

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
1.4 loan guarantee program; authorizing green energy revenue bonds; permitting
1.5 local assessments for energy improvements; providing for home purchase
1.6 loans; providing tax abatement for newly constructed residential structures in
1.7 flood-damaged areas; providing a low-income housing tax credit; appropriating
1.8 money; amending Minnesota Statutes 2008, sections 16C.16, by adding a
1.9 subdivision; 429.011, by adding subdivisions; 429.021, subdivision 1; 429.031,
1.10 subdivision 3; 462A.21, by adding a subdivision; 469.153, subdivision 2;
1.11 469.176, subdivision 2, by adding a subdivision; proposing coding for new law
1.12 in Minnesota Statutes, chapters 116J; 290; 462A; 469.

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

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

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

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

1.19 Sec. 2. **[116J.408] TEMPORARY LOAN GUARANTEE ACCOUNT.**

1.20 Subdivision 1. **Construction loan guarantee program created.** The commissioner
1.21 of employment and economic development shall administer a program under this section
1.22 to guarantee loans by a private lender for construction projects in this state that will
1.23 commence on or after July 1, 2009. A loan guarantee may not be made after December
1.24 31, 2012.

2.1 Subd. 2. **Eligible projects.** A project is eligible for a guarantee under this section if
2.2 it has a private loan commitment of \$5,000,000 or more to pay for the costs of a related
2.3 residential, commercial, industrial, or institutional construction project.

2.4 Subd. 3. **Guarantee amount limits.** A guarantee may not be made for more than 25
2.5 percent of the principal amount of the loan made by a private lender.

2.6 Subd. 4. **Loan guarantee application process.** The commissioner shall develop
2.7 an application form by which a person may apply for a loan guarantee. The application
2.8 shall request information required by the commissioner to determine whether a project
2.9 loan is eligible for a guarantee and to determine whether a guarantee should be issued.
2.10 The application must be submitted jointly by a lender and a project developer. The
2.11 commissioner shall issue loan guarantees quarterly. The first round of guarantees must be
2.12 issued for applications submitted by June 30, 2009.

2.13 Subd. 5. **Guarantee criteria.** (a) In issuing loan guarantees for projects,
2.14 the commissioner shall attempt to distribute the projects throughout the state. The
2.15 commissioner shall require information from an applicant concerning the number of jobs
2.16 involved in a project and the wages expected to be paid for jobs related to the project and
2.17 may consider the number of jobs created in relation to the amount of a loan guarantee.

2.18 (b) The ability of the borrower to repay the loan from cash flow of the project is the
2.19 primary consideration in deciding whether to issue a loan guarantee. A comprehensive
2.20 source of standard financial ratios and financial statistics must be compared to companies
2.21 in the same industry. Other criteria, including audited financial statements, management
2.22 capability, collateral, and owner's equity contribution, are important considerations,
2.23 consistent with normal bank underwriting standards.

2.24 (c) The lender must certify that the state guarantee is necessary for the construction
2.25 project to proceed and that without the guarantee the loan as described in the application
2.26 will not be made.

2.27 Subd. 6. **Construction loan guarantee account.** A construction loan guarantee
2.28 account is established in the state treasury. Money in the account consists of money
2.29 appropriated to the account, interest and other earnings on money in the account, fees
2.30 credited to the account under subdivision 7, sales and local taxes credited to the account
2.31 under subdivision 8, and money received from any other source.

2.32 Subd. 7. **Guarantee fee.** The commissioner shall charge a onetime loan guarantee
2.33 issuance fee of no more than three percent of the principal amount of the loan being
2.34 guaranteed. Fees must be credited to the construction loan guarantee account.

2.35 Subd. 8. **Sales and use taxes.** The amount collected from taxes imposed by
2.36 chapter 297A, upon retail sales, and upon the privilege of use, storage, or consumption

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

3.10 Subd. 9. **Limitation on guaranteed amount.** The amount of all guaranties under
3.11 this section must not exceed money in the construction loan guarantee account available
3.12 to satisfy all outstanding guaranties. Unless sufficient applications are not received, no
3.13 less than 40 percent of all amounts guaranteed must be for projects located outside the
3.14 seven-county metropolitan area. A guarantee may not exceed \$50,000,000 on any one
3.15 project.

3.16 Subd. 10. **Appropriation.** Money in the construction loan guarantee account is
3.17 appropriated to the commissioner of employment and economic development to make
3.18 payments on loan guarantees and to administer the loan guarantee program under this
3.19 section.

3.20 Subd. 11. **Repayment to general fund.** The commissioner must annually,
3.21 commencing on July 1, 2013, transfer to the general fund any money in the construction
3.22 loan guarantee account that the commissioner determines is not needed to satisfy the
3.23 obligations of the account.

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

3.25 **Sec. 3. [290.0682] LOW-INCOME HOUSING CREDIT.**

3.26 Subdivision 1. **Definitions.** For purposes of this section, unless the context clearly
3.27 requires otherwise, the following terms have the meanings given.

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

3.29 (b) "Commissioner" means the commissioner of revenue.

3.30 (c) "Compliance period" means the period of 15 taxable years beginning with the
3.31 first taxable year the credit is claimed under this section.

3.32 (d) "Eligibility statement" means a statement authorized and issued by the agency
3.33 certifying that a project is a qualified Minnesota project. The eligibility statement must
3.34 specify the maximum annual amount of the credit authorized for the project. The agency
3.35 shall only authorize tax credits to qualified Minnesota projects that are placed in service

4.1 on or after January 1, 2010. The agency shall issue the eligibility statement for any
4.2 suballocator within ten days of a request for a qualified Minnesota project.

4.3 (e) "Federal Low-Income Housing Tax Credit" means the federal tax credit as
4.4 provided in section 42 of the Internal Revenue Code.

4.5 (f) "Low-income project" is a qualified low-income housing project, as defined in
4.6 section 42 of the Internal Revenue Code that has restricted rents that do not exceed 30
4.7 percent of applicable imputed income limitation under section 42 of the Internal Revenue
4.8 Code, for at least 40 percent of its units occupied by persons or families having income of
4.9 60 percent or less of the median income, or at least 20 percent of the units occupied by
4.10 persons or families having income of 50 percent or less of the median income.

4.11 (g) "Median income" means the area median gross income as provided in section
4.12 42 of the Internal Revenue Code, and which is determined by the federal Department of
4.13 Housing and Urban Development guidelines and adjusted for family size.

4.14 (h) "Qualified Minnesota project" means a qualified low-income housing project
4.15 as that term is defined in section 42 of the Internal Revenue Code that is located in
4.16 Minnesota, that:

4.17 (1) meets the requirements of this section;

4.18 (2) has been allocated federal low-income housing tax credits by the agency or
4.19 a suballocator;

4.20 (3) has been allocated Minnesota low-income housing tax credits by the agency or
4.21 a suballocator; and

4.22 (4) whose owner enters into a regulatory agreement with the agency or the
4.23 suballocator enforceable by state and local agencies.

4.24 (i) "Regulatory agreement" means an agreement between the owner of the qualified
4.25 Minnesota project and the agency or suballocator and recorded as an affordable housing
4.26 restriction on the real property on which the qualified Minnesota project is located, that
4.27 requires the project to be operated in accordance with the requirements of this section for
4.28 not less than 30 years from the expiration date of the compliance period. The agreement
4.29 may be subordinated to the lien of a bank or other institutional lender providing financing
4.30 to the qualified Minnesota project upon the request of the bank or lender.

4.31 (j) "Suballocator" means an allocator of low-income federal housing credits and
4.32 credits under this section, other than the agency, as provided in section 462A.222.

4.33 (k) "Taxpayer" means a person, firm, partnership, or other entity subject to the
4.34 income tax imposed by the provisions of this chapter.

4.35 (l) Terms not otherwise defined in this subdivision have the meanings provided in
4.36 section 42 of the Internal Revenue Code.

5.1 Subd. 2. **Minnesota low-income housing tax credit; allocation.** (a) A Minnesota
5.2 low-income housing tax credit may be claimed under this section. The agency and all
5.3 suballocators, as provided in section 462A.222, may authorize credits annually, for the
5.4 ten-year period beginning January 1, 2010, and ending December 31, 2019, and each year
5.5 thereafter. The total amount of the credits allowable each year is: (1) 50 percent of the
5.6 federal per capita tax credits awarded to the state under section 42 of the Internal Revenue
5.7 Code; (2) unused Minnesota low-income housing tax credits, if any, for the preceding
5.8 calendar years; and (3) any Minnesota low-income housing tax credits returned to the
5.9 agency or a suballocator by a qualified Minnesota project.

5.10 (b) Unless otherwise provided in this section, the agency shall authorize, administer,
5.11 and determine eligibility for the credit under this section, in accordance with rules adopted
5.12 by the agency. The agency and suballocators, in the manner and in the respective amounts
5.13 provided in section 462A.222, shall allocate the credit in accordance with the standards
5.14 and requirements as set forth in section 42 of the Internal Revenue Code; provided,
5.15 however, that the combined allocated federal and Minnesota low-income housing tax
5.16 credit must be the least amount necessary to ensure financial feasibility.

5.17 (c) The agency and suballocators shall allocate the total available Minnesota
5.18 low-income housing tax credit among as many qualified Minnesota projects as fiscally
5.19 feasible.

5.20 (d) A taxpayer, if allocated a federal low-income housing tax credit with respect to a
5.21 project, is allowed a state tax credit with respect to the same qualified Minnesota project,
5.22 if the agency issues an eligibility statement for that project, and provided that the amount
5.23 of the credit available to a qualified Minnesota project shall be authorized and allocated
5.24 by the agency or suballocator, based on the qualified Minnesota project's need for the
5.25 credit for economic feasibility.

5.26 Subd. 3. **How taken.** (a) A taxpayer may claim the Minnesota low-income housing
5.27 tax credit against the taxes imposed under this chapter, in equal amounts for each of the
5.28 ten years of the credit period. The credit is not refundable. Any amount of the credit
5.29 that exceeds the tax due for a taxable year may be carried forward to any of the five
5.30 subsequent taxable years.

5.31 (b) All or any portion of tax credits issued under this section may be allocated to one
5.32 or more taxpayers who have any ownership interest in the taxpayer that owns the qualified
5.33 Minnesota project, without regard to any other allocation of credits, depreciation, profits,
5.34 or losses under the entities' organizational documents. Alternatively, all or any portions of
5.35 the tax credits issued under this section may be transferred, sold, or assigned to a taxpayer
5.36 without transferring any ownership interest in the qualified Minnesota project or any

6.1 interest in the entity owning the project. The transfer must include all credits attributable
6.2 to periods after the transfer date, except for carryforward of prior year credits.

6.3 (c) An owner of a qualified Minnesota project must certify to the commissioner the
6.4 amount of credit allocated to each taxpayer and provide the commissioner with other
6.5 information required by the commissioner to determine the allocation of the credit. The
6.6 owner of a qualified Minnesota project eligible for the credit shall submit, together with
6.7 the project owner's tax return under this chapter, a copy of the eligibility statement issued
6.8 by the agency with respect to the qualified Minnesota project. If the owner fails to attach
6.9 the eligibility statement, a credit is not allowed for that project for that taxable year until
6.10 the copy is provided to the commissioner.

6.11 (d) If recapture is required under subdivision 5, any statement submitted to the
6.12 commissioner as provided in this subdivision must include the proportion of the state
6.13 credit required to be recaptured, the identity of each taxpayer subject to the recapture, and
6.14 the amount of credit previously allocated to the taxpayer.

6.15 Subd. 4. **Rules.** The director of the agency, in consultation with the commissioner,
6.16 may adopt rules necessary to administer the provisions of this section.

6.17 Subd. 5. **Recapture.** If under section 42 of the Internal Revenue Code, a portion of
6.18 any federal low-income housing tax credits taken on a low-income project is required to
6.19 be recaptured, the credit authorized by this section with respect to the qualified Minnesota
6.20 project must also be recaptured. The state recapture amount shall be equal to the amount
6.21 of the state low-income housing tax credits previously claimed times a fraction, the
6.22 numerator of which is the amount of recaptured federal low-income housing tax credits
6.23 and the denominator of which is the amount of federal low-income housing tax credits
6.24 previously claimed.

6.25 Subd. 6. **Credit duration.** Except for unused credits carried forward under this
6.26 section, a taxpayer is not eligible for Minnesota low-income housing tax credits for more
6.27 than ten taxable years.

6.28 Subd. 7. **Education, promotion, and enhancement.** (a) The agency, in cooperation
6.29 with the suballocators, shall conduct periodic educational seminars and promotional
6.30 events to inform potentially interested purchasers of the state credit and shall facilitate
6.31 and encourage creation of state credit buyer pools to acquire federal and state credits
6.32 in Minnesota.

6.33 (b) The agency, in collaboration with the suballocators, may pursue methods of
6.34 enhancing the efficiency of the Minnesota low-income housing tax credit program,
6.35 including pursuing opinions from the United States Department of Treasury's Internal
6.36 Revenue Service in the form of general counsel memoranda, private letter rulings and

7.1 other notices, rulings, or guidelines, to enhance the value of the credits; by reviewing
7.2 other state low-income housing tax programs that utilize an option for taxpayers to receive
7.3 the tax credits in the form of a loan generated by transferring the credit to a designated
7.4 state entity; and any other methods.

7.5 (c) Not later than January 15, 2015, the agency shall submit a report to the chairs
7.6 and ranking minority members of the taxes committees of the senate and the house of
7.7 representatives on the success and efficiency of the Minnesota low-income housing tax
7.8 credit program and recommendations for enhancement or modifications of the program.

7.9 **EFFECTIVE DATE.** This section is effective the day following final enactment,
7.10 provided that the credit is available for taxable years beginning after December 31, 2009.

7.11 Sec. 4. Minnesota Statutes 2008, section 429.011, is amended by adding a subdivision
7.12 to read:

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

7.18 Sec. 5. Minnesota Statutes 2008, section 429.011, is amended by adding a subdivision
7.19 to read:

7.20 Subd. 17. **On-site energy conservation improvements.** "On-site energy
7.21 conservation improvement" means any type of active or passive improvement, including
7.22 insulation; windows or doors; heating, cooling, or other building systems; lighting
7.23 systems; energy-related process or manufacturing changes; energy demand monitoring
7.24 and regulation equipment; and any other type of device, improvement, or equipment
7.25 installed in a building for the primary purpose of reduction in the use of energy in the
7.26 building, whether the devices, equipment, or improvements so installed are publicly
7.27 or privately owned.

7.28 Sec. 6. Minnesota Statutes 2008, section 429.021, subdivision 1, is amended to read:

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

7.31 (1) To acquire, open, and widen any street, and to improve the same by constructing,
7.32 reconstructing, and maintaining sidewalks, pavement, gutters, curbs, and vehicle parking
7.33 strips of any material, or by grading, graveling, oiling, or otherwise improving the same,

8.1 including the beautification thereof and including storm sewers or other street drainage
8.2 and connections from sewer, water, or similar mains to curb lines.

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

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

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

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

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

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

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

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

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

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

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

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

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

8.30 (15) To construct, reconstruct, alter, extend, operate, maintain, and promote fire
8.31 protection systems in existing buildings, but only upon a petition pursuant to section
8.32 429.031, subdivision 3.

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

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

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

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

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

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

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

9.15 (21) To construct, reconstruct, improve, alter, and maintain on-site energy
9.16 conservation improvements in existing buildings, but only upon a petition under section
9.17 429.031, subdivision 3. The activities under this clause may also be undertaken by a port
9.18 authority, economic development authority, industrial development authority, or housing
9.19 and redevelopment authority, and the municipality may act on the request of those entities
9.20 in imposing special assessments.

9.21 Sec. 7. Minnesota Statutes 2008, section 429.031, subdivision 3, is amended to read:

9.22 Subd. 3. **Petition by all owners.** Whenever all owners of real property abutting
9.23 upon any street named as the location of any improvement shall petition the council
9.24 to construct the improvement and to assess the entire cost against their property, the
9.25 council may, without a public hearing, adopt a resolution determining such fact and
9.26 ordering the improvement. The validity of the resolution shall not be questioned by
9.27 any taxpayer or property owner or the municipality unless an action for that purpose
9.28 is commenced within 30 days after adoption of the resolution as provided in section
9.29 429.036. Nothing herein prevents any property owner from questioning the amount
9.30 or validity of the special assessment against the owner's property pursuant to section
9.31 429.081. In the case of a petition for the municipality to own and install a fire protection
9.32 system, a pedestrian skyway system, on-site energy conservation improvements, or
9.33 on-site water contaminant improvements, the petition must contain or be accompanied
9.34 by an undertaking satisfactory to the city by the petitioner that the petitioner will grant
9.35 the municipality the necessary property interest in the building to permit the city to enter

10.1 upon the property and the building to construct, maintain, and operate the fire protection
10.2 system, pedestrian skyway system, on-site energy conservation improvements, or on-site
10.3 water contaminant improvements. In the case of a petition for the installation of a
10.4 privately owned fire protection system, a privately owned pedestrian skyway system,
10.5 privately owned on-site energy conservation improvements, or privately owned on-site
10.6 water contaminant improvements, the petition shall contain the plans and specifications
10.7 for the improvement, the estimated cost of the improvement and a statement indicating
10.8 whether the city or the owner will contract for the construction of the improvement. If the
10.9 owner is contracting for the construction of the improvement, the city shall not approve
10.10 the petition until it has reviewed and approved the plans, specifications, and cost estimates
10.11 contained in the petition. The construction cost financed under section 429.091 shall not
10.12 exceed the amount of the cost estimate contained in the petition. In the case of a petition
10.13 for the installation of a fire protection system, a pedestrian skyway system, on-site energy
10.14 conservation improvements, or on-site water contaminant improvements, the petitioner
10.15 may request abandonment of the improvement at any time after it has been ordered
10.16 pursuant to subdivision 1 and before contracts have been awarded for the construction of
10.17 the improvement under section 429.041, subdivision 2. If such a request is received, the
10.18 city council shall abandon the proceedings but in such case the petitioner shall reimburse
10.19 the city for any and all expenses incurred by the city in connection with the improvement.

10.20 Sec. 8. [462A.2094] TAX CREDIT ADVANCE LOAN PROGRAM FOR
10.21 FIRST-TIME HOMEBUYERS.

10.22 Subdivision 1. Establishment. The agency may develop the tax credit advance
10.23 loan program for first-time homebuyers, up to the limits of available appropriations and
10.24 transfers. The program provides loans to first-time homebuyers who are eligible for the
10.25 federal first-time homebuyer credit. The maximum tax credit advance loan is the lesser of
10.26 (i) 8.5 percent of the purchase price of the home, or (ii) \$6,750. The agency may charge a
10.27 reasonable fee for the costs associated with making and servicing tax credit advance loans.
10.28 The agency shall require the first-time homebuyer to execute a promissory note secured by
10.29 a second mortgage on the property being purchased to secure repayment of the loan as
10.30 referenced in subdivision 5. The agency may use amounts in the first-time homebuyer tax
10.31 credit advance loan account to fund the tax credit advance loan program.

10.32 Subd. 2. Definitions. For purposes of this section, "federal first-time homebuyer
10.33 credit" means the credit allowed under section 36 of the Internal Revenue Code, and
10.34 "first-time homebuyer" has the meaning given in section 36 of the Internal Revenue Code.

11.1 Subd. 3. **Eligibility requirements.** To be eligible for a tax credit advance loan, a
11.2 first-time homebuyer must:

11.3 (1) meet the eligibility requirements for the federal first-time homebuyer credit;

11.4 (2) have an annual gross income that does not exceed (A) 115 percent of the greater
11.5 of the state or area median income, as determined by the U.S. Department of Housing
11.6 and Urban Development, or (B) the federal first-time homebuyer tax credit income limits,
11.7 whichever is less;

11.8 (3) use the tax credit advance loan in conjunction with a home mortgage loan at
11.9 a 30-year fixed rate; and

11.10 (4) agree to apply for the federal first-time homebuyer credit and use the credit
11.11 refund to repay the tax credit advance loan.

11.12 Subd. 4. **Repayment requirement.** The tax credit advance loan agreement between
11.13 the agency and the homebuyer must require repayment of the tax credit advance loan on
11.14 or before June 15 of the calendar year following the year in which the tax credit advance
11.15 loan is received.

11.16 Subd. 5. **Claims for repayments; deposit of repayments.** The agency may submit
11.17 claims for debts owed due to failure to repay tax credit advance loans as provided under
11.18 the revenue recapture act in chapter 270A. Repayments of tax credit advance loans are
11.19 deposited in the housing development fund and credited to the first-time homebuyer
11.20 taxpayer advance loan account.

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

11.22 Sec. 9. Minnesota Statutes 2008, section 462A.21, is amended by adding a subdivision
11.23 to read:

11.24 Subd. 2a. **First-time homebuyer tax credit advance loan account.** The agency
11.25 may establish a first-time homebuyer tax credit advance loan account as a separate account
11.26 within the housing development fund for the purposes of section 462A.2094, and may pay
11.27 costs and expenses necessary and incidental to the development and operation of the tax
11.28 credit advance loan program from the account.

11.29 Sec. 10. Minnesota Statutes 2008, section 469.153, subdivision 2, is amended to read:

11.30 Subd. 2. **Project.** (a) "Project" means (1) any properties, real or personal, used
11.31 or useful in connection with a revenue producing enterprise, or any combination of
11.32 two or more such enterprises engaged or to be engaged in generating, transmitting, or
11.33 distributing electricity, assembling, fabricating, manufacturing, mixing, processing,
11.34 storing, warehousing, or distributing any products of agriculture, forestry, mining, or

S.F. No. 2078, 3rd Engrossment - 86th Legislative Session (2009-2010) [s2078-3]

12.1 manufacture, or in research and development activity in this field; (2) any properties, real
12.2 or personal, used or useful in the abatement or control of noise, air, or water pollution, or
12.3 in the disposal of solid wastes, in connection with a revenue producing enterprise, or any
12.4 combination of two or more such enterprises engaged or to be engaged in any business
12.5 or industry; (3) any properties, real or personal, used or useful in connection with the
12.6 business of telephonic communications, conducted or to be conducted by a telephone
12.7 company, including toll lines, poles, cables, switching, and other electronic equipment
12.8 and administrative, data processing, garage, and research and development facilities;
12.9 (4) any properties, real or personal, used or useful in connection with a district heating
12.10 system, consisting of the use of one or more energy conversion facilities to produce hot
12.11 water or steam for distribution to homes and businesses, including cogeneration facilities,
12.12 distribution lines, service facilities, and retrofit facilities for modifying the user's heating
12.13 or water system to use the heat energy converted from the steam or hot water.

12.14 (b) "Project" also includes any properties, real or personal, used or useful in
12.15 connection with a revenue producing enterprise, or any combination of two or more
12.16 such enterprises engaged in any business.

12.17 (c) "Project" also includes any properties, real or personal, used or useful for the
12.18 promotion of tourism in the state. Properties may include hotels, motels, lodges, resorts,
12.19 recreational facilities of the type that may be acquired under section 471.191, and related
12.20 facilities.

12.21 (d) "Project" also includes any properties, real or personal, used or useful in
12.22 connection with a revenue producing enterprise, whether or not operated for profit,
12.23 engaged in providing health care services, including hospitals, nursing homes, and related
12.24 medical facilities.

12.25 (e) "Project" does not include any property to be sold or to be affixed to or consumed
12.26 in the production of property for sale, and does not include any housing facility to be
12.27 rented or used as a permanent residence.

12.28 (f) "Project" also means the activities of any revenue producing enterprise involving
12.29 the construction, fabrication, sale, or leasing of equipment or products to be used in
12.30 gathering, processing, generating, transmitting, or distributing solar, wind, geothermal,
12.31 biomass, agricultural or forestry energy crops, or other alternative energy sources for
12.32 use by any person or any residential, commercial, industrial, or governmental entity in
12.33 heating, cooling, or otherwise providing energy for a facility owned or operated by that
12.34 person or entity.

12.35 (g) "Project" also includes any properties, real or personal, used or useful in
12.36 connection with a county jail, county regional jail, community corrections facilities

13.1 authorized by chapter 401, or other law enforcement facilities, the plans for which are
13.2 approved by the commissioner of corrections; provided that the provisions of section
13.3 469.155, subdivisions 7 and 13, do not apply to those projects.

13.4 (h) "Project" also includes any real properties used or useful in furtherance of the
13.5 purpose and policy of section 469.141.

13.6 (i) "Project" also includes related facilities as defined by section 471A.02,
13.7 subdivision 11.

13.8 (j) "Project" also includes an undertaking to purchase the obligations of local
13.9 governments located in whole or in part within the boundaries of the municipality that are
13.10 issued or to be issued for public purposes.

13.11 (k) "Project" also includes any properties designated as a qualified green building
13.12 and sustainable design project under section 469.1655.

13.13 Sec. 11. **[469.1655] QUALIFIED GREEN BUILDING AND SUSTAINABLE**
13.14 **DESIGN PROJECTS.**

13.15 Subdivision 1. **Project designation and eligibility.** (a) A municipality or
13.16 redevelopment agency issuing revenue bonds under sections 469.152 to 469.165 may
13.17 designate the project for which the bonds are issued as a qualified green building and
13.18 sustainable design project as provided in this section.

13.19 (b) The issuer must ensure that each designated project substantially:

13.20 (1) reduces consumption of electricity compared to conventional construction;

13.21 (2) reduces daily sulfur dioxide emissions compared to energy generated from coal;

13.22 (3) increases the use of solar photovoltaic cells in this state; or

13.23 (4) increases the use of fuel cells to generate energy.

13.24 (c) Before designating a project under this section, the issuer must document in
13.25 writing that the project will satisfy the eligibility criteria in this section.

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

13.31 Subd. 2. **Applications.** An application for designation under this section must
13.32 include a project proposal that describes the energy-efficiency, renewable energy, and
13.33 sustainable design features of the project and demonstrates that the project satisfies the
13.34 eligibility criteria in this section. The application must include a description of:

14.1 (1) the amount of electric consumption reduced as compared to conventional
14.2 construction;

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

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

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

14.8 Subd. 3. Use of bond financing. The project proposal must include a description of
14.9 the bond financing that will be allocated for financing of one or more of the following:

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

14.12 (2) compliance with certification standards cited under subdivision 1, paragraph (d).

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

14.14 Sec. 12. Minnesota Statutes 2008, section 469.176, subdivision 2, is amended to read:

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

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

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

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

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

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

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

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

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

14.35 (1) prepay any outstanding bonds;

- 15.1 (2) discharge the pledge of tax increment for any outstanding bonds;
15.2 (3) pay into an escrow account dedicated to the payment of any outstanding bonds; ~~or~~
15.3 (4) pay or reimburse eligible project costs for a stimulus project certified by the
15.4 authority as defined in section 469.176, subdivision 8, paragraph (b); or
15.5 (5) return the excess amount to the county auditor who shall distribute the excess
15.6 amount to the city or town, county, and school district in which the tax increment financing
15.7 district is located in direct proportion to their respective local tax rates.

15.8 (d) For purposes of a district for which the request for certification was made prior to
15.9 August 1, 1979, excess increments equal the amount of increments on hand on December
15.10 31, less the principal and interest obligations due on outstanding bonds or advances,
15.11 qualifying under subdivision 1c, clauses (1), (2), (4), and (5), after December 31 of the
15.12 year and not prepaid under paragraph (c).

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

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

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

15.22 Sec. 13. Minnesota Statutes 2008, section 469.176, is amended by adding a subdivision
15.23 to read:

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

15.29 (b) A "stimulus project" means any capital project, the construction of which
15.30 commences after June 30, 2009, and before January 1, 2013, determined to create or retain
15.31 jobs in the state, including construction jobs, by the governing body of the municipality
15.32 in which the project is located.

15.33 Sec. 14. **EXTENSION OF CERTAIN ECONOMIC DEVELOPMENT-RELATED**
15.34 **PERMITS.**

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

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

16.7 Sec. 15. **TAX ABATEMENT; NEWLY-CONSTRUCTED RESIDENTIAL**
16.8 **STRUCTURES IN FLOOD-DAMAGED AREAS.**

16.9 Subdivision 1. **Eligibility.** Property containing a residential structure qualifies
16.10 for a tax abatement under this section, if:

16.11 (1) the property is located in a city that meets the qualifications for the credit under
16.12 Minnesota Statutes, section 273.1398, subdivision 4;

16.13 (2) construction of the structure commenced after January 1, 2009, and is
16.14 substantially completed prior to December 31, 2010; and

16.15 (3) the property is classified as class 1a, 1b, 2a, 4a, 4b, 4bb, or 4d under Minnesota
16.16 Statutes, section 273.13.

16.17 Subd. 2. **Application.** Application for the abatement authorized under this section
16.18 must be filed by January 2 of the year following the year in which construction began. The
16.19 application must be filed with the assessor of the county in which the property is located
16.20 on a form prescribed by the commissioner of revenue.

16.21 Subd. 3. **Tax abated.** (a) For a property qualifying under subdivision 1 and
16.22 classified as either class 1a, 1b, 2a, 4b, or 4bb, the tax attributable to the market value of
16.23 the structure shall be abated. For a property qualifying under subdivision 1 and classified
16.24 as class 4a or 4d, the tax attributable to (i) \$250,000 of market value, or (ii) the entire
16.25 market value of the structure, whichever is less, shall be abated.

16.26 (b) The abatement under paragraph (a) shall be in effect for two taxes payable years,
16.27 corresponding to the two assessment years after construction has begun. The abatement
16.28 shall not apply to any special assessments that have been levied against the property.

16.29 Subd. 4. **Reimbursement.** By May 1 of each taxes payable year in which an
16.30 abatement has been authorized under this section, the auditor shall report the amount of
16.31 taxes abated for each jurisdiction within the county to the commissioner of revenue, on a
16.32 form prescribed by the commissioner. On or before September 1 of each taxes payable
16.33 year in which an abatement has been authorized under this section, the commissioner of
16.34 revenue shall reimburse each local jurisdiction for the amount of taxes abated for the
16.35 year under this section.

17.1 Subd. 5. **Appropriation.** The amount necessary to make the reimbursements
17.2 required under this section is annually appropriated to the commissioner of revenue from
17.3 the general fund.

17.4 **EFFECTIVE DATE.** This section is effective for assessment years 2010 to 2012,
17.5 for taxes payable in 2011 to 2013.

17.6 Sec. 16. **APPROPRIATION.**

17.7 Subdivision 1. **Department of Employment and Economic Development.**
17.8 \$100,000,000 is appropriated to the commissioner of employment and economic
17.9 development from the general fund for fiscal year 2010 for transfer to the construction
17.10 loan guarantee account for the purposes of section 2. This is a onetime appropriation
17.11 and does not cancel.

17.12 Subd. 2. **Housing Finance Agency.** \$3,000,000 is appropriated from the general
17.13 fund in fiscal year 2010 to the commissioner of the Minnesota Housing Finance Agency
17.14 for transfer to the housing development fund for the purposes of section 8. This is a
17.15 onetime appropriation and does not cancel.

17.16 Subd. 3. **Tax bill appropriation.** The appropriation in 2009 H.F. No. 2323, article
17.17 15, section 15, as amended by the Senate April 28, 2009, if enacted, is repealed.

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