Overview

This bill makes a number of changes in the rules for allocating Minnesota's limit under federal law for issuing private activity tax exempt bonds.

Section

1 Refunding bonds. Excludes refunding bonds from the types of public facility bonds that qualify for bond allocations, if they are issued more than one year before the application.

2 Scoring system for manufacturing projects. Makes a variety of changes in the scoring system for awarding bond allocations to manufacturing projects. The changes eliminate the requirement that new direct jobs be "net" jobs to qualify for 15 points per job. The section gives a lower (62.5%) weight to retention of existing jobs. In addition, jobs are weighted by the wages paid with differential point amounts for jobs within and outside of the seven county Twin Cities metropolitan area. The point amounts per job are as follows:

<table>
<thead>
<tr>
<th>Hourly wage rate</th>
<th>Twin Cities</th>
<th>Greater Minnesota</th>
</tr>
</thead>
<tbody>
<tr>
<td>$8</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>$10</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>$12</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>$15</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

This section also requires the city unemployment rate to be used. Under present law, the city unemployment rate is used if available and approved by the commissioner of economic security. The authority in present law to use unemployment rates for areas smaller than a city is eliminated.

The section eliminates the "but-for" type finding by the issuer and the Commissioner of Trade
and Economic Development that using the bonds is necessary to retain the jobs.

3 **Housing pool changes.** Sets the income limits for owner occupied housing applications between February 1 and February 15 at the greater of 80 percent of the area median income or the statewide median income, adjusted for household size. (The federal limits allow up to 115 percent of the area median income.) Under present law, MHFA's income limits can be used if they are higher than 80 percent of area median income. The present law income are not adjusted for family size. These changes will generally allow higher income limits, especially for homes for larger families. The present income limits in the Twin Cities (11 county) metropolitan area are $38,500, regardless of household size. By contrast, the proposed income limits would range from $33,450 (one person household) to $63,100 (8 person household). The proposed limits for a family of four are $47,800 in the 11 county metropolitan area; $43,900 in Rice county; $43,700 in Olmsted county; and $43,040 in the rest of the state.

The section repeals the separate state limits on housing prices. The federal limits instead would be the only limit. The federal limits permit the home prices up to 90 percent of the average area purchase price. In "targeted areas" this rises to 110 percent of the average area purchase price. Applicants for this authority must include data on home purchase prices, mortgage amounts, income, household size, and race for their program for the previous year with the application.

Cities may not apply for allocations that exceed the amount of the prior year allocation that they actually used. However, a city is always eligible to receive $100,000, regardless of how much it used in the prior year.

4 **Small issue pool.** Directs the commissioner to reserve $10 million of the small issue pool for manufacturing projects up until the day after: (1) the last Monday in February; (2) the last Monday in April; and (3) the last Monday in June.

5 **Returned allocations.** Requires the commissioner to reserve returned allocations for 7 days to permit issuers time to apply and compete for allocations of the authority.

6 **Returned allocations.** Requires the commissioner to reserve returned allocations for 7 days to permit issuers time to apply and compete for allocations of the authority. This provision is identical to section 5, but covers a different set of returned allocations.

7 **Waiver of penalty period for 2000 allocation.** Allows a city to apply for single family allocations from the housing pool in 2000, even if it did not use 50% or more of its 1998 allotment by the end of January 1999. Present law prohibits applications for cities who do not use half of their allocation by the first deadline for applying in the next year (i.e. 1/31).

8 **Effective date.** Provides the changes in section 3 are effective immediately.