

1.1 Senator moves to amend S.F. No. 4940 as follows:

1.2 Page 1, delete section 1 and insert:

1.3 "Section 1. Minnesota Statutes 2022, section 462A.03, is amended by adding a subdivision
1.4 to read:

1.5 Subd. 2a. **Distressed building.** "Distressed building" means an existing rental housing
1.6 building:

1.7 (1) in which the units are restricted to households at or below 60 percent of the area
1.8 median income; and

1.9 (2) that:

1.10 (i) is in foreclosure proceedings;

1.11 (ii) has two or more years of negative net operating income;

1.12 (iii) has two or more years with a debt service coverage ratio less than one; or

1.13 (iv) has necessary costs of repair, replacement, or maintenance that exceed the project
1.14 reserves available for those purposes.

1.15 Sec. 2. Minnesota Statutes 2022, section 462A.03, is amended by adding a subdivision to
1.16 read:

1.17 Subd. 6a. **Recapitalization.** "Recapitalization" means financing for the physical and
1.18 financial needs of a distressed building, including restructuring and forgiveness of amortizing
1.19 and deferred debt, principal and interest paydown, interest rate write-down, deferral of debt
1.20 payments, mortgage payment forbearance, deferred maintenance, security services, property
1.21 insurance, reasonably necessary capital improvements, funding of reserves for supportive
1.22 services, and property operations. Recapitalization may include reimbursement to a nonprofit
1.23 sponsor or owner for expenditures that would have otherwise qualified for recapitalization.

1.24 Sec. 3. Minnesota Statutes 2022, section 462A.05, subdivision 3b, is amended to read:

1.25 Subd. 3b. **Refinancing mortgages.** The agency may make loans for recapitalization or
1.26 to refinance the existing indebtedness, of owners of rental property, secured by federally
1.27 assisted housing for the purpose of obtaining agreement of the owner to participate in the
1.28 federally assisted rental housing program and to extend any existing low-income affordability
1.29 restrictions on the housing for the maximum term permitted. For purposes of this subdivision,
1.30 "federally assisted rental housing" includes housing that is:

(1) subject to a project-based housing or rental assistance payment contract funded by the federal government;

(2) financed by the Rural Housing Service of the United States Department of Agriculture under section 515 of the Housing Act of 1949, as amended; or

(3) financed under section 236; section 221(d)(3) below market interest rate program; section 202; or section 811 of the Housing and Urban Development Act of 1968, as amended.

Sec. 4. Minnesota Statutes 2022, section 462A.21, subdivision 8b, is amended to read:

Subd. 8b. **Family rental housing.** It may establish a family rental housing assistance program to provide loans or direct rental subsidies for housing for families with incomes of up to 80 percent of state median income, or to provide grants for the operating cost of public housing. Priority must be given to those developments with resident families with the lowest income. The development may be financed by the agency or other public or private lenders. Direct rental subsidies must be administered by the agency for the benefit of eligible families. Financial assistance provided under this subdivision to recipients of aid to families with dependent children must be in the form of vendor payments whenever possible. Loans, grants, and direct rental subsidies under this subdivision may be made only with specific appropriations by the legislature. The limitations on eligible mortgagors contained in section 462A.03, subdivision 13, do not apply to loans for the recapitalization or rehabilitation of existing housing under this subdivision.

Sec. 5. Minnesota Statutes 2023 Supplement, section 462A.37, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Abandoned property" has the meaning given in section 117.025, subdivision 5.

(c) "Community land trust" means an entity that meets the requirements of section 462A.31, subdivisions 1 and 2.

(d) "Debt service" means the amount payable in any fiscal year of principal, premium, if any, and interest on housing infrastructure bonds and the fees, charges, and expenses related to the bonds.

(e) "Foreclosed property" means residential property where foreclosure proceedings have been initiated or have been completed and title transferred or where title is transferred in lieu of foreclosure.

(f) "Housing infrastructure bonds" means money appropriated to the agency for the purposes of this section, the proceeds of any bonds defined in this paragraph, and bonds issued by the agency under this chapter that:

(1) are qualified 501(c)(3) bonds, within the meaning of section 145(a) of the Internal Revenue Code;

(2) finance qualified residential rental projects within the meaning of section 142(d) of the Internal Revenue Code; ~~or~~

(3) are tax-exempt bonds that are not private activity bonds, within the meaning of section 141(a) of the Internal Revenue Code, for the purpose of financing or refinancing affordable housing authorized under this chapter; or

(4) are taxable bonds for the purpose of financing or refinancing affordable housing authorized under this chapter.

(g) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended.

(h) "Senior" means a person 55 years of age or older.

(i) "Senior household" means a household with one or more senior members and with an annual combined income not greater than 50 percent of:

(1) the metropolitan area median income for persons in the metropolitan area; or

(2) the statewide median income for persons outside the metropolitan area.

(j) "Senior housing" means housing intended and operated for occupancy by senior households with at least 80 percent of the units occupied by senior households, and for which there is publication of, and adherence to, policies and procedures that demonstrate an intent by the owner or manager to provide housing for seniors. Senior housing may be developed in conjunction with and as a distinct portion of mixed-income senior housing developments that use a variety of public or private financing sources.

(k) "Supportive housing" means housing that is not time-limited and provides or coordinates with linkages to services necessary for residents to maintain housing stability and maximize opportunities for education and employment."

Page 3, line 6, strike the comma and strike "for the purposes of clauses (4) and"

Page 3, line 7, strike "(7),"

Page 3, line 9, delete "funding of"

Page 3, line 10, delete "operations and service reserves,"

- 4.1 Page 3, line 21, after "rehabilitation" insert ", recapitalization"
- 4.2 Page 3, line 29, strike "and"
- 4.3 Page 3, line 33, strike the period and insert "; and"
- 4.4 Page 3, after line 33, insert:
- 4.5 "(9) to finance the recapitalization of a distressed building."
- 4.6 Page 5, line 15, after the semicolon, insert "or"
- 4.7 Page 5, line 16, delete "; or" and insert a period
- 4.8 Page 5, delete line 17 and insert:
- 4.9 "When determining whether a building is at risk of foreclosure, sale, or closure, the agency
- 4.10 shall consider the factors qualifying a building as distressed, as defined under section
- 4.11 462A.03, subdivision 2a."
- 4.12 Page 5, after line 25, insert:
- 4.13 "Sec. 7. Minnesota Statutes 2022, section 462A.37, is amended by adding a subdivision
- 4.14 to read:
- 4.15 Subd. 3a. **Procedures for considering requests for recapitalization financing.** (a) In
- 4.16 considering and processing requests for recapitalization financing under this section, the
- 4.17 agency must:
- 4.18 (1) process applications on a rolling basis;
- 4.19 (2) implement commercially reasonable standards consistent with the standards of other
- 4.20 providers of financing for affordable housing;
- 4.21 (3) prioritize timeliness and efficiency of closing;
- 4.22 (4) begin accepting applications no later than July 2, 2024;
- 4.23 (5) approve or reject an application within 60 days of receiving the application and all
- 4.24 supporting documents; and
- 4.25 (6) close and disburse recapitalization funds promptly and within 120 days of receiving
- 4.26 an approved application except when compliance with the 120-day deadline would be illegal
- 4.27 under the laws of this state or of the United States.
- 4.28 (b) The agency will provide a report on the status of implementation of this section by
- 4.29 January 30 of each year to the chairs and ranking minority members of the legislative
- 4.30 committees with jurisdiction over housing finance and policy. Each report will detail the

5.1 number of properties receiving funding for recapitalization in the prior year, the amount of
5.2 funding awarded for recapitalization in the prior year, the average time from the agency's
5.3 receipt of an application under this subdivision to closing, and a report of the number of
5.4 applications for recapitalization funding then in-process.

5.5 **EFFECTIVE DATE.** This section is effective the day following final enactment."

5.6 Page 6, delete section 4

5.7 Page 7, delete section 5

5.8 Renumber the sections in sequence and correct internal references

5.9 Amend the title accordingly