

LOANS FOR FAMILY RENTAL HOUSING

STATEMENT OF NEED AND REASONABLENESS

Minnesota Statutes (1989) Section 462A.21 Subdivision 8b empowered the Minnesota Housing Finance Agency (Agency) to develop and implement rental housing programs to provide loans or direct rental subsidies for families with incomes up to 60 percent of the area median income. The statute was passed recognizing the need for affordable rental dwelling units for low income families, particularly families with children. The legislature appropriated a total of \$3 million for new rental housing programs. The Agency has designated \$1.85 million of the appropriation for loans for family rental housing. The proposed rule has been developed under the above referenced statute.

Proposed Minnesota Rules Part 4900.2700 (Scope) describes the scope of Parts 4900.2700 to 4900.2707 as they apply to family rental housing programs established under Minnesota Statutes (1989) Section 462A.21 Subdivision 8b.

Proposed Minnesota Rules Part 4900.2701 (Definitions) provides definitions under these rules.

Proposed Minnesota Rules Part 4900.2702 (Eligible Applicants) defines what entities are eligible to apply for loan funds as specified under the statute and existing Agency regulations applicable to it.

Proposed Minnesota Rules Part 4900.2703 (Eligible Applications) outlines the information that must be provided in the application for loan funds. The information required is that which is both reasonable and necessary for the Agency to determine the scope of work to be completed, the financial viability of the proposed development, and the degree to which the proposed development addresses local housing needs. The information required in the application is directly related to the selection criteria defined in Part 4900.2706.

Proposed Minnesota Rules Part 4900.2704 (Required Occupancy) the income eligibility threshold (60 percent of area median income) is taken directly from the statute. Area median income is defined to further clarify the requirements of the statute.

Proposed Minnesota Rules Part 4900.2705 (Eligible Units) specifies that new construction developments be substantially comprised of larger units (3+ bedrooms). This part is both necessary and reasonable given the shortage of such units in the current supply of rental housing and the fact that new construction is frequently the most economical means of producing larger rental units.

Proposed Minnesota Rules 4900.2706 (Selection Criteria) provides the criteria to be used by the Agency when selecting applicants to receive loan funds under the program. These criteria are reasonable and necessary to ensure that the loan funds provided by the program are used to address the housing needs of a community, support economically feasible projects, assist projects throughout the state, and assist developments which are appropriate for housing for families.

Proposed Minnesota Rules Part 4900.2707 (Funding Priority) specifies that developments made affordable to the lowest income families are to be given highest funding priority. This is in direct response to the funding priority stated in the statute. The rule also specifies that preference will be given to families with children for these larger dwelling units. This is reasonable given the critical need for children to have decent and habitable housing.

The Agency is cognizant of the provisions of Section 14.115 of Minnesota Statutes, entitled Small Business Considerations in Rulemaking, however, the proposed rules do not establish any compliance or reporting requirements, design, or operational standards, or directly affect the way any business must operate. Further, to the extent the proposed rules may have an indirect effect on small businesses, the effect is to make funds for housing for lower income Minnesota citizens more readily available, and, as a result, the proposed rule has no negative effect on small businesses. Therefore, the provisions contained in Minnesota statutes Section 14.115 (1989) do not apply to the proposed rules discussed herein.