

2021 Legislative Session Summary



While a divided legislature forced a Special Session to complete the work of the 2021 regular session, the year ended with **\$100 million in bonds for housing** and many new one-time and **ongoing investments surpassing another \$75 million**.

Lawmakers' work was complicated by several factors, including changing budget forecasts throughout session and the prospect of federal funding for COVID-19 relief. Minnesota must pass a balanced budget in odd years, which provided needed incentive for lawmakers to pass all Omnibus funding bills by a June 30 deadline to avoid a government shutdown.

In addition to bonds for housing, funds for housing were appropriated through the Housing Finance, Taxes, and Health and Human Services conference committees. Investments included **\$10 million in one-time funds** for Minnesota Housing, a new Affordable Housing Tax Credit and Local Homeless Prevention Aide for six years, and significant, permanent funding increases to housing and homelessness prevention programs.

EXECUTIVE ACTION

Governor Walz's Peacetime Emergency was extended month to month through June. The Eviction Moratorium remained in place throughout the Peacetime Emergency. Lawmakers ended the peacetime emergency on July 1, 2021. While the Governor's moratorium ended, a negotiated eviction "off-ramp" went into effect June 30, 2021.

FUNDING INCREASES

Bonds for housing (1st special Session Chapter 8): Authorizes the issuance of \$100 million in housing infrastructure bonds (HIBs). This is the second session in which HIBs traveled separately from a larger bonding bill that includes general obligation (GO) bonds. It is also the second time in which the Legislature allocated HIBs in a budget year when no other bonding bill passed. While GO bonds require a supermajority to pass, HIBs, which are appropriation bonds, only require a simple majority. \$18,333,000 must be used for single-family housing activities and \$15,000,000 must be used for acquisition of manufactured home parks and for manufactured home park improvements and infrastructure. If the full amount of the set asides for single-family and manufactured home parks is not committed by January 16, 2024,

the allocated amount may be applied to other HIB eligible uses. If the Federal government provides money for a similar purpose, the amount of bonds allocated will be reduced by the amount of any federal funds appropriated and dedicated from a federal infrastructure bill enacted between June 1, 2021 and December 31, 2021.

Appropriations to Minnesota Housing (1st Special Session, Chapter 8). The Legislature appropriated \$10 million in one-time funds to Minnesota Housing.

Workforce Homeownership Program: Appropriates \$3.25 million in FY22 to provide grants and loans for the development of workforce and affordable homeownership opportunities. The funds serve households up to 115 percent of area median income and can be used for residential housing development and rehabilitation, land development, and infrastructure development and repair for manufactured home parks.

Manufactured Home Park Infrastructure Grants: Appropriates \$1.75 million in FY22 to fund infrastructure improvements or acquisition of manufactured home parks to assist the needs for aging manufactured home communities.

Local Housing Trust Funds State Match: Appropriates \$1 million in FY22 for grants to local housing trust funds. Grant amounts are equal to a 100 percent match of new public revenue commitments of up to \$150,000. If there are sufficient funds, a 50 percent match of new revenue commitments that are more than \$150,000 but no more than \$300,000.

Economic Development and Housing Challenge (Challenge Fund): Appropriates an additional \$2.8 million one-time in FY22. Funds both multifamily rental and single-family homeownership new construction and redevelopment.

Homeownership Assistance Fund (HAF): Appropriates an additional \$1 million in FY22 to assist persons and families of low and moderate income in the purchase of affordable residential housing. Funds can be used for down payment and closing-cost assistance.

Shelter Bill of Rights Taskforce: Appropriates \$200,000 one-time to establish a task force on shelter and requires a report to the legislature on the task force's findings and recommendations.

Providing Shelter and Support (1st Special Session Chapter 7)

Housing Supports: Removes language related to housing support absent days (effective July 1, 2021) so that people do not lose their housing when receiving in-patient medical treatment. Increases the base for the monthly housing support room and board rate by \$50 for residents in certain settings (effective July 1, 2022).

Emergency Services Program (ESP): The bill funds ESP at \$6 million annually, on an ongoing basis. The current base budget for this program is a \$844,000 per year. ESP can be used for shelter operations, including transportation, childcare, mental and behavioral health care, and more.

Shelter capital: Appropriates \$1 million annually to preserve shelter infrastructure and make improvements that promote health, safety, and accessibility.

Minnesota Family Investment Program (MFIP): Indexes to inflation to ensure that this cash benefit program for families with very low incomes keeps up with the rising costs of food, housing, and other necessities. Also makes a one-time payment to MFIP recipients as they recover from the COVID-19 Pandemic.

Taxes (1st Special Session Chapter 14). The 2021 tax bill was significant as it established two new programs and authorized new uses of tax increment financing to support affordable housing.

Affordable Housing Tax Credit: Establishing the Affordable Housing Tax Credit at \$9.9 million annually for the next 6 years, making this the largest new and ongoing investment to support affordable housing development and preservation since 2013. Establishes the housing tax credit contribution fund to make grants or loans to eligible recipients for eligible single family and multifamily affordable housing developments for persons and families with low and moderate incomes (80 percent of area median income for multifamily and 115 percent of area median income for single family). Allows taxpayers to claim a credit for contributions to the housing tax credit contribution fund or contributions designated for a specific project. The credit equals 85 percent of the amount contributed in the taxable year. Stipulates set asides of the following amount: ten percent for townships and cities outside the metropolitan area with a population of less than 2,500; 35 percent for projects for persons and families at or below 50 percent of the area median income; and 25 percent for single-family housing. After September 1, any remaining financing available after these set-asides may be awarded to any project. Sunsets the credit after tax year 2028. Appropriates \$100,000 annually to Minnesota Housing for administrative and personnel costs associated with the credit.

Temporary 4d valuation reduction; study implications of rate reduction: Sets the first-tier limit for class 4d property at \$100,000 for assessment years 2022 and 2023. Beginning with assessment year 2024, the first-tier limit is annually adjusted. Requires the commissioners of revenue and housing to produce a report analyzing the impact of reducing the classification rate of the first-tier of 4d property to 0.25 percent. The report must be completed by January 15, 2022.

Historic Preservation: Extends the sunset date on the historic structure rehabilitation credit for one year.

Local Homeless Prevention Aid: Appropriates \$20 million annually for six years and provides new state aid to counties that can be used to fund family homeless prevention and assistance projects. The purpose of the aid is to ensure that no child is homeless by keeping families from losing housing and helping those experiencing homelessness find housing. Distributes aid based on the population of the county and each county's percentage share of students experiencing homelessness, except that each county must receive at least \$5,000 per year. Sunsets the program after six years. The aid will be administered by the Department of Revenue.

Property Taxes (1st Special Session Chapter 14)

Local Housing Trust Fund Pilot: Allows the cities of Minnetonka, Richfield, and St. Louis Park to transfer tax increment accumulated for housing development to the city's housing trust fund. Once transferred, increment is not subject to income or rent restrictions required for housing development under TIF laws. Increment transferred under this section may only be used to make grants, loans, and loan guarantees for the development, rehabilitation, or financing of housing, or to match other funds from federal, state, or private resources for housing projects. The authority to make transfers under this section expires December 31, 2026.

Tax Increment Financing (TIF) for single-family: Allows tax increment financing districts that have elected to increase pooling by ten percent to use the increment for owner-occupied housing meeting the requirements of a Housing TIF district, in addition to current law low-income rental housing.

Lengthens TIF five year rule: Extends the five-year rule by three years for a total of eight years for redevelopment districts that were certified after December 31, 2017 and before June 30, 2020.

POLICY CHANGES

Eviction moratorium phaseout: Voids the governor's orders (EO 20-14, 20-73, and 20-79) that prevent eviction and lease terminations during the COVID-19 Peacetime Emergency and creates an "off-ramp" for the moratorium that will leave some protections in place for 105 days, or until June 1, 2022. A tenant who owes rent or fees accrued during the peacetime emergency or phaseout period continues to owe those rents and fees. Prohibits an eviction for nonpayment of rent against a tenant who has a pending application or rental assistance from the federal COVID-19 emergency rental assistance funding.

The timing of continued protections against some evictions varies in length:

- Starting June 30: Renters who have materially violated their lease can have their lease terminated. Renters who qualify but refuse to apply for rental assistance can be evicted.
- Starting July 14: Renters who have materially violated their lease can be evicted.
- Starting August 13: A landlord can terminate a lease if a renter has not paid his or her rent and is not eligible for emergency rental assistance.
- Starting September 12: Renters who have not paid their rent and who are not eligible for emergency rental assistance can be evicted.

- Starting October 12: All lease termination and eviction protections are lifted, unless someone is eligible for emergency rental assistance and have a pending application.
- Starting June 1, 2022: All lease termination and eviction protections related to the COVID-19 pandemic are lifted.

The bill requires a landlord to provide a notice to a tenant 15 days before filing an eviction if the eviction is for nonpayment during the 105 days following enactment. The notice must inform the tenant that the governor’s eviction moratorium has ended, that they may be subject to an eviction, the amount the tenant owes, and where the tenant can get information on rental assistance. A court could stay the eviction if the notice is not provided. (1st Special Session Chapter 8)

Titling reform coop and nonprofit manufactured housing: Permits an owner of a manufactured home to title their home as real property if the land is owned by a cooperative or nonprofit. To date, manufactured homes have been treated as personal property regardless of land ownership. (1st Special Session Chapter 8)

Energy Conservation and Optimization (ECO) Act: Reorganizes and makes numerous changes to the Conservation Improvement Program (CIP), including increased utility spending on programs serving under-resourced customers and fuel switching incentives for Minnesota’s investor-owned utilities and co-ops. Requires investor-owned utilities to increase the amount of money to be spent on energy efficiency improvements for under-resourced households. (Regular Session Chapter 29)

Appraisal bias in real estate valuations: Requires a real estate property appraiser to complete a continuing education course within two years of receiving a real estate appraiser’s license that teaches how to recognize and prevent valuation bias. The bill defines valuation bias as an appraisal methodology or technique that harms a protected class, as defined by the federal Fair Housing Act of 1968. (Regular Session Chapter 16)

Sprinklers in Public Housing: Requires an automatic sprinkler system to be installed in the portions of an existing public housing building in which an automatic sprinkler system would be required if the building were constructed today. Retrofits are required by 2033. The legislation applies to all public housing building with living spaces above 75 feet, the highest reach of many fire department vehicles. (1st Special Session Chapter 10)

Capacity building grants: Adds federally recognized American Indian Tribes in Minnesota and Tribal housing corporations to the entities to whom grants for affordable housing may be made in a natural disaster area. Effective August 1, 2021. (1st Special Session Chapter 8)

Rehabilitation loans: Eliminates the limitation on rehabilitation loans that prohibits a rehabilitation loan to be made in an amount that would exceed 110 percent of a property’s market value, except in the case of accessibility improvements. Effective August 1, 2021. (1st Special Session Chapter 8)

Rehabilitation loans manufactured housing: Authorizes Minnesota Housing to make rehabilitation loans for the purpose of replacement of manufactured homes. Also increases the maximum rehabilitation loan amount to \$37,500. Effective August 1, 2021. (1st Special Session Chapter 8)

Community land trusts income limitation: Eliminates language referencing family income requirements for purposes of community land trusts in a property tax statute and clarifies the income limitation under the definition of “persons and families of low and moderate income” for purposes of community land trusts is 115 percent of the greater of state median income, or area or county median income. Effective August 1, 2021. (1st Special Session Chapter 8)

Window fall prevention device code: Specifies that window fall prevention devices are not required in one- and two- family dwellings and townhomes when windows meet certain criteria. (1st Special Session Chapter 8)

Service dog public accommodations:

Removes the requirement that a service dog must have identification from a recognized school for service animals. Clarifies that a service animal does not have to wear a physical identification about its training, and that it can be determined that it is an unfair discriminatory practice for the owner of housing to deny a person with a disability the use of a service animal even when the physical identification is not present. (1st Special Session Chapter 8)

Technical assistance: Authorizes Minnesota Housing to provide technical assistance and support to increase the capacity of entities to meet affordable housing needs. Effective August 1, 2021. (1st Special Session Chapter 8)

Greater Minnesota infrastructure grant program funding provided, bonds issued, and money appropriated

(HF430/SF1903): Created the greater Minnesota housing infrastructure grant program to provide funding for eligible workforce housing development projects outside of the metropolitan area. General obligation bonds are authorized to be issued and sold by the state to fund the grant program. Appropriated \$2.5 million of general obligation bond proceeds to the commissioner for the greater Minnesota housing infrastructure grant program.

Greater Minnesota Workforce Housing Development Program modifications, and money appropriated

(HF619/SF752) Allowed grants of up to 50 percent of the project costs, as opposed to the current requirement that grants must not exceed 25 percent of the cost. Appropriated \$6 million over the biennium.

Greater Minnesota fix up fund

(HF1916/SF1904) Appropriated \$5 million in 2022 to provide grants of up to \$200,000 to assist cities in rehabilitating housing outside the seven-county metro area.

BILLS THAT DID NOT PASS**Bills heard in both bodies****Class 4d property tax rate reduction**

(HF1157/SF316): Bill set the class rate for qualifying Class 4d properties at .25 percent, resulting in change to current law class rate for 4d property at .75 percent on the first-tier value and .25 percent of the value exceeding the first-tier amount for each unit. The 4d property tax program provides a property tax reduction for qualifying units affordable to households at 60 percent area median income. Included in the Senate Omnibus Tax Bill.

Capture of the mortgage registry and deed taxes (HF998/SF1474). Bill appears in Regular Session House Omnibus Tax bill; collected \$10 million annually from the mortgage registry and deed taxes to fund the workforce and affordable homeownership development program. Included in the House Omnibus Tax Bill.

Homeownership Education, Counseling and Training HECAT funding (HF1635/SF1928) Appropriated \$1,028,000 in fiscal year 2022 and \$1,028,000 in fiscal year 2023 are appropriated from 1the general fund to the commissioner of the Housing Finance Agency for deposit in the 1.9 housing development fund for the homeownership education, counseling, and training 1.10 program under Minnesota Statutes, section 462A.209

Bills heard only in House**Source of Income Protections (HF835):**

Amends the Minnesota Human Rights Act to prohibit discrimination in housing against an individual who is receiving public assistance. This bill was a priority for the Walz administration. Included in the House Judiciary and Civil Law Omnibus Bill.

Bring it home (HF40/SF333): This bill creates and funds a new rent assistance program administered by the Minnesota Housing Finance Agency (MHFA) designed to assist low-income individuals and families who spend more than 30 percent of their annual income on rent. Under the program, MHFA would issue grants to local housing authorities. The local housing authorities then would issue assistance to eligible persons, calculated on the difference between 30 percent of household income and the rent charged.

Naturally Occurring Affordable Housing (NOAH) (HF443/SF768): Appropriates \$50 million to Minnesota Housing to make loans or grants to certain owners of NOAH properties. The funds must be used to acquire and rehabilitate NOAH properties that are at risk of increased rents and are occupied by tenants at risk of displacement. A funding recipient is obligated through a deed restriction to maintain a NOAH property at one of three levels of affordability for at least 15 years. Included in the House Omnibus Housing Bill.

NOAH HIB Eligibility (HF1118/SF1954): Proposal would expand eligible use for HIBs to multiunit rental housing, that otherwise does not receive place-based state or federal government subsidies and where most of the units are affordable to individuals and families with incomes at or below 60 percent of area median income.

Housing discrimination testing (HF567): Appropriates \$500,000 in fiscal year 2022 from the general fund to the Minnesota Housing Finance Agency for grants to nonprofits to investigate and report on housing discrimination because of race, national origin, disability, color, creed, religion, sex, marital status, status with regard to public assistance, or familial status by conducting statewide fair housing testing.

Manufactured opportunity to purchase (HF112/SF1282): Repeals the current notice to residents and others when a manufactured home park owner is planning to offer the park for sale and replaces it with the following notice requirements: requires the owner of a manufactured home park to provide notice to the residents and the Minnesota Housing Finance Agency 60 days before accepting an offer on the property and the requirements of the notice; provides that a representative of the residents of the manufactured home park can submit an offer within 60 days of the notice and if the park owner does not accept the offer, the park owner cannot accept another offer until 31 days after notice of rejection of the residents' offer to purchase; and requires that if the residents purchase the manufactured home park that the

property be maintained as a manufactured home park or other affordable housing property for 50 years after the purchase and requires a covenant be contained in the deed that the property will meet this requirement.

Deep Affordability HIB Eligibility (HF1634/SF1586): Proposal would expand eligibility for HIBs to permanent housing affordable to households at or below 50 percent of area median income, including construction, acquisition, and rehabilitation; additional preference would be provided to housing affordable to households at or below 30 percent of area median income. Included in the House Omnibus Housing Bill.

Lead safe homes (HF616/SF1077): This bill establishes the Dustin Luke Shields Act and appropriates \$500,000 annually for grants to increase lead testing and make rental housing lead safe. Only two grants would be issued under the pilot program: one in the metropolitan area and one in greater Minnesota. Included in the House Omnibus Housing Bill.

Prohibiting certain fees and restricting entry (HF399/SF773): Bill prohibited landlords from imposing ongoing fees that do not relate to a service provided by the landlord, imposed a penalty for violating this section and restricted landlord entry into a residential unit to between 8:00 am and 8:00 pm. Included in the House Omnibus Housing Bill.

Minimum Heat and Repair Requirements (HF398/SF772): Bill required landlord to maintain a minimum temperature of 68 degrees from October 1 to April 30; additions made to list of emergency issues under Minnesota law for which tenant can petition for repair to include no working refrigerator, no working air conditioning if advertised, notice of condemnation for unsafe/unsanitary conditions, non-working elevators, and infestations; setting filing fee for emergency repairs to be the same as amount set for complaints and counter-claims.

Eviction expungement (HF265/SF771): Bill expanded discretionary and mandatory expungement eligibility. Court would be required to order an expungement when the defendant prevailed, the case is dismissed, the eviction was ordered 3 years ago or more, the parties have agreed to an expungement, or if the case settles and the defendant fulfills the terms of the settlement. Bill also required that pending cases are nonpublic until the court enters a final judgment. Included in the House Omnibus Housing Bill.

30 year covenants (HF747/SF889): Required Minnesota Housing to impose rent and/or income restrictions on a multifamily rental housing development as a condition of agency financing or of an allocation or award of federal low-income housing tax credits. The restrictions must be in a covenant running with the land for at least 30 years. Included in the House Omnibus Housing Bill.

Right to counsel in public housing (HF450/SF1290): Required the court to provide an attorney to defendants in certain types of eviction cases when the defendant lives in public housing and cannot afford an attorney. Included in the House Omnibus Housing Bill.

Bills only heard in Senate

Rent control preemption (HF2308/SF912): This bill repealed the exception to the rent control prohibition, allowing cities, counties, and towns to control rent if approved by the voters.

Housing Affordability Fund: Required Minnesota Housing to allocate at least 25 percent of the agency's housing affordability fund, or Pool 3, in FY22 and FY23 to the workforce homeownership program and the manufactured home park infrastructure grant program. Included in the Senate Omnibus Housing Bill.

Local government municipal planning and zoning controls limit (HF1840/SF915): Amended the comprehensive municipal plan, by adding a new paragraph encouraging municipalities to enact public policy to facilitate the development of unsubsidized affordable housing.

Limited regulations on residential development including prohibiting a municipality from conditioning approval of a development on the use of specific materials, designs, or other aesthetic conditions not required by State Building Code. Included in the Senate Omnibus Housing Bill.

Points for speed to build (SF916): Required Minnesota Housing to award points for all programs of the agency based on how quickly a project can be constructed. Included in the Senate Omnibus Housing Bill.

Preference for lower cost-per-unit (SF916): Amended the Tax-Exempt Bond statute to require that if there are two or more applications for residential rental projects at the same priority level and there is insufficient bonding authority, that available bonding authority be awarded by giving preference to projects with lower cost per unit instead of randomly. Included in the Senate Omnibus Housing Bill.

Down payment assistance for manufactured homes (SF1793): Required Minnesota Housing to ensure that purchasers of manufactured or modular homes are eligible for any down payment assistance program administered by the agency to the same extent as a purchaser of a single-family home or townhome. Included in the Senate Omnibus Housing Bill.