

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 3503

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Introduction and first reading
 Referred to Housing and Homelessness Prevention

OFFICIAL STATUS

- 1.1 A bill for an act
- 1.2 relating to housing; establishing a locally controlled housing fund; modifying
- 1.3 allowable uses of housing infrastructure bonds; requiring a report; authorizing the
- 1.4 sale and issuance of state bonds; appropriating money; amending Minnesota
- 1.5 Statutes 2024, section 462A.37, subdivision 2; proposing coding for new law in
- 1.6 Minnesota Statutes, chapter 462A.
- 1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
- 1.8 Section 1. Minnesota Statutes 2024, section 462A.37, subdivision 2, is amended to read:
- 1.9 Subd. 2. **Authorization.** (a) The agency may issue up to \$30,000,000 in aggregate
- 1.10 principal amount of housing infrastructure bonds in one or more series to which the payment
- 1.11 made under this section may be pledged. The housing infrastructure bonds authorized in
- 1.12 this subdivision may be issued to fund loans, or grants for the purposes of clauses (4) and
- 1.13 (7), on terms and conditions the agency deems appropriate, made for one or more of the
- 1.14 following purposes:
- 1.15 (1) to finance the costs of the construction, acquisition, and rehabilitation of supportive
- 1.16 housing where at least 50 percent of units are set aside for individuals and families who are
- 1.17 without a permanent residence;
- 1.18 (2) to finance the costs of the acquisition and rehabilitation of foreclosed or abandoned
- 1.19 housing to be used for affordable rental housing or for affordable home ownership and the
- 1.20 costs of new construction of rental housing on abandoned or foreclosed property where the
- 1.21 existing structures will be demolished or removed;
- 1.22 (3) to finance that portion of the costs of acquisition of property that is attributable to
- 1.23 the land to be leased by community land trusts to low- and moderate-income home buyers;

(4) to finance the acquisition, improvement, and infrastructure of manufactured home parks under section 462A.2035, subdivision 1b;

(5) to finance the costs of acquisition, rehabilitation, adaptive reuse, or new construction of senior housing;

(6) to finance the costs of acquisition, rehabilitation, and replacement of federally assisted rental housing and for the refinancing of costs of the construction, acquisition, and rehabilitation of federally assisted rental housing, including providing funds to refund, in whole or in part, outstanding bonds previously issued by the agency or another government unit to finance or refinance such costs;

(7) to finance the costs of acquisition, rehabilitation, adaptive reuse, or new construction of single-family housing;

(8) to finance the costs of construction, acquisition, and rehabilitation of permanent housing that is affordable to households with incomes at or below 50 percent of the area median income for the applicable county or metropolitan area as published by the United States Department of Housing and Urban Development, as adjusted for household size; and

(9) to finance the costs of construction, acquisition, rehabilitation, conversion, and development of cooperatively owned housing created under chapter 308A, 308B, or 308C that is affordable to low- and moderate-income households.

(b) Among comparable proposals for permanent supportive housing, preference shall be given to permanent supportive housing for veterans and other individuals or families who:

(1) either have been without a permanent residence for at least 12 months or at least four times in the last three years; or

(2) are at significant risk of lacking a permanent residence for 12 months or at least four times in the last three years.

(c) Among comparable proposals for senior housing, the agency must give priority to requests for projects that:

(1) demonstrate a commitment to maintaining the housing financed as affordable to senior households;

(2) leverage other sources of funding to finance the project, including the use of low-income housing tax credits;

(3) provide access to services to residents and demonstrate the ability to increase physical supports and support services as residents age and experience increasing levels of disability; and

(4) include households with incomes that do not exceed 30 percent of the median household income for the metropolitan area.

(d) To the extent practicable, the agency shall balance the loans made between projects in the metropolitan area and projects outside the metropolitan area. Of the loans made to projects outside the metropolitan area, the agency shall, to the extent practicable, balance the loans made between projects in counties or cities with a population of 20,000 or less, as established by the most recent decennial census, and projects in counties or cities with populations in excess of 20,000.

(e) Among comparable proposals for permanent housing, the agency must give preference to projects that will provide housing that is affordable to households at or below 30 percent of the area median income.

(f) If a loan recipient uses the loan for new construction as defined by the agency on a building containing more than four units, the loan recipient must construct, convert, or otherwise adapt the building to include:

(1) the greater of: (i) at least one unit; or (ii) at least five percent of units that are accessible units, and each accessible unit includes at least one roll-in shower, water closet, and kitchen work surface meeting the requirements of section 1002 of the current State Building Code Accessibility Provisions for Dwelling Units in Minnesota; and

(2) the greater of: (i) at least one unit; or (ii) at least five percent of units that are sensory-accessible units that include:

(A) soundproofing between shared walls for first and second floor units;

(B) no florescent lighting in units and common areas;

(C) low-fume paint;

(D) low-chemical carpet; and

(E) low-chemical carpet glue in units and common areas.

Nothing in this paragraph relieves a project funded by the agency from meeting other applicable accessibility requirements.

(g) Bonds issued pursuant to this section for the acquisition and construction of housing may be awarded through the locally controlled housing program.

4.1 Sec. 2. **[462A.44] LOCALLY CONTROLLED HOUSING PROGRAM.**

4.2 Subdivision 1. **Establishment.** A locally controlled housing program is established for
4.3 the agency to award funding to allow eligible recipients to develop or acquire housing to
4.4 be owned by the recipient.

4.5 Subd. 2. **Creation of accounts.** Two locally controlled housing program accounts are
4.6 created. One account is created in the housing development fund and one account is created
4.7 in the bond proceeds fund. Money in the accounts is appropriated to the commissioner to
4.8 award funding under this section. Money in the accounts is available until encumbered or
4.9 spent subject to section 16A.642. Money in the locally controlled housing program account
4.10 in the housing development fund consists of money appropriated to the account and
4.11 transferred from other sources and all earnings from money in the account, including
4.12 repayments on loans awarded under this section.

4.13 Subd. 3. **Eligible recipient.** (a) A city, as defined in section 462C.02, subdivision 6, or
4.14 a county is eligible to apply for and receive a grant from either account established in
4.15 subdivision 1.

4.16 (b) A federally recognized American Indian Tribe or a Tribally designated housing entity
4.17 is eligible to apply for and receive a grant from the locally controlled housing program
4.18 account in the housing development fund.

4.19 Subd. 4. **Use of funds; program requirements.** (a) An eligible recipient must use the
4.20 proceeds for the acquisition of the predesign, design, construction, furnishing, and equipment
4.21 of property for use as housing and must maintain ownership of housing funded under this
4.22 section for at least 50 years after receipt of the funding.

4.23 (b) In a multifamily property funded under this section, at least 30 percent of the units
4.24 must be occupied by households whose income, at the time of application or initial lease
4.25 agreement, does not exceed 50 percent of the area median income as published by the United
4.26 States Department of Housing and Urban Development, as adjusted for household size, and
4.27 at least 30 percent of the units must be occupied by households whose income, at the time
4.28 of application or initial lease agreement, does not exceed 100 percent of the area median
4.29 income as published by the United States Department of Housing and Urban Development,
4.30 as adjusted for household size. At the time of application or initial lease agreement, no
4.31 household moving into a multifamily property funded under this section may have an income
4.32 greater than 400 percent of the area median income as published by the United States
4.33 Department of Housing and Urban Development, as adjusted for household size.

5.1 (c) In single-family property funded under this section, the homes must be occupied by
5.2 households with incomes not exceeding 50 percent of the area median income as published
5.3 by the United States Department of Housing and Urban Development, as adjusted for
5.4 household size.

5.5 (d) An eligible recipient may act as a community land trust with respect to single-family
5.6 property funded through the locally controlled housing program account in the housing
5.7 development fund, provided that the recipient meets the requirements applying to a city
5.8 acting as a community land trust under sections 462A.30 and 462A.31.

5.9 (e) Lease agreements with tenants in housing funded under this section must include all
5.10 applicable tenant protections included in public housing lease agreements.

5.11 Subd. 5. **Operation of locally controlled housing.** Housing funded under this section
5.12 may be operated and managed by the eligible recipient or by a third party under a lease and
5.13 management contract complying with section 16A.695, subdivision 2. Except when the
5.14 proceeds from the housing are pledged for repayment of the awarded funds, a recipient may
5.15 use the proceeds only for the acquisition or the predesign, design, construction, furnishing,
5.16 and equipment of housing to be used as affordable housing in the recipient's jurisdiction.

5.17 Subd. 6. **Administration.** (a) To the extent practicable:

5.18 (1) the agency must make funding available so that an approximately equal number of
5.19 housing units are financed in the metropolitan area and in the nonmetropolitan area;

5.20 (2) the agency must fund projects that include accessible units, as defined in section
5.21 1002 of the current State Building Code Accessibility Provisions for Dwelling Units in
5.22 Minnesota; and

5.23 (3) the agency must provide technical assistance to eligible recipients seeking to apply
5.24 for funding under this section and to award recipients attempting to comply with the
5.25 requirements of this section.

5.26 (b) Applications for funding must include a housing needs assessment that identifies the
5.27 estimated range of affordability for each project.

5.28 (c) Money in the locally controlled housing program account in the bond proceeds fund
5.29 must be awarded as grants. Money in the locally controlled housing development fund must
5.30 be awarded as loans. The commissioner must operate the locally controlled housing program
5.31 account in the housing development fund as a revolving loan fund.

5.32 Subd. 7. **Reports.** Beginning January 15, 2026, and each year thereafter, the
5.33 commissioner must submit a report to the chairs and ranking minority members of the

6.1 legislative committees with jurisdiction over housing finance specifying the projects that
6.2 received funding under this section in the prior fiscal year.

6.3 Sec. 3. **LOCALLY CONTROLLED HOUSING PROGRAM.**

6.4 Subdivision 1. **Appropriation.** \$..... is appropriated from the bond proceeds fund to
6.5 the commissioner of the Housing Finance Agency for the locally controlled housing program.

6.6 Subd. 2. **Bond sale.** To provide the money appropriated in this section from the bond
6.7 proceeds fund, the commissioner of management and budget shall sell and issue bonds of
6.8 the state in an amount up to \$..... in the manner, upon the terms, and with the effect
6.9 prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota
6.10 Constitution, article XI, sections 4 to 7.

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

6.12 Sec. 4. **APPROPRIATION; LOCALLY CONTROLLED HOUSING PROGRAM.**

6.13 \$..... in fiscal year 2026 is appropriated from the general fund to the commissioner of
6.14 the Housing Finance Agency for the locally controlled housing program.