

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Adoption of
Rules of the Minnesota Housing Finance
Agency Governing the Rental Rehabilitation
Program

Statement of Need
and Reasonableness

4900.0290

This part describes the scope of parts 4900.0290 to 4900.0296. The U.S. Department of Housing and Urban Development ("HUD") rental rehabilitation program from which the Agency will obtain funds for its Rental Rehabilitation Program permits participating states to impose requirements in addition to those provided by federal law and regulations, and these rules establish the guidelines and procedures for the disposition of the rental rehabilitation funds provided by the HUD rental rehabilitation program.

4900.0291

This part sets forth definitions for the purposes of parts 4900.0290 to 4900.0296.

Subpart 1. The scope of the definitions is set forth in this subpart.

Subpart 2. A single word reference to the Minnesota Housing Finance Agency is incorporated for brevity.

Subpart 3. A definition of Application is also utilized for conciseness of presentation.

Subpart 4. The definition of Lower Income Family incorporates a definition promulgated by HUD. The term "Lower Income Family" is used extensively in the regulations published by HUD which govern the HUD rental rehabilitation program. It is reasonable to utilize HUD's definition of Lower Income Family since it is widely used and generally considered to be well-founded, as well as necessary to do so in order to comply with HUD's rental rehabilitation program requirements.

Subpart 5. The definition of Rental Rehabilitation Program or Program provides a description of the purpose of the Agency's Program and references the procedures governing its administration.

Subpart 6. The definition of Rental Rehabilitation Grant or Grant is necessary to clarify to the reader of these rules the meaning of such words or word when used in the context of the rules.

Subpart 7. "Rental Dwelling Unit" is defined as a housing unit containing cooking, sleeping, and bathroom facilities that is occupied by a household other than the owner of the structure in which the unit is located, and for which rent is paid either in cash or in kind. This definition is necessary because not all housing units contain all of

the facilities listed. The definition is reasonable because the federal regulations that established the HUD rental rehabilitation program placed an emphasis on units with two bedrooms or more and the rehabilitation of properties for large families. Generally, larger apartment units contain separate cooking, sleeping and bathroom facilities. Therefore, in an effort to rehabilitate units designed for large families, it is reasonable to require that the units must contain these facilities.

The federal regulations that established the HUD rental rehabilitation program also require the properties to be rehabilitated to be rental in nature, consequently, the requirement that the unit be occupied by someone other than the owner of the structure is necessary as well as reasonable.

Subpart 8. The definition of Very Low Income Family utilizes a definition promulgated by HUD. The language "Very Low Income Family" is used extensively in the regulations published by HUD and govern the HUD rental rehabilitation program. It is reasonable to utilize HUD's definition of Very Low Income Family since it is used throughout the country and widely accepted as well-founded, as well as necessary to do so in order to comply with HUD program regulations.

4900.0292

This part incorporates the federal regulations governing HUD's rental rehabilitation program. The Agency, in implementing its Rental Rehabilitation Program will, with the additional restrictions as specified in parts 4900.0293 and 4900.0296, operate its Program in accordance with the incorporated federal regulations. It is therefore necessary as well as reasonable for the Agency to incorporate the cited federal regulations into the rules which authorize the Agency to receive, administer, and disburse rental rehabilitation grants under its Rental Rehabilitation Program.

4900.0293

This part specifies the additional Agency requirements for participation in HUD's rental rehabilitation program, as administered by the Agency.

Paragraph A specifies that properties must consist of one or more buildings that contain five or more dwelling units. The Agency does not have the administrative capacity to review applications for lesser-sized buildings with rental units, consequently, its requirement that buildings contain at least five units was established. This requirement is necessary so that the Agency can operate a program within its capabilities, as well as meet its other public responsibilities.

Paragraph B specifies that only those buildings located in municipalities which are eligible to take part in the Program and have entered into a participation agreement with the Agency are eligible to receive Rental Rehabilitation Program funds. Many aspects of the Rental Rehabilitation Program require the expertise of local governmental employees. It is reasonable to restrict the implementation of the Program to communities which agree to undertake those functions which are most appropriately performed by local staffs.

Paragraph C specifies that only those buildings located within the jurisdiction of an entity authorized to administer HUD's Section 8 Existing or Voucher Housing Programs are eligible. The occupancy of low or very low income families in the buildings to be rehabilitated, and the use of the Section 8 Existing and Voucher Housing Programs are integral to the success of the program as developed by HUD. It is necessary and reasonable, therefore, to restrict participation in the Agency's Program to those communities having personnel authorized to implement the Section 8 Existing and Voucher Programs.

4900.0294

This part authorizes the Agency to make grants under the Rental Rehabilitation Program in conjunction with loans funded under Chapter 462A of Minnesota Statutes. HUD's rental rehabilitation program requires a building owner to match the rental rehabilitation grant with funds from other sources. To the extent that the Agency can provide a loan to supply the owner's matching source of funds, and in so doing facilitate the use of the federal rental rehabilitation dollars, it is reasonable for the Agency to do so.

4900.0295

This part specifies how the Agency will notify the public of the availability of the Rental Rehabilitation Program funds. It is necessary and reasonable that the Agency establish a procedure for public notification of the Program so that the owners of qualified rental properties are assured of fair and equal access to rental rehabilitation funds.

4900.0296

This part establishes eligibility criteria for selection of rental rehabilitation applications. The Agency is required to implement its Program in such a manner that the goals of HUD's rental rehabilitation program regulations are achieved. The reasonableness and necessity for the Agency's building selection criteria are as set forth below.

Paragraph A provides a criteria which will tend to encourage continued use of the improved rental property by qualified tenants, since buildings with existing lower income tenants will be preferred in selection.

Paragraph B provides a criteria which will favor larger households, and consequently extend the benefits of the housing grant dollars to the largest number of qualified persons.

Paragraphs C and I provide criteria which will give preference to the upgrading of structures which contain substandard housing conditions and which are occupied or to be occupied by qualified tenants.

Paragraph D provides a criteria which will encourage the upgrading of housing which is free from environmental hazards.

Paragraph E provides a criteria which will encourage the use of grant funds in structures whose continued residential use by low income tenants is not and will not be placed in jeopardy of change for financial reasons arising from participation in the Program.

Paragraph F establishes a selection criteria which will discourage the displacement of existing tenants and the financial and personal sacrifices attendant to such moves.

Paragraph G establishes a criteria which encourage use of grant funds in buildings with the most affordable rents.

Paragraph H encourages selection of structures which will have a favorable effect, when benefitted by the grant funds, on the surrounding neighborhood.

Paragraph J gives priority to those proposals most favored by the community in which the property is located. It is reasonable to provide for local input in the selection of applications because local officials provide a reliable perspective on what types of developments are consistent with and conducive to the goals of their municipal housing plans.

Paragraph K favors the distribution of rental rehabilitation dollars among participating communities. It is reasonable to consider a distribution of grant dollars among participating communities as a selection criteria, so that a wide number of communities in the State of Minnesota benefit from this Program, rather than to concentrate the available funds in a few communities.

Paragraph L establishes a criteria which will encourage the greater use of grant dollars for physical improvements to properties for the long term benefit of existing or future qualified tenants.

The Agency is cognizant of the provisions of Section 14.115 of Minnesota Statutes, entitled Small Business Considerations in Rulemaking. To the extent that the rental rehabilitation grant funds directly benefit the low income tenants in structures within the Agency's Program, the statute is inapplicable. To the extent that the funds may inure to the benefit of small businesses, the proposed rules do not establish any compliance or reporting requirements, design or operational standards not mandated by the federal government, and the effect of the Agency's Program in making the grant funds available is to make decent, safe, and sanitary rental housing affordable for low income tenants and financially feasible to building owners and, as a consequence, the proposed regulations have no negative effect on small businesses.