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Overview

Modifies many timelines in the bond allocation process, often moving deadlines a month or so earlier.

Section

- 1 Subd. 3. **Allocation procedure.** Exempts certain projects from the Minnesota Housing Finance Agency's allocation plan, stating that as long as the project meets the requirements of Minnesota Statutes, section 474A.047 (see section 11 below) and section 42 of the Internal Revenue Code, it satisfies all allocation plan requirements and the agency must issue the determination letters. To qualify for the exemption, (1) the project must be eligible for an allocation of credits under section 42(h)(4) of the Internal Revenue Code and (2) either the Minnesota Housing Finance Agency must be the issuer of the bonds or the issuer must be located outside the jurisdiction of a city or county that has received reserved tax credits.
- 2 Subd. 30. **Preservation project.** Defines "preservation project" as a residential rental project (including age-restricted projects) which (1) receives federal project-based rental subsidies and (2) does not request an amount of bonds that would exceed the aggregate bond limitation.
- 3 Subd. 31. **30 percent AMI residential rental project.** Defines "30 percent AMI residential rental project" as a residential rental project which (1) is not a preservation project, (2) is expected to generate federal low-income housing tax credits from all of its residential units, (3) either (i) reserves all residential units for at least 30 years for tenants with incomes of 30 percent of AMI or less, or (ii) is located in an area where the median gross income is less than the statewide median, (4) has all residential units rent-restricted for at least 30 years, and (5) does not request an amount of bonds that would exceed the aggregate bond limitation.

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- 4 Subd. 32. **50 percent AMI residential rental project.** Defines “50 percent AMI residential rental project” as a residential rental project which (1) is not a preservation project or 30 percent AMI residential rental project, (2) is expected to generate federal low-income housing tax credits from all of its residential units, (3) reserves all residential units for at least 30 years for tenants with incomes of 50 percent of AMI or less, (4) has all residential units rent-restricted for at least 30 years, and (5) does not request an amount of bonds that would exceed the aggregate bond limitation.
- 5 Subd. 33. **100 percent LIHTC project.** Defines “100 percent LIHTC project” as a residential rental project which (1) is not a preservation project, 30 percent AMI residential rental project, or 50 percent AMI residential rental project, (2) is expected to generate federal low-income housing tax credits from all of its residential units, and (3) does not request an amount of bonds that would exceed the aggregate bond limitation.
- 6 Subd. 34. **20 percent LIHTC project.** Defines “20 percent LIHTC project” as a residential rental project which (1) is not a preservation project, 30 percent AMI residential rental project, 50 percent AMI residential rental project, or 100 percent LIHTC project, (2) is expected to generate federal low-income housing tax credits from at least 20 percent of its residential units, and (3) does not request an amount of bonds that would exceed the aggregate bond limitation.
- 7 Subd. 35. **AMI.** Defines “AMI” as 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.
- 8 Subd. 36. **LIHTC.** Defines “LIHTC” as low-income housing tax credits under section 42 of the Internal Revenue Code.
- 9 Subd. 37. **Aggregate bond limitation.** Defines “aggregate bond limitation” as up to 55 percent of the reasonably expected aggregate basis of a residential rental project and the land on which the project is or will be located.
- 10 Subd. 1. **Under federal tax law; allocations.** Removes the reservation of 31 percent of the housing pool for single family housing programs.
Effective date: Effective the day following final enactment and expires January 1, 2021.
- 11 Subd. 1a. **Entitlement reservations.** Modifies dates related to reallocation of bonds.
- 12 **[474A.047] Residential rental bonds; limitations.**
Subd. 1. Eligibility. Removes language requiring the Minnesota Housing Finance Agency to certify that the project reserves will be maintained at certain levels before residential rental bonds can be used on the project.
Subd. 2. 15-year agreement. Adds to the agreement a developer must enter before being issued residential rental bonds. Stipulates that the developer must also agree to maintain the project as the type of project an application was made for (under the project type definitions in sections 2 to 6 of this bill).
- 13 **[474A.061] Manufacturing, housing, and public facilities pools.**

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Subd. 1. Allocation application; small issue pool and public facilities pool.

Divides the existing subdivision into allocations from the small issue and public facilities pools (still subdivision 1) and allocations from the housing pool (now subdivision 1a). Makes conforming changes in line with limiting this subdivision to only the small issue and public facilities pools. Modifies the application deposit timeline. Allows payment of deposit by wire transfer as well as check.

Subd. 1a. Allocation application; housing pool. Adds a subdivision outlining applications for allocation from the housing pool. Increases the application deposit to two percent of the requested application regardless of when the deposit is paid. Requires two new application items: (1) a sworn statement identifying the type of project (under the project type definitions in sections 2 to 6 of this bill) and (2) a certification of whether the requested allocation exceeds the aggregate bond limitation. Removes the prior requirement that an application state whether the project preserves existing federally subsidized housing for residential rental project applications and whether the project is restricted to seniors. Allows payment of deposit by wire transfer as well as check.

Subd. 2a. Housing pool allocation. Replaces existing preference for projects that preserve existing federally subsidized housing and are not age-restricted with a new order of priority. Prioritizes applications in this order: (1) preservation projects; (2) 30 percent AMI residential rental projects; (3) 50 percent AMI residential rental projects; (4) 100 percent LIHTC projects; (5) 20 percent LIHTC projects; (6) after June 1 in calendar years 2018, 2019, and 2020, and after January 1 starting in calendar year 2021, single family housing programs; and (7) other residential rental projects that do not request an amount of bonds that exceeds the aggregate bond limitation. Stipulates that if there are multiple applications at the same priority level and insufficient bonding authority to make full allocations to all of them, that projects will be selected by lot until the remaining authority is insufficient to fulfill a selected project's request, at which point all remaining authority shall be reserved for that project for up to 24 months; if a project that gets only partial funding by lot applies again, it receives funding up to the level of its original application before any new projects with equal priority. Requires that issuers must issue obligations within 180 days of any allocation they receive, unless the applicant submits an additional application deposit of one percent of the allocation amount within 180 days of the allocation, in which case the obligations must be issued within 18 months of the allocation date. Requires that, if that timeline is met, 50 percent of the application deposit will be refunded within 30 days of the obligations being issued and the other 50 percent will be refunded within (i) 30 days of a Form 8609(s) being issued for a project that generates low-income housing tax credits or (ii) 90 days of receipt of documentation of construction completion. Sets eligibility for single-family housing program applications by only the area median income (rather than the greater of the area or statewide median income). Modifies various timelines.

Subd. 2b. Small issue pool allocation. Modifies allocation timelines.

Subd. 2c. Public facilities pool allocation. Modifies allocation timelines.

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Subd. 4. Return of allocation; deposit refund for small issue pool or public facilities pool. Divides the existing subdivision into deposit refunds for the small issue and public facilities pools (still subdivision 4) and deposit refunds for the housing pool (now subdivision 4a). Makes conforming changes in line with limiting this subdivision to only the small issue and public facilities pools. Modifies the allocation cancellation timeline.

Subd. 4a. Return of allocation; deposit refund for housing pool. Adds a subdivision outlining deposit refunds for the housing pool. Makes conforming changes to keep the process the same as under subdivision 4, but limited to the housing pool and adapted to its new timeline under subdivision 2a.

14 [474A.062] **Minnesota Office of Higher Education issuance exemption.** Exempts the Minnesota Office of Higher Education from any time limit on the issuance of bonds under this chapter.

15 [474A.091] **Allocation of unified pool.**

Subd. 1. Unified pool amount. Modifies the timeline for transfer of bonding authority to the unified pool.

Subd. 2. Application for residential rental projects. Divides the existing subdivision into applications for residential rental projects (still subdivision 2) and applications for all other types of qualified bonds (now subdivision 2a). Makes conforming changes in line with limiting this subdivision to only residential rental projects. Removes the prior requirement that an application state whether the project preserves existing federally subsidized housing for residential rental project applications and whether the project is restricted to seniors. Adds two new application items: (1) a sworn statement identifying the type of project (under the project type definitions in sections 2 to 6 of this bill), and (2) a certification of whether the requested allocation exceeds the aggregate bond limitation. Forbids applications requesting in excess of the aggregate bond limitation from applying or being allocated bonding authority until after September 1 each year. Requires that issuers must issue obligations within 180 days of any allocation they receive, unless the applicant submits an additional application deposit of one percent of the allocation amount within 180 days of the allocation, in which case the obligations must be issued within 18 months of the allocation date. Requires that, if that timeline is met, 50 percent of the application deposit will be refunded within 30 days of the obligations being issued and the other 50 percent will be refunded within (i) 30 days of a Form 8609(s) being issued for a project that generates low-income housing tax credits, or (ii) 90 days of receipt of documentation of construction completion.

Subd. 2a. Application for all other types of qualified bonds. Adds a subdivision outlining applications for all types of qualified bonds other than residential rental projects. Makes conforming changes to keep the process the same as it had been under subdivision 2, but limited to non-housing bonds.

Subd. 3. Allocation procedure. Modifies the allocation timeline. Replaces existing preference for projects that preserve existing federally subsidized housing and are not age-restricted with a new order of priority. Prioritizes applications in this order: (1)

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preservation projects; (2) 30 percent AMI residential rental projects; (3) 50 percent AMI residential rental projects; (4) 100 percent LIHTC projects; (5) 20 percent LIHTC projects; (6) other residential rental projects that do not request an amount of bonds that exceeds the aggregate bond limitation; and (7) other residential rental projects which apply after September 1 and do not request an amount of bonds that exceeds the aggregate bond limitation. Stipulates that if there are multiple applications at the same priority level and insufficient bonding authority to make full allocations to all of them, that projects will be selected by lot until the remaining authority is insufficient to fulfill a selected project's request, at which point all remaining authority shall be reserved for that project for up to 24 months; if a project that gets only partial funding by lot applies again, it receives funding up to the level of its original application before any new projects with equal priority.

Subd. 3a. Mortgage bonds. Modifies the allocation timeline.

Subd. 5. Return of allocation; deposit refund. Modifies the allocation cancellation timeline. Sets up a different schedule of application deposit returns and amounts for residential rental bond projects from that which applies to all other types of bonds.

Subd. 6. Final allocation; carryforward. Requires that bonding authority that is closest to expiration be used first and that bonding authority that is carried forward be used before new authority.

16 [474A.131] Notice of issue and notice of carryforward.

Subd. 1. Notice of issue. Makes technical conforming changes.

Subd. 1b. Deadline for issuance of qualified bonds. Sets up a separate set of carryforward procedures for residential rental bonds, keeps current procedures for all other types of bonds. Allows the Minnesota Housing Finance Agency to carryforward allocations for residential rental projects that (1) still have time to issue bonds under section 474A.061, subdivision 2a, or section 471A.091, subdivision 2; or (2) have bonding authority reserved under section 474A.061, subdivision 2a, or section 474A.091, subdivision 3, paragraph (f); as long as the agency keeps the allocation for the original project and issues the bonds as intended by the originally intended issuer. Exempts any such bonds from the debt management policies of the Minnesota Housing Finance Agency and forbids the agency from charging the issuer fees for those bonds, with issuer fees instead going to the original applicant, except the agency may be reimbursed for its reasonable costs in issuing the bonds.

Subd. 2. Carryforward notice. Exempts the Minnesota Housing Finance Agency's carryforward of allocations of residential rental project bonds under subdivision 1b from the notice requirement.

Subd. 4. Allocation plan. Adds a subdivision requiring the Minnesota Housing Finance Agency to prepare an annual tax-exempt bond allocation plan which must be available for public comment for at least two weeks. Forbids the Minnesota Housing Finance Agency from filing Internal Revenue Service Form 8328 until the public comment period on that plan is closed, unless required by federal law.

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- 17** **[474A.14] Notice of available authority.** Modifies the date for the Minnesota Housing Finance Agency to post notice on its Web site of the amount of bonding authority available for allocation in the unified pool to make the deadline “as soon after July 1 as possible.”
- 18** **Effective date.** Sections effective the day following final enactment except as otherwise specified.