

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed
Adoption of Permanent Rules of
the Minnesota Housing Finance
Agency Relating to Redefining
Capital Contribution

Statement of Need
and Reasonableness

The Minnesota Housing Finance Agency Law, § 462A.03, Subd. ¹³14, reads in part as follows:

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" * * * The return to a limited dividend entity shall not exceed ten percent of the capital contribution of the investors or such lesser percentage as the agency shall establish in its rules. * * *"

The Agency proposes to amend the definition of "capital contributions of the investors" referred to above and in subpart 7 of part 1900.0010 of its rules for the purposes and in accordance with the criteria and conditions set forth below.

4900.0010 DEFINITIONS.

Subpart 7. This subpart defines capital contribution of the investors for the purpose of determining the return to a limited dividend entity. It is both reasonable and necessary to recognize the value of the investors' capital contribution to an economically secure development, and to provide sufficient inducements in the form of an increased dividend in return for the investors agreement to preserve the stock of low income housing and to control the cost of operating this housing. The reasonable and necessary criteria for measuring economically secure developments and the conditions which must be agreed to in order to increase the return to a limited dividend entity are set forth below.

Paragraphs A-H of subpart 7, providing, respectively, for adequate reserves, maintenance, absence of anticipated major repairs, current operating expense payments, adequate operating account balances, sustained occupancy, a waiting list, and the absence of debt service delinquencies, are reasonable and necessary criteria for determining eligibility for an increased return.

Paragraphs I-K, which require, respectively, that the owners limit future rent increases, agree to maintain assisted developments as subsidized housing for a minimum of 20 years, and enter into all documents to effectuate the intent of this subpart, are both reasonable and necessary conditions to permit apartment owners to obtain a higher return in Agency-financed multifamily developments.

The Agency is cognizant of the provisions of § 14.115 of Minnesota Statutes, entitled "Small Business Considerations in Rulemaking"; however, the proposed rules do not establish any new or additional compliance or reporting requirements, or design or operational standards not currently affecting the way any business must operate. Therefore, the provisions contained in Minn. Stat. Section 14.115 (1986) do not apply to the proposed rules discussed herein. Notwithstanding the above, the Agency has directly notified in writing all apartment owners affected by the proposed rules and invited their comments and suggestions.