index for All Urban Consumers for the Minneapolis-St. Paul metropolitan area prepared by the United States Department of Labor, provided that the amount determined pursuant to this clause may not exceed \$500 for each year or fraction of a year the membership or share was owned; plus
- (4) real property capital contributions shown in the records of the corporation to have been paid by the transferor member and previous holders of the same membership, or of separate memberships that had entitled occupancy to the unit of the member involved. These contributions include contributions to a corporate reserve account the use of which is restricted to real property improvements or acquisitions, contributions to the corporation which are used for real property improvements or acquisitions, and the amount of principal amortized by the corporation on its indebtedness due to the financing of real property acquisition or improvement or the averaging of principal paid by the corporation over the term of its real property-related indebtedness.
- (b) The articles of incorporation require that the board of directors limit the purchase price of stock or membership interests for new member-occupants or resident shareholders to an amount which does not exceed the transfer value for the membership or stock as defined in clause (a).
- (c) The articles of incorporation require that the total distribution out of capital to a member shall not exceed that transfer value.
- (d) The articles of incorporation require that upon liquidation of the corporation any assets remaining after retirement of corporate debts and distribution to members will be

conveyed to a charitable organization described in section 501(c)(3) of the Internal Revenue Code or a public agency.

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A "limited equity cooperative apartment" is a dwelling unit owned by a limited equity cooperative.

"Occupancy entitling cooperative share or membership" is the ownership interest in a cooperative organization which entitles the holder to an exclusive right to occupy a dwelling unit owned or leased by the cooperative.

For purposes of taxation, the assessor shall value a unit owned by a limited equity cooperative at the lesser of its market value or the value determined by capitalizing the net operating income of a comparable apartment operated on a rental basis at the capitalization rate used in valuing comparable buildings that are not limited equity cooperatives. If a cooperative fails to operate in accordance with the provisions of clauses (a) to (d), the property shall be subject to additional property taxes in the amount of the difference between the taxes determined in accordance with this subdivision for the last ten years that the property had been assessed pursuant to this subdivision and the amount that would have been paid if the provisions of this subdivision had not applied to it. The additional taxes, plus interest at the rate specified in section 549.09, shall be extended against the property on the tax list for the current year.

Sec. 3. Minnesota Statutes 2022, section 273.124, subdivision 3, is amended to read:

Subd. 3. Cooperatives and charitable corporations; homestead and other property. (a) When property is owned by a corporation or association organized under chapter 308A etc. 308B, or 308C, and each person who owns a share or shares in the corporation or association is entitled to occupy a building on the property, or a unit within a building on the property, the corporation or association may claim homestead treatment for each dwelling, or for each unit in the case of a building containing several dwelling units, or for the part of the value of the building occupied by a shareholder. Each building or unit must be designated by legal description or number. The net tax capacity of each building or unit that qualifies for assessment as a homestead under this subdivision must include not more than one-half acre of land, if platted, nor more than 80 acres if unplatted. The net tax capacity of the property is the sum of the net tax capacities of each of the respective buildings or units comprising the property, including the net tax capacity of each unit's or building's proportionate share of the land and any common buildings. To qualify for the treatment provided by this subdivision, the corporation or association must be wholly owned by persons having a right to occupy a building or unit owned by the corporation or

association. A charitable corporation organized under the laws of Minnesota and not otherwise exempt thereunder with no outstanding stock qualifies for homestead treatment with respect to member residents of the dwelling units who have purchased and hold residential participation warrants entitling them to occupy the units.

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- (b) To the extent provided in paragraph (a), a cooperative or corporation organized under chapter 308A or 308B, or 308C may obtain separate assessment and valuation, and separate property tax statements for each residential homestead, residential nonhomestead, or for each seasonal residential recreational building or unit not used for commercial purposes. The appropriate classification rates under section 273.13 shall be applicable as if each building or unit were a separate tax parcel; provided, however, that the tax parcel which exists at the time the cooperative or corporation makes application under this subdivision shall be a single parcel for purposes of property taxes or the enforcement and collection thereof, other than as provided in paragraph (a) or this paragraph.
- (c) A member of a corporation or association may initially obtain the separate assessment and valuation and separate property tax statements, as provided in paragraph (b), by applying to the assessor by June 30 of the assessment year.
- (d) When a building, or dwelling units within a building, no longer qualify under paragraph (a) or (b), the current owner must notify the assessor within 30 days. Failure to notify the assessor within 30 days shall result in the loss of benefits under paragraph (a) or (b) for taxes payable in the year that the failure is discovered. For these purposes, "benefits under paragraph (a) or (b)" means the difference in the net tax capacity of the building or units which no longer qualify as computed under paragraph (a) or (b) and as computed under the otherwise applicable law, times the local tax rate applicable to the building for that taxes payable year. Upon discovery of a failure to notify, the assessor shall inform the auditor of the difference in net tax capacity for the building or buildings in which units no longer qualify, and the auditor shall calculate the benefits under paragraph (a) or (b). Such amount, plus a penalty equal to 100 percent of that amount, shall then be demanded of the building's owner. The property owner may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. The appeal shall be governed by the Tax Court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2. If the amount of the benefits under paragraph (a) or (b) and penalty are not paid within 60 days, and if no appeal has been filed, the county

auditor shall certify the amount of the benefit and penalty to the succeeding year's tax list to be collected as part of the property taxes on the affected property.

Sec. 4. Minnesota Statutes 2022, section 273.124, subdivision 3a, is amended to read:

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Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park is owned by a corporation or association organized under chapter 308A or 308B, or 308C, and each person who owns a share or shares in the corporation or association is entitled to occupy a lot within the park, the corporation or association may claim homestead treatment for the park. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land.

- (b) The manufactured home park shall be entitled to homestead treatment if all of the following criteria are met:
- (1) the occupant or the cooperative corporation or association is paying the ad valorem property taxes and any special assessments levied against the land and structure either directly, or indirectly through dues to the corporation or association; and
- (2) the corporation or association organized under chapter 308A or, 308B, or 308C is wholly owned by persons having a right to occupy a lot owned by the corporation or association.
 - (c) A charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, qualifies for homestead treatment with respect to a manufactured home park if its members hold residential participation warrants entitling them to occupy a lot in the manufactured home park.
- (d) "Homestead treatment" under this subdivision means the classification rate provided for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5), item (ii), and the homestead market value exclusion under section 273.13, subdivision 35, does not apply.
- 6.27 Sec. 5. Minnesota Statutes 2023 Supplement, section 273.124, subdivision 6, is amended to read:
 - Subd. 6. **Leasehold cooperatives.** When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317A and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code, or a limited partnership which corporation or partnership operates

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the property in conjunction with a cooperative association, and has received public financing, homestead treatment may be claimed by the cooperative association on behalf of the members of the cooperative for each dwelling unit occupied by a member of the cooperative. The cooperative association must provide the assessor with the Social Security numbers or individual taxpayer identification numbers of those members. To qualify for the treatment provided by this subdivision, the following conditions must be met:

- (a) the cooperative association must be organized under chapter 308A or, 308B, or 308C and all voting members of the board of directors must be resident tenants of the cooperative and must be elected by the resident tenants of the cooperative;
- (b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years, which permits the cooperative association, while not in default on the lease, to participate materially in the management of the property, including material participation in establishing budgets, setting rent levels, and hiring and supervising a management agent;
- (c) to the extent permitted under state or federal law, the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not purchase the property it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale;
- (d) a minimum of 40 percent of the cooperative association's members must have incomes at or less than 60 percent of area median gross income as determined by the United States Secretary of Housing and Urban Development under section 142(d)(2)(B) of the Internal Revenue Code. For purposes of this clause, "member income" means the income of a member existing at the time the member acquires cooperative membership;
- (e) if a limited partnership owns the property, it must include as the managing general partner a nonprofit organization operating under the provisions of chapter 317A and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code and the limited partnership agreement must provide that the managing general partner have sufficient powers so that it materially participates in the management and control of the limited partnership;
- (f) prior to becoming a member of a leasehold cooperative described in this subdivision, a person must have received notice that (1) describes leasehold cooperative property in plain language, including but not limited to the effects of classification under this subdivision on rents, property taxes and tax credits or refunds, and operating expenses, and (2) states that

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copies of the articles of incorporation and bylaws of the cooperative association, the lease between the owner and the cooperative association, a sample sublease between the cooperative association and a tenant, and, if the owner is a partnership, a copy of the limited partnership agreement, can be obtained upon written request at no charge from the owner, and the owner must send or deliver the materials within seven days after receiving any request;

- (g) if a dwelling unit of a building was occupied on the 60th day prior to the date on which the unit became leasehold cooperative property described in this subdivision, the notice described in paragraph (f) must have been sent by first class mail to the occupant of the unit at least 60 days prior to the date on which the unit became leasehold cooperative property. For purposes of the notice under this paragraph, the copies of the documents referred to in paragraph (f) may be in proposed version, provided that any subsequent material alteration of those documents made after the occupant has requested a copy shall be disclosed to any occupant who has requested a copy of the document. Copies of the articles of incorporation and certificate of limited partnership shall be filed with the secretary of state after the expiration of the 60-day period unless the change to leasehold cooperative status does not proceed;
- (h) the county attorney of the county in which the property is located must certify to the assessor that the property meets the requirements of this subdivision;
 - (i) the public financing received must be from at least one of the following sources:
- (1) tax increment financing proceeds used for the acquisition or rehabilitation of the building or interest rate write-downs relating to the acquisition of the building;
- (2) government issued bonds exempt from taxes under section 103 of the Internal Revenue Code, the proceeds of which are used for the acquisition or rehabilitation of the building;
- (3) programs under section 221(d)(3), 202, or 236, of Title II of the National Housing Act;
- (4) rental housing program funds under Section 8 of the United States Housing Act of 1937, as amended, or the market rate family graduated payment mortgage program funds administered by the Minnesota Housing Finance Agency that are used for the acquisition or rehabilitation of the building;
 - (5) low-income housing credit under section 42 of the Internal Revenue Code;
- (6) public financing provided by a local government used for the acquisition or rehabilitation of the building, including grants or loans from (i) federal community

development block grants; (ii) HOME block grants; or (iii) residential rental bonds issued under chapter 474A; or

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- (7) other rental housing program funds provided by the Minnesota Housing Finance Agency for the acquisition or rehabilitation of the building;
- (j) at the time of the initial request for homestead classification or of any transfer of ownership of the property, the governing body of the municipality in which the property is located must hold a public hearing and make the following findings:
- (1) that the granting of the homestead treatment of the apartment's units will facilitate safe, clean, affordable housing for the cooperative members that would otherwise not be available absent the homestead designation;
- (2) that the owner has presented information satisfactory to the governing body showing that the savings garnered from the homestead designation of the units will be used to reduce tenant's rents or provide a level of furnishing or maintenance not possible absent the designation; and
 - (3) that the requirements of paragraphs (b), (d), and (i) have been met.

Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision 3, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

When dwelling units no longer qualify under this subdivision, the current owner must notify the assessor within 60 days. Failure to notify the assessor within 60 days shall result in the loss of benefits under this subdivision for taxes payable in the year that the failure is discovered. For these purposes, "benefits under this subdivision" means the difference in the net tax capacity of the units which no longer qualify as computed under this subdivision and as computed under the otherwise applicable law, times the local tax rate applicable to the building for that taxes payable year. Upon discovery of a failure to notify, the assessor shall inform the auditor of the difference in net tax capacity for the building or buildings in which units no longer qualify, and the auditor shall calculate the benefits under this subdivision. Such amount, plus a penalty equal to 100 percent of that amount, shall then be demanded of the building's owner. The property owner may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. The appeal shall be governed by

the Tax Court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2. If the amount of the benefits under this subdivision and penalty are not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of the benefit and penalty to the succeeding year's tax list to be collected as part of the property taxes on the affected buildings.

- Sec. 6. Minnesota Statutes 2023 Supplement, section 290.0694, subdivision 1, is amended to read:
- Subdivision 1. **Definitions.** (a) For purposes of this section, the following definitions have the meanings given.
- 10.11 (b) "Qualified property" means a manufactured home park in Minnesota classified as
 10.12 4c(5)(i) or 4c(5)(iii) under section 273.13, subdivision 25, paragraph (d).
 - (c) "Qualified seller" means a taxpayer, as defined under section 290.01, subdivision 6, who sells qualified property to: (1) a corporation or association organized under chapter 308A or, 308B, or 308C, where each person who owns a share or shares in the corporation or association would be entitled to occupy a lot within the qualified property after the sale; (2) a charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, whose members hold residential participation warrants entitling the members to occupy the units in the manufactured home park; or (3) a nonprofit or a representative acting on behalf of residents, as defined by section 327C.015, subdivision 13, who purchases the property on behalf of residents who intend to form a corporation or association as described in clause (1) or (2).
- Sec. 7. Minnesota Statutes 2022, section 290.0922, subdivision 2, is amended to read:
- Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed by this section:
- 10.27 (1) corporations exempt from tax under section 290.05;
- 10.28 (2) real estate investment trusts;

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- 10.29 (3) regulated investment companies or a fund thereof;
- 10.30 (4) entities having a valid election in effect under section 860D(b) of the Internal Revenue 10.31 Code;

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(5) township mutual insurance companies;

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- (6) cooperatives organized under chapter 308A or, 308B, or 308C that provide housing exclusively to persons age 55 and over and are classified as homesteads under section 273.124, subdivision 3; and
- 11.5 (7) a qualified business as defined under section 469.310, subdivision 11, if for the taxable year all of its property is located in a job opportunity building zone designated under section 469.314 and all of its payroll is a job opportunity building zone payroll under section 469.310.
- Entities not specifically exempted by this subdivision are subject to tax under this section, notwithstanding section 290.05.
- Sec. 8. Minnesota Statutes 2023 Supplement, section 290A.03, subdivision 16, is amended to read:
- Subd. 16. **Manufactured home.** "Manufactured home" means homesteads that are manufactured homes as defined in section 273.125, subdivision 8, including manufactured homes located in a manufactured home community owned by a cooperative organized under chapter 308A or, 308B, or 308C, and park trailers taxed as manufactured homes under section 168.012, subdivision 9.
- 11.18 Sec. 9. Minnesota Statutes 2022, section 327C.095, subdivision 5, is amended to read:
 - Subd. 5. **Park conversions.** If the planned cessation of operation is for the purpose of converting the part of the park occupied by the resident to a common interest community pursuant to chapter 515B, the provisions of section 515B.4-111, except subsection (a), shall apply. The nine-month notice required by this section shall state that the cessation is for the purpose of conversion and shall set forth the rights conferred by this subdivision and section 515B.4-111, subsection (b). Not less than 120 days before the end of the nine months, the park owner shall serve upon the resident a form of purchase agreement setting forth the terms of sale contemplated by section 515B.4-111, subsection (d). Service of that form shall operate as the notice described by section 515B.4-111, subsection (a). This subdivision does not apply to the conversion of a manufactured home park to a common interest community:
 - (1) that is a cooperative incorporated under chapter 308A or, 308B, or 308C;
- 11.30 (2) in which at least 90 percent of the cooperative's members are residents of the park
 11.31 at the time of the conversion; and

12.1	(3) that does not require persons who are residents of the park at the time of the		
12.2	conversion to become members of the cooperative.		
12.3	Sec. 10. Minnesota Statutes 2023 Supplement, section 462A.38, subdivision 1, is amended		
12.4	to read:		
12.5	Subdivision 1. Establishment. A workforce and affordable homeownership development		
12.6	program is established to award homeownership development grants and loans to cities,		
12.7	counties, Tribal governments, nonprofit organizations, cooperatives created under chapter		
12.8	308A or, 308B, or 308C, and community land trusts created for the purposes outlined in		
12.9	section 462A.31, subdivision 1, for development of workforce and affordable homeownership		
12.10	projects. The purpose of the program is to increase the supply of workforce and affordable,		
12.11	owner-occupied multifamily or single-family housing throughout Minnesota.		
12.12	Sec. 11. Minnesota Statutes 2022, section 515B.3-101, is amended to read:		
12.13	515B.3-101 ORGANIZATION OF UNIT OWNERS' ASSOCIATION.		
12.14	A common interest community shall be administered by an association. The association		
12.15	shall be incorporated no later than the date the common interest community is created. The		
12.16	membership of the association at all times consists exclusively of all unit owners or, following		
12.17	termination of the common interest community, of all former unit owners entitled to		
12.18	distributions of proceeds under section 515B.2-119 or their heirs, successors, or assigns.		
12.19	The association shall be organized as a Minnesota profit or nonprofit corporation, or may,		
12.20	in the case of a cooperative, be organized under chapter 308A or, 308B, or 308C. In the		
12.21	event of a conflict between this chapter and any other chapter under which the association		
12.22	is incorporated, this chapter shall control."		
12.23	Renumber the subdivisions in sequence		
12.24	Amend the title numbers accordingly		
12.25	And when so amended the bill do pass and be re-referred to the Committee on Judiciary		
12.26	and Public Safety. Amendments adopted. Report adopted.		
	Linday Ports		
12.27			
12.28	(Committee Chair)		
12.29	March 5, 2024		
12.30	(Date of Committee recommendation)		