

1.1 A bill for an act

1.2 relating to economic development; providing for stimulation of the construction
1.3 industry; streamlining certain construction projects; creating a construction loan
1.4 guarantee program; authorizing green energy revenue bonds; permitting local
1.5 assessments for energy improvements; providing for home purchase loans;
1.6 providing a historic structure rehabilitation tax credit; providing a low-income
1.7 housing tax credit; appropriating money; amending Minnesota Statutes 2008,
1.8 sections 16C.16, by adding a subdivision; 429.011, by adding subdivisions;
1.9 429.021, subdivision 1; 429.031, subdivision 3; 469.176, subdivision 2, by
1.10 adding a subdivision; proposing coding for new law in Minnesota Statutes,
1.11 chapters 116J; 216C; 290; 462A.

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

1.13 Section 1. Minnesota Statutes 2008, section 16C.16, is amended by adding a
1.14 subdivision to read:

1.15 Subd. 13. **Actions related to stimulus projects.** This section applies to the
1.16 construction of a stimulus project, as defined in section 469.176, subdivision 8.

1.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

1.18 Sec. 2. **[116J.408] CONSTRUCTION CREDIT FREEZE; TEMPORARY LOAN**
1.19 **GUARANTEE ACCOUNT.**

1.20 Subdivision 1. **Findings.** The legislature finds that the construction industry in this
1.21 state is being damaged by a credit freeze imposed by private lenders. If credit is extended,
1.22 it is being extended for an amount much less than has historically been the case with
1.23 the result that there is a capital shortage to complete construction projects. The credit
1.24 freeze has resulted in the delay or cancellation of many construction projects resulting in
1.25 significant harm to the state economy, including the elimination of thousands of jobs and

2.1 the loss of significant tax revenues. A temporary state guarantee program for a portion
2.2 of a private loan may contribute to the thawing of the credit freeze to the benefit of the
2.3 state and its citizens.

2.4 Subd. 2. **Construction loan guarantee program created.** The commissioner of
2.5 employment and economic development shall administer a program under this section
2.6 to guarantee loans by a private lender for construction projects in this state that will
2.7 commence on or after July 1, 2009. A loan guarantee may not be made after December
2.8 31, 2012.

2.9 Subd. 3. **Eligible projects.** A project is eligible for a guarantee under this section if
2.10 it has a private loan commitment of \$5,000,000 or more to pay for the costs of a related
2.11 residential, commercial, industrial, or institutional construction project.

2.12 Subd. 4. **Guarantee amount limits.** A guarantee may not be made for more than 25
2.13 percent of the principal amount of the loan made by a private lender.

2.14 Subd. 5. **Loan guarantee application process.** The commissioner shall develop an
2.15 application form by which a person may apply for a loan guarantee. The application shall
2.16 request information required by the commissioner to determine whether a project loan
2.17 is eligible for a guarantee and to determine whether a guarantee should be issued. The
2.18 application may be submitted by a lender, developer, or jointly by a lender and a project
2.19 developer. The commissioner shall issue loan guarantees quarterly. The first round of
2.20 guarantees must be issued for applications submitted by June 30, 2009.

2.21 Subd. 6. **Guarantee criteria.** In issuing loan guarantees for projects, the
2.22 commissioner shall attempt to distribute the projects throughout the state. The
2.23 commissioner shall require information from an applicant concerning the number of jobs
2.24 involved in a project and the wages expected to be paid for jobs related to the project and
2.25 may consider the number of jobs created in relation to the amount of a loan guarantee.

2.26 Subd. 7. **Construction loan guarantee account.** A construction loan guarantee
2.27 account is established in the state treasury. Money in the account consists of money
2.28 appropriated to the account, interest and other earnings on money in the account, fees
2.29 credited to the account under subdivision 8, and sales and local taxes credited to the
2.30 account under subdivision 9.

2.31 Subd. 8. **Guarantee fee.** The commissioner shall charge a onetime loan guarantee
2.32 issuance fee of no more than three percent of the principal amount of the loan being
2.33 guaranteed. Fees shall be credited to the construction loan guarantee account.

2.34 Subd. 9. **Sales and use taxes.** The amount collected from taxes imposed by
2.35 chapter 297A, upon retail sales, and upon the privilege of use, storage, or consumption
2.36 in this state, of personal property and services purchased for the construction of any

3.1 project for which a loan guarantee has been made, less any refunds required by law and a
3.2 proportionate share of the cost of administration and enforcement of the assessment and
3.3 collection of the taxes, are appropriated from the general fund to the commissioner of
3.4 finance for transfer to the construction loan guarantee account at least once each year from
3.5 and after the date the guarantee was issued. The commissioner of finance shall determine
3.6 from information provided by the person to whom the loan guarantee was issued the
3.7 amount of taxes so imposed and from the information provided by the commissioner of
3.8 revenue the amount of refunds or costs to be deducted from them.

3.9 Subd. 10. **Limitation on guaranteed amount.** The amount of all guaranties under
3.10 this section must not exceed funds in the construction loan guarantee account available
3.11 to satisfy all outstanding guaranties. Unless sufficient applications are not received, no
3.12 less than 40 percent of all amounts guaranteed shall be for projects located outside the
3.13 seven-county metropolitan area. No more than \$50,000,000 may be guaranteed on any
3.14 one project.

3.15 Subd. 11. **Appropriation.** Money in the construction loan guarantee account is
3.16 appropriated to the commissioner of employment and economic development to make
3.17 payments on loan guarantees and to administer the loan guarantee program under this
3.18 section.

3.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.20 Sec. 3. **[216C.149] BONDS FOR QUALIFIED GREEN BUILDING AND**
3.21 **SUSTAINABLE DESIGN PROJECTS.**

3.22 Subdivision 1. **Definitions.** (a) For purposes of this section, the terms in this
3.23 subdivision have the meanings given them.

3.24 (b) "Commissioner" means the commissioner of commerce.

3.25 (c) "Rural area" means an area of the state outside the metropolitan area as defined
3.26 in section 473.121, subdivision 2.

3.27 Subd. 2. **Authority.** An economic development authority or port authority may
3.28 apply to the commissioner for authorization to issue revenue bonds under sections 469.152
3.29 to 469.165, either at one time or in a series from time to time, for a qualified green building
3.30 and sustainable design project that meets the criteria in subdivision 3.

3.31 Subd. 3. **Project designations.** (a) Within 60 days after the end of the nomination
3.32 period described in paragraph (c), clause (1), the commissioner shall designate qualified
3.33 green building and sustainable design projects for which bonds may be issued under
3.34 this section.

3.35 (b) The commissioner shall ensure that each designated project substantially:

- 4.1 (1) reduces consumption of electricity compared to conventional construction;
- 4.2 (2) reduces daily sulfur dioxide emissions compared to energy generated from coal;
- 4.3 (3) increases the use of solar photovoltaic cells in this state; or
- 4.4 (4) increases the use of fuel cells to generate energy.

4.5 (c) The commissioner may not designate a project under this subdivision unless:

4.6 (1) the project is nominated by an economic development authority or port authority
4.7 within 24 months of enactment of this section; and

4.8 (2) the economic development authority or port authority provides written
4.9 verification to the commissioner that the project will satisfy the eligibility criteria in
4.10 this section.

4.11 Subd. 4. **Applications.** (a) An application for designation under this section must
4.12 include a project proposal that describes the energy-efficiency, renewable energy, and
4.13 sustainable design features of the project and demonstrates that the project satisfies the
4.14 eligibility criteria in this subdivision.

4.15 (b) At least 75 percent of the square footage of commercial buildings that are
4.16 part of the project must be registered with a recognized green building rating system,
4.17 including Minnesota's B3 standards or the United States Green Building Council's LEED
4.18 certification, or in the case of residential buildings, Minnesota GreenStar rating, and must
4.19 be reasonably expected to receive the certification.

4.20 (c) The project must have commitments to be granted state or local government
4.21 resources worth at least \$500,000, including tax increment financing, tax abatement
4.22 benefits, or in-kind contributions.

4.23 (d) The project must include at least 25,000 square feet of building area, or be
4.24 located on a parcel that is at least two acres in size.

4.25 Subd. 5. **Use of bond financing.** The project proposal must include a description of
4.26 the bond financing that will be allocated for financing of one or more of the following:

4.27 (1) the purchase, construction, integration, or other use of energy-efficiency,
4.28 renewable energy, and sustainable design features of the project; or

4.29 (2) compliance with certification standards cited under subdivision 4, paragraph (b).

4.30 Subd. 6. **Employment requirements.** (a) To qualify for designation under this
4.31 section, the project must be projected to provide construction employment of at least
4.32 100 full-time equivalents, or ten full-time equivalents in rural areas, and permanent
4.33 employment of at least 250 full-time equivalents, or 25 full-time equivalents in rural
4.34 areas, when completed.

4.35 (b) The application must include an independent analysis that describes the project's
4.36 economic impact, including the amount of projected employment.

5.1 Subd. 7. **Project description.** Each application must contain for each project a
5.2 description of:

5.3 (1) the amount of electric consumption reduced as compared to conventional
5.4 construction;

5.5 (2) the amount of sulfur dioxide daily emissions reduced compared to energy
5.6 generated from coal;

5.7 (3) the amount of the gross installed capacity of the project's solar photovoltaic
5.8 capacity measured in megawatts; and

5.9 (4) the amount in megawatts of the project's energy generated by fuel cells.

5.10 Subd. 8. **Accountability.** Each bond issuer shall maintain, on behalf of each project,
5.11 an interest-bearing reserve account into which one percent of the net proceeds of any bond
5.12 issued under this section for the project is deposited. Not later than five years after the
5.13 date of issuance, the commissioner shall determine whether the project has substantially
5.14 complied with the terms and conditions described in this section. If the commissioner
5.15 certifies that the project has substantially complied with the terms and conditions and
5.16 meets the commitments in the application for the project described in this section, the
5.17 issuer must release the amount in the reserve account, including accrued interest, to
5.18 the issuer's general account. If the commissioner determines that the project has not
5.19 substantially complied with the terms and conditions, the issuer must remit the amount in
5.20 the account, including accrued interest, to the commissioner, who must deposit it in the
5.21 state treasury and credit it to the general fund.

5.22 **EFFECTIVE DATE.** This section is effective for bonds issued after June 30, 2009.

5.23 Sec. 4. **[290.0681] CREDIT FOR HISTORIC STRUCTURE REHABILITATION.**

5.24 Subdivision 1. **Definitions.** (a) For purposes of this section, the terms in this
5.25 subdivision have the meanings given them.

5.26 (b) "Certified historic structure" means a property located in Minnesota and listed
5.27 individually on the National Register of Historic Places or a historic property designated
5.28 by either a certified local government or a heritage preservation commission created
5.29 under the National Historic Preservation Act of 1966 and whose designation is approved
5.30 by the state historic preservation officer.

5.31 (c) "Eligible property" means a certified historic structure or a structure in a certified
5.32 historic district that is offered or used for residential or business purposes.

5.33 (d) "Structure in a certified historic district" means a structure located in Minnesota
5.34 that is certified by the State Historic Preservation Office as contributing to the historic

6.1 significance of a certified historic district listed on the National Register of Historic Places
6.2 or a local district that has been certified by the United States Department of the Interior.

6.3 Subd. 2. **Credit allowed.** A taxpayer who incurs costs for the rehabilitation of
6.4 eligible property may take a credit against the tax imposed under this chapter in an amount
6.5 equal to 25 percent of the total costs of rehabilitation. Costs of rehabilitation include,
6.6 but are not limited to, qualified rehabilitation expenditures as defined under section
6.7 47(c)(2)(A) of the Internal Revenue Code, provided that the costs of rehabilitation must
6.8 exceed 50 percent of the total basis in the property at the time the rehabilitation activity
6.9 begins and the rehabilitation must meet standards consistent with the standards of the
6.10 Secretary of the Interior for rehabilitation as determined by the State Historic Preservation
6.11 Office of the Minnesota Historical Society.

6.12 Subd. 3. **Carryback and carryforward.** If the amount of the credit under
6.13 subdivision 2 exceeds the tax liability under this chapter for the year in which the cost is
6.14 incurred, the amount that exceeds the tax liability may be carried back to any of the three
6.15 preceding taxable years or carried forward to each of the ten taxable years succeeding the
6.16 taxable year in which the expense was incurred. The entire amount of the credit must
6.17 be carried to the earliest taxable year to which the amount may be carried. The unused
6.18 portion of the credit must be carried to the following taxable year.

6.19 Subd. 4. **Partnerships; multiple owners; transfers.** (a) Credits granted to a
6.20 partnership, a limited liability company taxed as a partnership, or multiple owners of
6.21 property shall be passed through to the partners, members, or owners, respectively, pro
6.22 rata or pursuant to an executed agreement among the partners, members, or owners
6.23 documenting an alternate distribution method.

6.24 (b) Taxpayers eligible for credits may transfer, sell, or assign the credits in whole
6.25 or part. Any assignee may use acquired credits to offset up to 100 percent of the taxes
6.26 otherwise imposed by this chapter. The assignee shall perfect a transfer by notifying the
6.27 Department of Revenue in writing within 30 calendar days following the effective date
6.28 of the transfer in a form and manner as prescribed by the Department of Revenue. The
6.29 proceeds of any sale or assignment of a credit is exempt from taxation under this chapter.

6.30 Subd. 5. **Process.** To claim the credit, the taxpayer must apply to the State Historic
6.31 Preservation Office of the Minnesota Historical Society before a historic rehabilitation
6.32 project begins. The State Historic Preservation Office shall determine the amount of
6.33 eligible rehabilitation costs and whether the rehabilitation meets the standards of the
6.34 United States Department of the Interior. The State Historic Preservation Office shall issue
6.35 certificates verifying eligibility for and the amount of credit. The taxpayer shall attach
6.36 the certificate to any income tax return on which the credit is claimed. The State Historic

7.1 Preservation Office of the Minnesota Historical Society may collect fees for applications
7.2 for the historic preservation tax credit. Fees shall be set at an amount that does not exceed
7.3 the costs of administering the tax credit program.

7.4 Subd. 6. **Mortgage certificates; credit for lending institutions.** (a) The taxpayer
7.5 may elect, in lieu of the credit otherwise allowed under this section, to receive a historic
7.6 rehabilitation mortgage credit certificate.

7.7 (b) For purposes of this subdivision, a historic rehabilitation mortgage credit is a
7.8 certificate that is issued to the taxpayer according to procedures prescribed by the State
7.9 Historic Preservation Office with respect to the certified rehabilitation and meets the
7.10 requirements of this paragraph. The face amount of the certificate must be equal to
7.11 the credit that would be allowable under subdivision 2 to the taxpayer with respect to
7.12 the rehabilitation. The certificate may only be transferred by the taxpayer to a lending
7.13 institution, including a nondepository home mortgage lending institution, in connection
7.14 with a loan:

7.15 (1) that is secured by the building with respect to which the credit is issued; and

7.16 (2) the proceeds of which may not be used for any purpose other than the acquisition
7.17 or rehabilitation of the building.

7.18 (c) In exchange for the certificate, the lending institution must provide to the
7.19 taxpayer an amount equal to the face amount of the certificate discounted by the amount
7.20 by which the federal income tax liability of the lending institution is increased due to its
7.21 use of the certificate in the manner provided in this section. That amount must be applied,
7.22 as directed by the taxpayer, in whole or in part, to reduce:

7.23 (1) the principal amount of the loan;

7.24 (2) the rate of interest on the loan; or

7.25 (3) the taxpayer's cost of purchasing the building, but only in the case of a qualified
7.26 historic home that is located in a poverty-impacted area as designated by the State Historic
7.27 Preservation Office.

7.28 (d) The lending institution may take as a credit against the tax due under this chapter
7.29 an amount equal to the amount specified in the certificate. If the amount of the discount
7.30 retained by the lender exceeds the amount by which the lending institution's federal
7.31 income tax liability is increased due to the use of a mortgage credit certificate, the excess
7.32 shall be refunded to the borrower with interest at the rate prescribed by the State Historic
7.33 Preservation Office. The lending institution may carry forward all unused credits under
7.34 this subdivision until exhausted. Nothing in this subdivision requires a lending institution
7.35 to accept a historic rehabilitation certificate from any person.

8.1 Subd. 7. National landmarks. Notwithstanding subdivision 2, the rehabilitation
8.2 of a property designated as a National Historic Landmark on the National Register of
8.3 Historic Places shall be eligible for the credit under this section provided that:

8.4 (1) renovation of the specific property, designated as a National Historic Landmark,
8.5 without regard to its being part of a larger project, is consistent with the standards set forth
8.6 in section 47(c) of the Internal Revenue Code;

8.7 (2) any project of which the National Historic Landmark is a part has received the
8.8 approval of any local heritage preservation commission under section 471.193, with
8.9 review jurisdiction, or, if there is no applicable local heritage preservation commission,
8.10 the Minnesota State Historic Preservation Officer; and

8.11 (3) all other requirements of this section are met.

8.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
8.13 December 31, 2008.

8.14 Sec. 5. **[290.0682] LOW-INCOME HOUSING CREDIT.**

8.15 Subdivision 1. Definitions. For purposes of this section, the following terms have
8.16 the meanings given.

8.17 (a) "Agency" means the Minnesota Housing Finance Agency.

8.18 (b) "Applicable percentage" means the appropriate percentage prescribed by the
8.19 secretary of the treasury for the type of building for purposes of section 42 of the Internal
8.20 Revenue Code for the month that is the earlier of:

8.21 (1) the month in which the eligible low-income project is placed in service; or

8.22 (2) at the election of the taxpayer, the month in which the taxpayer and the agency or
8.23 suballocator enter into an agreement with respect to the building, which is binding on the
8.24 agency or suballocator, the taxpayer, and all successors in interest, as to the housing credit
8.25 dollar amount to be allocated to the project.

8.26 A month may be elected under clause (2) only if the election is made not later than
8.27 the fifth day after the close of the month. The election, once made, is irrevocable.

8.28 If, as of the close of a taxable year in the credit period, the qualified basis of an
8.29 eligible low-income building exceeds the basis as of the close of the first year of the credit
8.30 period, the applicable percentage that applies to the excess is two-thirds of the applicable
8.31 percentage originally ascribed to the building.

8.32 (c) "Compliance period" means the period of 15 taxable years beginning with the
8.33 first taxable year of the credit period with respect to a building.

8.34 (d) "Credit period" means, with respect to any eligible low-income project, the
8.35 period of ten taxable years beginning with:

9.1 (1) the taxable year in which the project is placed in service; or

9.2 (2) at the election of the taxpayer, the succeeding taxable year, but only if the
9.3 project is an eligible low-income project as of the close of the first year of the period.
9.4 The election, once made, is irrevocable.

9.5 (e) "Eligibility statement" means a statement issued by the agency or the suballocator
9.6 certifying that a project is an eligible low-income housing project. The statement must
9.7 set forth the taxable year in which the project is placed in service, the dollar amount
9.8 of low-income housing credit allocated to the project as provided in subdivision 5, the
9.9 applicable percentage and maximum qualified basis with respect to the project taken
9.10 into account in determining the dollar amount, sufficient information to identify each
9.11 project and the taxpayer or taxpayers who may claim a credit for each project, and other
9.12 information as the agency, in consultation with the commissioners of revenue and finance,
9.13 prescribe. The statement must be first issued following the close of the first taxable year in
9.14 the credit period, and thereafter, to the extent required by the commissioners of revenue
9.15 and finance, following the close of each taxable year of the compliance period.

9.16 (f) "Eligible low-income housing project" or "project" means a housing project
9.17 located in this state that is a qualified low-income project as defined in section 42(c) of
9.18 the Internal Revenue Code and that has been allocated federal low-income housing tax
9.19 credits from the agency or a suballocator.

9.20 (g) "Low-income project" means a project that has received an allocation of federal
9.21 nine percent low-income housing credits for the applicable year.

9.22 (h) "Qualified basis" of an eligible low-income housing project means the qualified
9.23 basis of the building determined under section 42(c) of the Internal Revenue Code.

9.24 (i) "Suballocator" means an allocator of low-income housing credits other than the
9.25 agency, as provided in section 462A.222.

9.26 (j) Terms not otherwise defined in this subdivision have the meanings provided in
9.27 section 42 of the Internal Revenue Code.

9.28 Subd. 2. **Allowance.** A taxpayer that owns an interest in one or more eligible
9.29 low-income housing projects shall be allowed a credit against the tax imposed under
9.30 this chapter for the amount of low-income housing credit allocated by the agency or a
9.31 suballocator to the project. The credit amount allocated shall be allowed as a credit against
9.32 the tax for the ten taxable years in the credit period, provided the credit allowable for the
9.33 first taxable year of the credit period for any project shall be adjusted as provided in section
9.34 42(f)(2) of the Internal Revenue Code and any reduction in first-year credit by reason of
9.35 the adjustment shall be allowable for the first taxable year following the credit period.

10.1 Subd. 3. **Amount of credit.** Except as provided in subdivisions 4 and 5, the amount
10.2 of low-income housing credit shall be the applicable percentage multiplied by the qualified
10.3 basis of each eligible low-income project.

10.4 Subd. 4. **Statewide limitation.** The aggregate dollar amount of credit available for
10.5 eligible low-income housing projects under this section is one-half the dollar amount of
10.6 the federal low-income housing tax credits allocated to the state in any year. The annual
10.7 amount of low-income credit shall be allocated between the agency and suballocators
10.8 in the same proportion as provided for federal credits and the allocation process shall
10.9 be as provided in section 462A.222. The state credit need not be allocated in the same
10.10 proportion among eligible low-income projects as the federal credit. The limitation
10.11 provided by this subdivision applies only to allocation of the annual aggregate dollar
10.12 amount of credit to be allocated by the agency and the suballocators, and does not apply
10.13 to allowance to a taxpayer of the credit with respect to an eligible low-income building
10.14 for each year of the credit period.

10.15 Subd. 5. **Project allocation limitation.** The dollar amount of credit allocated to
10.16 any project must not exceed the amount the agency and the suballocators determine is
10.17 necessary for the financial feasibility of the project as an eligible low-income project
10.18 throughout the credit period. In allocating a dollar amount of credit to any eligible
10.19 low-income project, the agency and suballocators must specify the applicable percentage
10.20 and the maximum qualified basis that may be taken into account under this section with
10.21 respect to the project. The applicable percentage and the maximum qualified basis for a
10.22 project must not exceed the amounts determined under this subdivision.

10.23 Subd. 6. **Long-term commitment to low-income housing required.** No credit
10.24 shall be allowed under this section with respect to a project or the taxable year, unless an
10.25 extended low-income housing commitment is in effect as of the end of the taxable year.
10.26 In this subdivision, the term "extended low-income housing commitment" means an
10.27 agreement between the taxpayer and the agency or suballocator, substantially similar to
10.28 the agreement specified in section 42(h)(6)(B) of the Internal Revenue Code.

10.29 Subd. 7. **Credit to successor owner.** If a credit is allowed under this section to an
10.30 eligible low-income housing project and the project or an interest in it is sold during the
10.31 credit period, the credit for the period after the sale that would have been allowable to the
10.32 prior owner had the project not been sold shall be allowable to the new owner. Credit for
10.33 the year of sale shall be allocated between the parties on the basis of the number of days
10.34 during the year that the project interest was held by each.

10.35 Subd. 8. **Project monitoring.** The agency shall establish procedures it deems
10.36 necessary for monitoring compliance of all eligible low-income projects with the

11.1 provisions of this section and section 42 of the Internal Revenue Code and for notifying
11.2 the commissioners of revenue and finance of any known noncompliance. The procedure
11.3 shall utilize existing procedures for monitoring the federal low-income housing tax credit
11.4 compliance with section 42 of the Internal Revenue Code.

11.5 Subd. 9. **Credit recapture.** If, as of the close of any taxable year in the compliance
11.6 period, the amount of the qualified basis of any low-income housing project for the
11.7 taxpayer is less than the amount of the basis as of the close of the preceding taxable
11.8 year, the credit under this section may be recaptured under a procedure to be established
11.9 by the commissioner of revenue.

11.10 Subd. 10. **Education and promotion.** The agency, in cooperation with the
11.11 suballocators, shall conduct a series of educational seminars and promotional events
11.12 targeted to corporations with major operations in Minnesota to inform potentially
11.13 interested purchasers of the state credit regarding the program and shall facilitate and
11.14 encourage creation of state credit buyer pools to acquire federal and state credits in
11.15 Minnesota.

11.16 **EFFECTIVE DATE.** This section is effective the day following final enactment,
11.17 provided that the tax credits are effective for taxable years beginning after December
11.18 31, 2009.

11.19 Sec. 6. Minnesota Statutes 2008, section 429.011, is amended by adding a subdivision
11.20 to read:

11.21 Subd. 2c. **Municipality, energy conservation improvements.** For purposes
11.22 of construction, improvement, alteration, and reconstruction of an on-site energy
11.23 conservation system, a municipality may provide the improvements through and impose
11.24 special assessments upon the request of a port authority, economic development authority,
11.25 industrial development authority, or housing and redevelopment authority.

11.26 Sec. 7. Minnesota Statutes 2008, section 429.011, is amended by adding a subdivision
11.27 to read:

11.28 Subd. 17. **On-site energy conservation improvements.** "On-site energy
11.29 conservation improvement" means any type of active or passive improvement, including
11.30 insulation; windows or doors; heating, cooling, or other building systems; lighting
11.31 systems; energy-related process or manufacturing changes; energy demand monitoring
11.32 and regulation equipment; and any other type of device, improvement, or equipment
11.33 installed in a building for the primary purpose of reduction in the use of energy in the

12.1 building, whether the devices, equipment, or improvements so installed are publicly
12.2 or privately owned.

12.3 Sec. 8. Minnesota Statutes 2008, section 429.021, subdivision 1, is amended to read:

12.4 Subdivision 1. **Improvements authorized.** The council of a municipality shall have
12.5 power to make the following improvements:

12.6 (1) To acquire, open, and widen any street, and to improve the same by constructing,
12.7 reconstructing, and maintaining sidewalks, pavement, gutters, curbs, and vehicle parking
12.8 strips of any material, or by grading, graveling, oiling, or otherwise improving the same,
12.9 including the beautification thereof and including storm sewers or other street drainage
12.10 and connections from sewer, water, or similar mains to curb lines.

12.11 (2) To acquire, develop, construct, reconstruct, extend, and maintain storm and
12.12 sanitary sewers and systems, including outlets, holding areas and ponds, treatment plants,
12.13 pumps, lift stations, service connections, and other appurtenances of a sewer system,
12.14 within and without the corporate limits.

12.15 (3) To construct, reconstruct, extend, and maintain steam heating mains.

12.16 (4) To install, replace, extend, and maintain street lights and street lighting systems
12.17 and special lighting systems.

12.18 (5) To acquire, improve, construct, reconstruct, extend, and maintain water works
12.19 systems, including mains, valves, hydrants, service connections, wells, pumps, reservoirs,
12.20 tanks, treatment plants, and other appurtenances of a water works system, within and
12.21 without the corporate limits.

12.22 (6) To acquire, improve and equip parks, open space areas, playgrounds, and
12.23 recreational facilities within or without the corporate limits.

12.24 (7) To plant trees on streets and provide for their trimming, care, and removal.

12.25 (8) To abate nuisances and to drain swamps, marshes, and ponds on public or private
12.26 property and to fill the same.

12.27 (9) To construct, reconstruct, extend, and maintain dikes and other flood control
12.28 works.

12.29 (10) To construct, reconstruct, extend, and maintain retaining walls and area walls.

12.30 (11) To acquire, construct, reconstruct, improve, alter, extend, operate, maintain, and
12.31 promote a pedestrian skyway system. Such improvement may be made upon a petition
12.32 pursuant to section 429.031, subdivision 3.

12.33 (12) To acquire, construct, reconstruct, extend, operate, maintain, and promote
12.34 underground pedestrian concourses.

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13.1 (13) To acquire, construct, improve, alter, extend, operate, maintain, and promote
13.2 public malls, plazas or courtyards.

13.3 (14) To construct, reconstruct, extend, and maintain district heating systems.

13.4 (15) To construct, reconstruct, alter, extend, operate, maintain, and promote fire
13.5 protection systems in existing buildings, but only upon a petition pursuant to section
13.6 429.031, subdivision 3.

13.7 (16) To acquire, construct, reconstruct, improve, alter, extend, and maintain highway
13.8 sound barriers.

13.9 (17) To improve, construct, reconstruct, extend, and maintain gas and electric
13.10 distribution facilities owned by a municipal gas or electric utility.

13.11 (18) To purchase, install, and maintain signs, posts, and other markers for addressing
13.12 related to the operation of enhanced 911 telephone service.

13.13 (19) To improve, construct, extend, and maintain facilities for Internet access and
13.14 other communications purposes, if the council finds that:

13.15 (i) the facilities are necessary to make available Internet access or other
13.16 communications services that are not and will not be available through other providers or
13.17 the private market in the reasonably foreseeable future; and

13.18 (ii) the service to be provided by the facilities will not compete with service provided
13.19 by private entities.

13.20 (20) To assess affected property owners for all or a portion of the costs agreed to
13.21 with an electric utility, telecommunications carrier, or cable system operator to bury or
13.22 alter a new or existing distribution system within the public right-of-way that exceeds the
13.23 utility's design and construction standards, or those set by law, tariff, or franchise, but only
13.24 upon petition under section 429.031, subdivision 3.

13.25 (21) To construct, reconstruct, improve, alter, and maintain on-site energy
13.26 conservation improvements in existing buildings, but only upon a petition under section
13.27 429.031, subdivision 3. The activities under this clause may also be undertaken by a port
13.28 authority, economic development authority, industrial development authority, or housing
13.29 and redevelopment authority, and the municipality may act on the request of those entities
13.30 in imposing special assessments.

13.31 Sec. 9. Minnesota Statutes 2008, section 429.031, subdivision 3, is amended to read:

13.32 Subd. 3. **Petition by all owners.** Whenever all owners of real property abutting
13.33 upon any street named as the location of any improvement shall petition the council
13.34 to construct the improvement and to assess the entire cost against their property, the
13.35 council may, without a public hearing, adopt a resolution determining such fact and

14.1 ordering the improvement. The validity of the resolution shall not be questioned by
14.2 any taxpayer or property owner or the municipality unless an action for that purpose
14.3 is commenced within 30 days after adoption of the resolution as provided in section
14.4 429.036. Nothing herein prevents any property owner from questioning the amount
14.5 or validity of the special assessment against the owner's property pursuant to section
14.6 429.081. In the case of a petition for the municipality to own and install a fire protection
14.7 system, a pedestrian skyway system, on-site energy conservation improvements, or
14.8 on-site water contaminant improvements, the petition must contain or be accompanied
14.9 by an undertaking satisfactory to the city by the petitioner that the petitioner will grant
14.10 the municipality the necessary property interest in the building to permit the city to enter
14.11 upon the property and the building to construct, maintain, and operate the fire protection
14.12 system, pedestrian skyway system, on-site energy conservation improvements, or on-site
14.13 water contaminant improvements. In the case of a petition for the installation of a
14.14 privately owned fire protection system, a privately owned pedestrian skyway system,
14.15 privately owned on-site energy conservation improvements, or privately owned on-site
14.16 water contaminant improvements, the petition shall contain the plans and specifications
14.17 for the improvement, the estimated cost of the improvement and a statement indicating
14.18 whether the city or the owner will contract for the construction of the improvement. If the
14.19 owner is contracting for the construction of the improvement, the city shall not approve
14.20 the petition until it has reviewed and approved the plans, specifications, and cost estimates
14.21 contained in the petition. The construction cost financed under section 429.091 shall not
14.22 exceed the amount of the cost estimate contained in the petition. In the case of a petition
14.23 for the installation of a fire protection system, a pedestrian skyway system, on-site energy
14.24 conservation improvements, or on-site water contaminant improvements, the petitioner
14.25 may request abandonment of the improvement at any time after it has been ordered
14.26 pursuant to subdivision 1 and before contracts have been awarded for the construction of
14.27 the improvement under section 429.041, subdivision 2. If such a request is received, the
14.28 city council shall abandon the proceedings but in such case the petitioner shall reimburse
14.29 the city for any and all expenses incurred by the city in connection with the improvement.

14.30 **Sec. 10. [462A.2094] TAX CREDIT ADVANCE LOAN PROGRAM FOR**
14.31 **FIRST-TIME HOMEBUYERS.**

14.32 (a) The agency must develop the tax credit advance loan program for first time
14.33 homebuyers. The program provides loans to first-time homebuyers equal to the anticipated
14.34 amount of the federal first-time homebuyer credit which the homebuyer is eligible to
14.35 receive. The maximum tax credit advance loan is the lesser of (i) 10 percent of the

15.1 purchase price of the home, or (ii) \$8,000. The agency may charge reasonable servicing
15.2 fees associated with issuing and administering tax credit advance loans. The agency
15.3 may only issue loans under this program when the federal first-time homebuyer credit is
15.4 in effect.

15.5 (b) For purposes of this section, "federal first-time homebuyer credit" means the
15.6 credit allowed under section 36 of the Internal Revenue Code, and "first-time homebuyer"
15.7 has the meaning given in section 36 of the Internal Revenue Code.

15.8 (c) To be eligible for a tax credit advance loan, a first-time homebuyer must

15.9 (i) meet the eligibility requirements for the federal first time homebuyer credit;

15.10 (ii) use the tax credit advance loan in conjunction with a conventional loan at a
15.11 30-year fixed rate mortgage to buy a home; and

15.12 (iii) agree to apply for the federal first-time homebuyer credit and use the credit
15.13 refund to repay the tax credit advance loan.

15.14 (d) The tax credit advance loan agreement between the agency and the homebuyer
15.15 must include

15.16 (i) a statement of servicing fees associated with the loan; and

15.17 (ii) a schedule of principal and interest payments that will be due over a ten year
15.18 period if the homebuyer does not repay the loan by June 30 of the calendar year following
15.19 the year in which the loan is received.

15.20 (e) If the homebuyer applies for a federal first-time homebuyer credit and repays
15.21 the tax credit advance loan on or before June 30 of the calendar year following the year
15.22 in which the tax credit advance loan is received, there is no interest on the loan. If the
15.23 homebuyer does not repay the tax credit advance loan on or before June 30 of the calendar
15.24 year following the calendar year in which the tax credit advance loan is received, the
15.25 homebuyer must make principal and interest payments over a ten year period to repay the
15.26 loan, with the interest rate equal to the rate in the 30 year conventional mortgage entered
15.27 into in conjunction with the tax credit advance loan.

15.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

15.29 Sec. 11. Minnesota Statutes 2008, section 469.176, subdivision 2, is amended to read:

15.30 Subd. 2. **Excess increments.** (a) The authority shall annually determine the amount
15.31 of excess increments for a district, if any. This determination must be based on the tax
15.32 increment financing plan in effect on December 31 of the year and the increments and
15.33 other revenues received as of December 31 of the year. The authority must spend or return
15.34 the excess increments under paragraph (c) within nine months after the end of the year.

15.35 (b) For purposes of this subdivision, "excess increments" equals the excess of:

16.1 (1) total increments collected from the district since its certification, reduced by any
16.2 excess increments paid under paragraph (c), clause (4), for a prior year, over

16.3 (2) the total costs authorized by the tax increment financing plan to be paid with
16.4 increments from the district, reduced, but not below zero, by the sum of:

16.5 (i) the amounts of those authorized costs that have been paid from sources other than
16.6 tax increments from the district;

16.7 (ii) revenues, other than tax increments from the district, that are dedicated for or
16.8 otherwise required to be used to pay those authorized costs and that the authority has
16.9 received and that are not included in item (i);

16.10 (iii) the amount of principal and interest obligations due on outstanding bonds after
16.11 December 31 of the year and not prepaid under paragraph (c) in a prior year; and

16.12 (iv) increased by the sum of the transfers of increments made under section 469.1763,
16.13 subdivision 6, to reduce deficits in other districts made by December 31 of the year.

16.14 (c) The authority shall use excess increment only to do one or more of the following:

16.15 (1) prepay any outstanding bonds;

16.16 (2) discharge the pledge of tax increment for any outstanding bonds;

16.17 (3) pay into an escrow account dedicated to the payment of any outstanding bonds; ~~or~~

16.18 (4) pay or reimburse eligible project costs for a stimulus project certified by the
16.19 authority as defined in section 469.176, subdivision 8, paragraph (b); or

16.20 (5) return the excess amount to the county auditor who shall distribute the excess
16.21 amount to the city or town, county, and school district in which the tax increment financing
16.22 district is located in direct proportion to their respective local tax rates.

16.23 (d) For purposes of a district for which the request for certification was made prior to
16.24 August 1, 1979, excess increments equal the amount of increments on hand on December
16.25 31, less the principal and interest obligations due on outstanding bonds or advances,
16.26 qualifying under subdivision 1c, clauses (1), (2), (4), and (5), after December 31 of the
16.27 year and not prepaid under paragraph (c).

16.28 (e) The county auditor must report to the commissioner of education the amount of
16.29 any excess tax increment distributed to a school district within 30 days of the distribution.

16.30 (f) For purposes of this subdivision, "outstanding bonds" means bonds which are
16.31 secured by increments from the district.

16.32 (g) The state auditor may exempt an authority from reporting the amounts calculated
16.33 under this subdivision for a calendar year, if the authority certifies to the auditor in
16.34 its report that the total amount authorized by the tax increment plan to be paid with
16.35 increments from the district exceeds the sum of the total increments collected for the
16.36 district for all years by 20 percent.

17.1 Sec. 12. Minnesota Statutes 2008, section 469.176, is amended by adding a subdivision
17.2 to read:

17.3 Subd. 8. **Economic stimulus projects.** (a) In connection with a stimulus project,
17.4 the authority may extend by ten years the duration limits in subdivision 1b, paragraph (a),
17.5 for any district for which the request for certification was made after July 31, 1979, and
17.6 before January 1, 2013, to pay expenditures relating to a stimulus project.

17.7 (b) A "stimulus project" means any capital project, the construction of which
17.8 commences not later than December 31, 2012, determined to create or retain jobs in the
17.9 state, including construction jobs, by the governing body of the municipality in which the
17.10 project is located.

17.11 Sec. 13. **EXTENSION OF CERTAIN ECONOMIC DEVELOPMENT-RELATED**
17.12 **PERMITS.**

17.13 Notwithstanding any law, rule, or local ordinance or regulation to the contrary, the
17.14 expiration date of a permit for an economic development project or subdivision approved
17.15 under Minnesota Statutes, section 326B.121, subdivision 2, or Minnesota Statutes,
17.16 sections 462.351 to 462.364, that has not expired before the effective date of this section is
17.17 extended for one year beyond its original expiration date.

17.18 **EFFECTIVE DATE.** This section is effective the day following final enactment.