

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 2309

03/13/2025 Authored by Rehrauer and Kozlowski

04/10/2025 The bill was read for the first time and referred to the Committee on Housing Finance and Policy

Adoption of Report: Placed on the General Register as Amended

Read for the Second Time

04/29/2025 Calendar for the Day, Amended

Read Third Time as Amended

Passed by the House as Amended and transmitted to the Senate to include Floor Amendments

1.1 A bill for an act

1.2 relating to housing; modifying certain housing policy provisions; modifying

1.3 eligibility and funding provisions for certain housing programs; modifying the

1.4 high-rise sprinkler system program; authorizing housing and redevelopment

1.5 authorities to create public corporations; amending Minnesota Statutes 2024,

1.6 sections 15.082; 462A.051, subdivision 2; 462A.07, by adding a subdivision;

1.7 462A.202, subdivision 3a; 462A.2095, subdivisions 2, 3; 462A.33, subdivision 9;

1.8 462A.37, subdivision 2; 462C.02, subdivision 6; 462C.16, subdivision 1; 469.012,

1.9 subdivision 2j; 477A.35, subdivision 5; 477A.36, subdivision 5; Laws 2023, chapter

1.10 37, article 1, section 2, subdivision 21; article 2, section 10; proposing coding for

1.11 new law in Minnesota Statutes, chapter 469.

1.12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.13 ARTICLE 1

1.14 MINNESOTA HOUSING FINANCE AGENCY

1.15 Section 1. Minnesota Statutes 2024, section 462A.051, subdivision 2, is amended to read:

1.16 Subd. 2. **Application.** This section applies to all forms of financial assistance provided

1.17 by the Minnesota Housing Finance Agency, as well as the allocation and award of federal

1.18 low-income housing credits by all allocating agencies as defined under section 462A.221,

1.19 for the development, construction, rehabilitation, renovation, or retrofitting of ~~multifamily~~

1.20 ~~residential~~ multifamily housing, including loans, grants, tax credits, loan guarantees, loan

1.21 insurance, and other financial assistance.

1.22 Sec. 2. Minnesota Statutes 2024, section 462A.07, is amended by adding a subdivision to

1.23 read:

1.24 Subd. 21. **Promotion of materials on rights and obligations of landlords and**

1.25 **residential tenants.** The commissioner shall publish information on the rights and obligations

of landlords and residential tenants, including promotion of the statement required under section 504B.275. The commissioner must prominently display this information on the agency website.

Sec. 3. Minnesota Statutes 2024, section 462A.2095, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the meanings given.

(b) "Eligible household" means a household with an annual income of up to 50 percent of the area median income as determined by the United States Department of Housing and Urban Development, adjusted for family size, that is paying more than 30 percent of the household's annual income on rent. Eligibility is determined at the time a household first receives rent assistance under this section. Eligibility Income shall be recertified every year thereafter for the purposes of determining the amount of rent assistance under subdivision 4. Eligible household does not include a household receiving federal tenant-based or project-based assistance under Section 8 of the United States Housing Act of 1937, as amended.

(c) "Program administrator" means:

(1) a housing and redevelopment authority or other local government agency or authority that administers federal tenant-based or project-based assistance under Section 8 of the United States Housing Act of 1937, as amended;

(2) a Tribal government or Tribally designated housing entity; or

(3) if there is no entity under clause (1) or (2) with the capacity to administer the program, a nongovernmental organization determined by the agency to have the capacity to administer the program.

Sec. 4. Minnesota Statutes 2024, section 462A.2095, subdivision 3, is amended to read:

Subd. 3. **Grants to program administrators.** (a) The agency may make grants to program administrators to provide rental assistance for eligible households. Notwithstanding section 16C.06, the commissioner may use a formula to determine award amounts to program administrators. For both tenant-based and project-based assistance, program administrators shall pay assistance directly to housing providers. Rental assistance may be provided in the form of tenant-based assistance or project-based assistance. Notwithstanding the amounts awarded under subdivision 1, paragraph (b), and to the extent practicable, the agency must make grants statewide in proportion to the number of households eligible for assistance in

each county according to the most recent American Community Survey of the United States Census Bureau. The agency may, at its discretion, redistribute unused or underutilized funds among eligible program administrators to increase program efficiency and effectiveness.

(b) The program administrator may use its existing procedures to administer the rent assistance program or may develop alternative procedures with the goals of reaching households most in need and incentivizing landlord participation. The agency must approve a program administrator's alternative procedures. Priority for rental assistance shall be given to households with children 18 years of age and under, and annual incomes of up to 30 percent of the area median income. Program administrators may establish additional priority populations based on local need.

Sec. 5. Minnesota Statutes 2024, section 462A.33, subdivision 9, is amended to read:

Subd. 9. **Grant funding to schools.** A school district; a cooperative unit, as defined in section 123A.24, subdivision 2; or a charter school may receive funding under this section in the form of a grant less than \$100,000. A school district, intermediate district, or charter school that uses a grant under this section to construct a home for owner occupancy must require the future occupant to participate in the homeownership education counseling and training program under section 462A.209. A nonprofit organization contracted by a school district; a cooperative unit, as defined in section 123A.24, subdivision 2; or a charter school may receive funding under the requirements of this subdivision.

Sec. 6. Minnesota Statutes 2024, section 462A.37, subdivision 2, is amended to read:

Subd. 2. **Authorization.** (a) The agency may issue up to \$30,000,000 in aggregate principal amount of housing infrastructure bonds in one or more series to which the payment made under this section may be pledged. The housing infrastructure bonds authorized in this subdivision may be issued to fund loans, or grants for the purposes of clauses (4) and (7), on terms and conditions the agency deems appropriate, made for one or more of the following purposes:

(1) to finance the costs of the construction, acquisition, adaptive reuse, and rehabilitation of supportive housing where at least 50 percent of units are set aside for individuals and families who are without a permanent residence;

(2) to finance the costs of the acquisition and rehabilitation of foreclosed or abandoned housing to be used for affordable rental housing or for affordable home ownership and the costs of new construction of rental housing on abandoned or foreclosed property where the existing structures will be demolished or removed;

(3) to finance that portion of the costs of acquisition of property that is attributable to 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, adaptive reuse, 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 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.

Sec. 7. Minnesota Statutes 2024, section 462C.16, subdivision 1, is amended to read:

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

(b) "Commissioner" means the commissioner of the Minnesota Housing Finance Agency.

(c) "Fund" means a local housing trust fund or a regional housing trust fund.

(d) "Local government" means any statutory or home rule charter city, a housing and redevelopment authority, or a county.

(e) "Local housing trust fund" means a fund established by a local government with one or more dedicated sources of public revenue for housing.

(f) "Regional housing trust fund" means a fund established and administered under a joint powers agreement entered into by two or more local governments with one or more dedicated sources of public revenue for housing.

Sec. 8. Minnesota Statutes 2024, section 477A.35, subdivision 5, is amended to read:

Subd. 5. **Use of proceeds.** (a) Any funds distributed under this section must be spent on a qualifying project. Funds are considered spent on a qualifying project if:

(1) a tier I city or county demonstrates to the Minnesota Housing Finance Agency that the city or county cannot expend funds on a qualifying project by the deadline imposed by paragraph (b) due to factors outside the control of the city or county; and

(2) the funds are transferred to a local housing trust fund.

Funds transferred to a local housing trust fund under this paragraph must be spent on a project or household that meets the affordability requirements of subdivision 4, paragraph (a).

(b) Funds must be spent by December 31 in the third year following the year after the aid was received. The requirements of this paragraph are satisfied if funds are:

(1) committed to a qualifying project by December 31 in the third year following the year after the aid was received; and

(2) expended by December 31 in the fourth year following the year after the aid was received.

(c) An aid recipient may not use aid money to reimburse itself for prior expenditures.

(d) Any program income generated from funds distributed under this section must be used on a qualifying project.

Sec. 9. Minnesota Statutes 2024, section 477A.36, subdivision 5, is amended to read:

Subd. 5. **Use of proceeds.** (a) Any funds distributed under this section must be spent on a qualifying project. If a tier I city or county demonstrates to the Minnesota Housing Finance Agency that the tier I city or county cannot expend funds on a qualifying project by the deadline imposed by paragraph (b) due to factors outside the control of the tier I city or county, funds shall be considered spent on a qualifying project if the funds are transferred to a local housing trust fund. Funds transferred to a local housing trust fund must be spent on a project or household that meets the affordability requirements of subdivision 4, paragraph (a).

(b) Funds must be spent by December 31 in the third year following the year after the aid was received. The requirements of this paragraph are satisfied if funds are:

(1) committed to a qualifying project by December 31 in the third year following the year after the aid was received; and

(2) expended by December 31 in the fourth year following the year after the aid was received.

(c) An aid recipient may not use aid funds to reimburse itself for prior expenditures.

(d) Any program income generated from funds distributed under this section must be used on a qualifying project.

Sec. 10. Laws 2023, chapter 37, article 1, section 2, subdivision 21, is amended to read:

Subd. 21. Local Housing Trust Fund Grants	4,800,000	-0-
--	-----------	-----

(a) This appropriation is for deposit in the housing development fund for grants to local housing trust funds established under Minnesota Statutes, section 462C.16, to incentivize local funding. This is a onetime appropriation.

(b) A grantee is eligible to receive a grant amount equal to 100 percent of the public revenue committed to the local housing trust

8.1 fund from any source other than the state or
8.2 federal government, up to \$150,000, and in
8.3 addition, an amount equal to 50 percent of the
8.4 public revenue committed to the local housing
8.5 trust fund from any source other than the state
8.6 or federal government that is more than
8.7 \$150,000 but not more than \$300,000.

8.8 (c) A grantee must use grant funds within ~~eight~~
8.9 five years of receipt for purposes (1)
8.10 authorized under Minnesota Statutes, section
8.11 462C.16, subdivision 3, and (2) benefiting
8.12 households with incomes at or below 115
8.13 percent of the state median income. A grantee
8.14 must return any grant funds not used for these
8.15 purposes within eight years of receipt to the
8.16 commissioner of the Minnesota Housing
8.17 Finance Agency for deposit into the housing
8.18 development fund.

8.19 Sec. 11. Laws 2023, chapter 37, article 2, section 10, is amended to read:

8.20 Sec. 10. **HIGH-RISE SPRINKLER SYSTEM GRANT AND LOAN PROGRAM.**

8.21 Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this section.

8.22 (b) "Eligible building" means an existing residential building in which:

8.23 (1) ~~at least one story used for human occupancy is~~ the building is seven stories or more
8.24 in height or 75 feet or more above the lowest level of fire department vehicle access; and

8.25 (2) at least two-thirds of its units are affordable to households with an annual income at
8.26 or below ~~50~~ 60 percent of the area median income as determined by the United States
8.27 Department of Housing and Urban Development, adjusted for family size, ~~that is paying~~
8.28 ~~no more than 30 percent of annual income on rent.~~

8.29 (c) "Sprinkler system" means the same as the term "fire protection system" as defined
8.30 in Minnesota Statutes, section 299M.01.

8.31 Subd. 2. **Grant program Use of funds.** The commissioner of the Housing Finance
8.32 Agency must make grants or loans to owners of eligible buildings for installation of sprinkler

systems and, if necessary, for relocation of residents during the installation of sprinkler systems. Priority shall be given to nonprofit applicants. The maximum grant per eligible building shall be \$2,000,000. Each grant to a nonprofit organization shall require a 25 percent match. Each grant to a for-profit organization shall require a 50 percent match.

ARTICLE 2

PUBLIC CORPORATION FOR RENTAL PROPERTY

Section 1. Minnesota Statutes 2024, section 15.082, is amended to read:

15.082 OBLIGATIONS OF PUBLIC CORPORATIONS.

Notwithstanding any other law, the state is not liable for obligations of a public corporation created by statute. Upon dissolution of the public corporation, its wholly owned assets become state property. Partially owned assets become state property to the extent that state money was used to acquire them.

This section does not apply to a public corporation governed by chapter 119 or section 469.0121.

EFFECTIVE DATE. This section is effective July 1, 2025.

Sec. 2. Minnesota Statutes 2024, section 462A.202, subdivision 3a, is amended to read:

Subd. 3a. **Permanent rental housing.** The agency may make loans, with or without interest, to cities and counties to finance the construction, acquisition, or rehabilitation of affordable, permanent, and publicly owned rental housing, including housing owned by a public corporation created pursuant to section 469.0121. Loans made under this subdivision are subject to the restrictions of subdivision 7. In making loans under this subdivision, the agency shall give priority to projects that increase the supply of affordable family housing.

Sec. 3. Minnesota Statutes 2024, section 462C.02, subdivision 6, is amended to read:

Subd. 6. **City.** "City" means any statutory or home rule charter city, a county housing and redevelopment authority created by special law or authorized by its county to exercise its powers pursuant to section 469.004, or any public body which (a) is the housing and redevelopment authority in and for a statutory or home rule charter city, the port authority of a statutory or home rule charter city, ~~or~~ an economic development authority of a city established under sections 469.090 to 469.108, or a public corporation created pursuant to section 469.0121, and (b) is authorized by ordinance to exercise, on behalf of a statutory or home rule charter city, the powers conferred by sections 462C.01 to 462C.10.

Sec. 4. Minnesota Statutes 2024, section 469.012, subdivision 2j, is amended to read:

Subd. 2j. **May be in LLP, LLC, or corporation; bound as if HRA.** (a) An authority may become a member or shareholder in and enter into or form limited partnerships, limited liability companies, or corporations for the purpose of developing, constructing, rehabilitating, managing, supporting, or preserving housing projects and housing development projects, including low-income housing tax credit projects. These limited partnerships, limited liability companies, or corporations are subject to all of the provisions of sections 469.001 to 469.047 and other laws that apply to housing and redevelopment authorities, as if the limited partnership, limited liability company, or corporation were a housing and redevelopment authority.

(b) An authority may create a public corporation in accordance with section 469.0121 for the purpose of purchasing, owning, and operating real property converted through the federal Rental Assistance Demonstration program under Public Law 112-55, as amended.

EFFECTIVE DATE. This section is effective July 1, 2025.

Sec. 5. **[469.0121] PUBLIC CORPORATION; RENTAL ASSISTANCE DEMONSTRATION PROGRAM.**

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

(b) "Authority" has the meaning given under section 469.002, subdivision 2.

(c) "Board" means the board of directors of a corporation created under this section.

(d) "Corporation" means a public corporation created under this section.

(e) "RAD" means the federal Rental Assistance Demonstration program under Public Law 112-55, as amended.

Subd. 2. **Public corporation created.** An authority may create a public corporation to purchase, own, and operate real property that has been converted through RAD to preserve and improve public housing properties. A public corporation created under this section is also a political subdivision of the state and is limited to the powers in this section.

Subd. 3. **Corporation powers.** (a) The corporation has the following general powers:

(1) to have succession until dissolved by law;

(2) to sue and be sued in its corporate name;

(3) to adopt, alter, and use a corporate seal which shall be judicially noticed;

11.1 (4) to accept, hold, and administer gifts and bequests of money, securities, or other
11.2 personal property of whatsoever character, absolutely or in trust, for the purposes for which
11.3 the corporation is created. Unless otherwise restricted by the terms of the gift or bequest,
11.4 the corporation is authorized to sell, exchange, or otherwise dispose of and to invest or
11.5 reinvest in such investments as the corporation may determine with the money, securities,
11.6 or other property given or bequeathed to the corporation. The principal of and income from
11.7 the corporate funds and all other revenues received by the corporation from any source
11.8 whatsoever shall be placed in such depositories as the board of directors shall determine
11.9 and shall be subject to expenditure for corporate purposes;

11.10 (5) to enter into contracts generally and to execute all instruments necessary or appropriate
11.11 to carry out the corporate purposes;

11.12 (6) to appoint and prescribe the duties of officers, agents, and employees as may be
11.13 necessary to carry out the work of the corporation and to compensate officers, agents, and
11.14 employees;

11.15 (7) to purchase all supplies and materials necessary for carrying out the purposes of the
11.16 corporation;

11.17 (8) to accept from the United States, the state of Minnesota, or any of their agencies
11.18 money or other assistance whether by gift, loan, or otherwise to carry out the purposes of
11.19 the corporation, and enter into contracts with the United States, the state of Minnesota, any
11.20 of the agencies of either, or any of the political subdivisions of the state as it may deem
11.21 proper and consistent with the purposes of this section;

11.22 (9) to contract and make cooperative agreements with federal, state, and municipal
11.23 departments and agencies and private corporations, associations, and individuals for the use
11.24 of the corporation property, including but not limited to rental agreements; and

11.25 (10) to acquire real or personal property or any interest therein in any manner authorized
11.26 under section 469.012, subdivision 1g, including by the exercise of eminent domain.

11.27 (b) A corporation may acquire properties converted under RAD, subject to restrictions
11.28 and conditions compatible with funding acquisitions of and improvements to real property
11.29 with state general obligation bond proceeds. The commissioner of management and budget
11.30 must determine the necessary restrictions and conditions under this paragraph.

11.31 Subd. 4. **Board of directors.** (a) A corporation is governed by a board of directors, with
11.32 each commissioner of the authority that created the corporation serving as a member.

12.1 (b) The term of a director shall coincide with their term as a commissioner of the authority
12.2 that created the corporation, except that a director's term shall continue after their term as
12.3 a commissioner is complete until a successor commissioner is duly appointed and qualified.

12.4 (c) Board members must not be compensated for their service as board members but
12.5 may receive reimbursement for reasonable expenses incurred in connection with their duties
12.6 as board members. The state auditor must review the reimbursements to board members
12.7 each year.

12.8 (d) The board must annually elect from among its members a chair and other officers
12.9 necessary for the performance of its duties.

12.10 Subd. 5. **Bylaws.** The board of directors must adopt bylaws and rules as it deems
12.11 necessary for the administration of its functions and the accomplishment of its purpose,
12.12 including among other matters the establishment of a business office and the rules, the use
12.13 of the project-based rental assistance properties, and the administration of corporation funds.

12.14 Subd. 6. **Place of business.** The board must locate and maintain the corporation's place
12.15 of business in the city in which the authority that created the corporation is located.

12.16 Subd. 7. **Open meetings; data practices.** Meetings of the board are subject to chapter
12.17 13D and meetings of the board conducted by interactive technology are subject to section
12.18 13D.02. The board is subject to chapter 13, the Minnesota Government Data Practices Act,
12.19 and shall protect data classified as not public from unlawful disclosure.

12.20 Subd. 8. **Compliance.** The corporation must comply with all federal, state, and local
12.21 laws, rules, ordinances, and other regulations required to own and operate properties as
12.22 project-based rental assistance properties.

12.23 Subd. 9. **Dissolution.** Upon dissolution of the corporation for any reason, its wholly
12.24 owned assets become property of the authority that created the corporation.

12.25 **EFFECTIVE DATE.** This section is effective July 1, 2025.

APPENDIX
Article locations for H2309-2

ARTICLE 1 MINNESOTA HOUSING FINANCE AGENCY..... Page.Ln 1.13

ARTICLE 2 PUBLIC CORPORATION FOR RENTAL PROPERTY..... Page.Ln 9.5