

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Rules
Governing the Rental Rehabilitation
Program

STATEMENT OF NEED
AND REASONABLENESS

The change that is proposed to the existing rules governing the Rental Rehabilitation Program applies specifically to Section 4900.0293, Paragraph A.

The proposed Paragraph A specifies that properties must consist of one or more buildings that contain one or more rental dwelling units. The proposed rules will allow a building or buildings that contain at least one rental dwelling unit, as opposed to the previous requirement of at least five rental dwelling units, to be an eligible property for the purposes of applying for and receiving a rental rehabilitation grant. This change provides a larger market of eligible properties from which applications must be solicited, accepted, and selected for funding. The previous specification that a building or buildings must contain at least five rental dwelling units was too restrictive. Program participation was lacking which was perceived by the Agency to be in part due to the unit size restriction. The change is necessary to increase the market of available eligible properties and, in turn, potentially increase participation in the program. It is reasonable to make changes to a program's rules that are intended to facilitate the success of the program.

The previous building size requirement was necessitated by the lack of Agency administrative capacity to work with smaller buildings. The proposed change in the rules to allow participation of smaller unit buildings will be accompanied by changes in the program's procedures to incorporate increased local municipal responsibilities. These procedural changes will shift any additional administrative responsibilities associated with working with smaller buildings to local governments.

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 program 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.