

1.1 Senator moves to amend S.F. No. 2742 as follows:

1.2 Delete everything after the enacting clause and insert:

1.3 "Section 1. Minnesota Statutes 2024, section 462A.07, subdivision 19, is amended to read:

1.4 Subd. 19. **Report to the legislature.** (a) By February 15 each year, the commissioner
1.5 must submit a report to the chairs and ranking minority members of the legislative committees
1.6 having jurisdiction over housing finance and policy containing the following information:

1.7 (1) the total number of applications for funding;

1.8 (2) the amount of funding requested;

1.9 (3) the amounts of funding awarded; and

1.10 (4) the number of housing units that are affected by funding awards, including the number
1.11 of:

1.12 (i) newly constructed owner-occupied units;

1.13 (ii) renovated owner-occupied units;

1.14 (iii) newly constructed rental units; and

1.15 (iv) renovated rental units.

1.16 (b) This reporting requirement applies to appropriations for competitive development
1.17 programs made in Laws 2023 and in subsequent laws.

1.18 (c) By January 5 each year, the commissioner must report on the financial stability of
1.19 the affordable housing industry. The report must include:

1.20 (1) the ratio of operating expenses to revenue in affordable rental housing projects; and

1.21 (2) the percent of rents collected on time, divided into four regions of the state:

1.22 (i) the cities of St. Paul and Minneapolis;

1.23 (ii) the metropolitan counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and
1.24 Washington, except for the cities of St. Paul and Minneapolis;

1.25 (iii) urban greater Minnesota, including the cities of Duluth, Mankato, Moorhead,
1.26 Rochester, and St. Cloud; and

1.27 (iv) rural greater Minnesota, which includes all of Minnesota, except for the places listed
1.28 in items (i), (ii), and (iii).

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

Subd. 21. **Affordable housing annual meeting.** At least once each year, the commissioner must convene a meeting with the Interagency Council to End Homelessness and the cities and counties with high levels of cost-burdened households, meaning those where gross rent or homeownership costs are 30 percent or more of household income. The purpose of the meeting is to discuss:

(1) resources received by cities and counties;

(2) regional needs for affordable housing; and

(3) recommendations for the collaborative use of funds to effectively address homelessness, housing insecurity, security of affordable housing, and the lack of housing supply.

Sec. 3. **[462A.2098] COMMUNITY STABILIZATION PROGRAM.**

Subdivision 1. **Establishment.** The agency shall establish a community stabilization program to provide grants or loans to support recapitalization of distressed buildings.

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

(b) "Distressed building" means an existing rental housing building in which the units are restricted to households at or below 60 percent of the area median income and that:

(1) is at imminent risk of foreclosure, closure, or sale that would result in permanent loss of affordability;

(2) has two or more years of negative net operating income, exclusive of financial or in-kind operating support from the owner of the property;

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

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

(c) "Recapitalization" means financing for the physical and financial needs of a distressed building, including restructuring and forgiveness of amortizing and deferred debt, principal and interest paydown, interest rate write-down, deferral of debt payments, mortgage payment forbearance, deferred maintenance and rehabilitation, funding of reserves, and property operating costs including but not limited to supportive services, security services, and

property insurance. Recapitalization may include financing to sell or transfer ownership of a property to a qualified owner that will commit to long-term affordability as determined by the commissioner.

Subd. 3. **Eligible recipients.** (a) Grants or loans may be made to:

(1) a local unit of government;

(2) a federally recognized American Indian Tribe located in Minnesota or its Tribally Designated Housing Entity;

(3) a private developer;

(4) a limited equity cooperative;

(5) a cooperative created under chapter 308A, 308B, or 308C;

(6) a community land trust created for the purposes outlined in section 462A.31, subdivision 1; or

(7) a nonprofit organization.

(b) The agency may make a grant to a statewide intermediary to facilitate the acquisition and associated rehabilitation of existing multiunit rental housing and may use an intermediary or intermediaries for the acquisition and associated rehabilitation of owner-occupied housing.

Subd. 4. **Eligible uses.** (a) The program shall provide grants or loans for the purpose of recapitalization of distressed properties. When awarding grants or loans, to the extent practicable, priority in funding shall be given to the following:

(1) buildings where residents are at or below 30 percent of the area median income;

(2) buildings at imminent risk of foreclosure, closure, or sale that would result in permanent loss of affordability;

(3) operators who have a path to achieve neutral or positive net operating income within five years;

(4) operators who keep subject properties affordable; and

(5) buildings that are not eligible or not prioritized for other agency programs.

(b) The agency may establish funding limits per eligible recipient and require priority rankings of eligible recipient proposals.

(c) Funds may not be used for publicly owned housing.

4.1 Subd. 5. **Multifamily housing rent limits.** Multifamily housing financed through grants
4.2 or loans under this section must remain affordable to low-income or moderate-income
4.3 households as defined by the agency.

4.4 Subd. 6. **Private lender participation.** Prior to the commissioner executing a grant or
4.5 loan agreement for recapitalization of private debt, a project owner must demonstrate
4.6 receiving a meaningful amount, as determined by the commissioner, of restructuring and
4.7 forgiveness of amortizing and deferred debt, principal and interest paydown, interest rate
4.8 write-down, deferral of debt payments, and mortgage payment forbearance from a private
4.9 lender.

4.10 Subd. 7. **Application.** (a) The agency shall develop forms and procedures for soliciting
4.11 and reviewing applications for loans or grants under this section. The agency shall consult
4.12 with interested stakeholders when developing the guidelines and procedures for the program.

4.13 (b) Notwithstanding any other applicable law, the agency may accept applications on a
4.14 noncompetitive, rolling basis in order to provide funds for eligible properties as they become
4.15 available.

4.16 Subd. 8. **Voucher requirement for rental properties.** Rental properties that receive
4.17 funds must accept rental subsidies, including but not limited to vouchers under section 8 of
4.18 the United States Housing Act of 1937, as amended.

4.19 Subd. 9. **Report.** By February 15 of each year, the commissioner shall submit a report
4.20 to the chairs and ranking minority members of the legislative committees having jurisdiction
4.21 over housing and homelessness. The report must include the number of applications received,
4.22 the amount of funding requested, the grants awarded, and the number of affordable housing
4.23 units preserved through awards under this section.

4.24 Sec. 4. Minnesota Statutes 2024, section 462A.222, is amended by adding a subdivision
4.25 to read:

4.26 Subd. 5. **Commitment restriction.** The commissioner may not require commitment
4.27 terms longer than the compliance period required under section 42 of the Internal Revenue
4.28 Code of 1986, as amended.

4.29 Sec. 5. **POLICY FRAMEWORK FOR TARGETED STABILIZATION OF**
4.30 **REGULATED AFFORDABLE HOUSING.**

4.31 (a) The commissioner of housing finance must work with affordable housing stakeholders,
4.32 including the Interagency Stabilization Group, to develop a policy framework for targeted

5.1 stabilization of affordable rental housing. In developing this framework, the commissioner
5.2 must identify:

5.3 (1) strategies, tools, and funding mechanisms for targeted stabilization of affordable
5.4 rental housing and recapitalization of distressed properties;

5.5 (2) potential improvements for regulatory relief for affordable rental housing providers
5.6 and implement these improvements where feasible;

5.7 (3) a specific plan for relief when an operator of permanent housing cannot identify and
5.8 secure adequate service funding that matches the tenants' needs; and

5.9 (4) a strategy with the commissioner of human services to integrate the awarding of state
5.10 service dollars to permanent supportive housing so that state service dollars can accompany
5.11 capital awards in the consolidated request for proposal process.

5.12 (b) The commissioner must report quarterly to the Minnesota Housing Finance Agency
5.13 Board of Directors on the policy framework, improvements implemented, and any potential
5.14 changes to legislation that may be needed to support targeted stabilization of regulated
5.15 affordable housing and recapitalization of distressed properties.

5.16 (c) By January 5, 2026, the commissioner must report to the chairs and ranking minority
5.17 members of the legislative committees having jurisdiction over housing finance and policy
5.18 on the policy framework, improvements implemented, and any potential changes to
5.19 legislation that may be needed to support targeted stabilization of regulated affordable
5.20 housing and recapitalization of distressed properties.

5.21 Sec. 6. **INTERAGENCY STABILIZATION GROUP.**

5.22 The commissioner of the Minnesota Housing Finance Agency may convene regular
5.23 meetings of public funders and affordable housing stakeholders to seek funding solutions
5.24 that support preservation and stabilization of affordable properties.

5.25 Sec. 7. **STABLE HOUSING ORGANIZATION RELIEF PROGRAM.**

5.26 Subdivision 1. **Establishment.** The commissioner of the Minnesota Housing Finance
5.27 Agency must establish and administer a grant program in accordance with this section to
5.28 support nonprofits that are experiencing significant detrimental financial impacts due to
5.29 recent economic and social conditions.

5.30 Subd. 2. **Eligible organizations.** To be eligible for a grant under this section an
5.31 organization must:

(1) be a nonprofit organization that is tax exempt under section 501(c)(3) of the Internal Revenue Code that has been doing business in the state for at least ten years as demonstrated by registration or filing of organizational documents with the secretary of state;

(2) have its primary operations located in the state;

(3) be experiencing significant detrimental financial impact due to recent economic and social conditions, including but not limited to decreased operating revenue due to loss of rental income or increased operating expenses due to inflation in utility expenses, insurance, security, or other expenses;

(4) have supportive services options available for the individuals and families residing in the rental housing it provides to low-income populations; and

(5) provide, as of December 31, 2024, housing units in the state that it owns or controls consisting of any of the following:

(i) at least 1,000 units of naturally occurring affordable housing. For purposes of this item, "naturally occurring affordable housing" means multiunit rental housing developments that have not received financing from the federal low-income housing tax credit program for which the majority of the units have agreements in place to be affordable to individuals or families with incomes at or below 60 percent of the area median income as determined by the United States Department of Housing and Urban Development, adjusted for family size, and that do not receive project- or other place-based rental subsidies from the federal government;

(ii) rental housing units, not including naturally occurring affordable housing, of which 50 percent of the total number of units are rented to individuals or families whose annual incomes, according to the most recent income certification as of December 31, 2024, are at or below 30 percent of the area median income as determined by the United States Department of Housing and Urban Development, adjusted for family size; or

(iii) at least 250 units of permanent supportive housing, as defined in Minnesota Statutes, section 462A.36, subdivision 1, paragraph (e).

Subd. 3. **Grant program.** (a) The commissioner must provide grants to eligible organizations as provided in this subdivision.

(b) An organization that seeks to obtain a grant must apply to the commissioner by a date determined by the commissioner, and certify:

(1) that it is eligible for a grant under subdivision 2;

(2) the total number of rental housing units it owns or controls in the state, including but not limited to the rental housing units it provides under subdivision 2, clause (5); and

(3) information on significant detrimental financial impacts due to recent economic and social conditions.

(c) The amount of a grant to an eligible organization equals:

(1) the number of units an eligible organization certifies that it owns or controls in the state divided by the total number of units certified by all eligible organizations; multiplied by

(2) the total amount of the appropriation for this grant program.

(d) No grant to an eligible organization may exceed \$4,000 per certified unit. The per-unit amount of the grant for each eligible organization must be calculated based on the total number of units each eligible organization owns or controls in the state and is not limited to the number of units that qualify it as an eligible organization under subdivision 2, clause (5).

(e) Grantees must use grant funds to maintain or improve the housing stability of tenants by expending funds on:

(1) property maintenance, improvements, and security;

(2) providing services, including services and programs that promote economic and social mobility;

(3) efforts to attract and retain employees that will assist in providing services and support to tenants; or

(4) forgiveness of all or a portion of rent balances owed by former or current tenants.

The commissioner may approve additional uses of this fund that would have a beneficial impact on the housing stability of tenants.

Subd. 4. **Reporting and financial audit.** Each grantee must submit a report to the commissioner by September 30, 2026, on the use of those funds in a form determined by the commissioner. By January 15, 2027, each grantee must report to the chairs and ranking minority members of the legislative committees having jurisdiction over housing on the use of funds awarded under this section.

8.1 Sec. 8. **TRANSFER; HOUSING DEVELOPMENT FUND.**

8.2 \$60,000,000 in fiscal year 2026 and \$10,000,000 in fiscal year 2027 are transferred from
8.3 the general fund to the housing development fund. This transfer is \$10,000,000 in fiscal
8.4 year 2028 and each year thereafter.

8.5 Sec. 9. **APPROPRIATION; STABLE HOUSING ORGANIZATION RELIEF AND**
8.6 **RECAPITALIZATION.**

8.7 (a) \$50,000,000 in fiscal year 2026 is appropriated from the housing development fund
8.8 to the commissioner of housing finance for the stable housing organization relief program
8.9 in section 6. This is a onetime appropriation.

8.10 (b) \$10,000,000 in fiscal year 2026 and \$10,000,000 in fiscal year 2027 are appropriated
8.11 from the housing development fund to the commissioner of the Minnesota Housing Finance
8.12 Agency for the community stabilization program under Minnesota Statutes, section
8.13 462A.2098. "

8.14 Amend the title accordingly