

5/26/92

Special Needs Housing for Adults With Chronic Chemical Dependency

Statement of Need and Reasonableness

The 1991 Minnesota Legislature created the Special Needs Housing Program for Adults with Chronic Chemical Dependency and appropriated \$100,000 to the Minnesota Housing Finance Agency (hereinafter Agency) for the program. The legislation was amended in 1992 to eliminate a restriction that housing funded under the program be transitional or temporary housing.

Proposed Minnesota Rules Part 4900.3400 (Scope) describes the scope of the Special Needs Housing Program for Adults with Chronic Chemical Dependency.

Proposed Minnesota Rules Part 4900.3401 (Definitions) provides definitions under these rules. The definition of "low-income and homeless individuals and families" uses the standard of 50% of the greater of state or area median income as the income limit for the Special Needs Program for Adults with Chronic Chemical Dependency. This is a reasonable standard to use for two reasons. First, it is consistent with the standard used by a variety of programs under the federal McKinney Homeless Assistance Act which might be tapped to provide operating funds or additional construction funds for a project.

Second, using "the greater of state or area median income" is reasonable because it alleviates a barrier to the development of affordable housing caused by the difference between very low median incomes in certain counties in Minnesota and construction costs which are roughly comparable throughout the state.

Proposed Minnesota Rules 4900.3402 (Eligibility) sets forth four eligibility requirements. All four criteria repeat the statute. Factor B is reasonable because it ensures that the funds will be used for residential housing and not a residential care facility or a temporary shelter. Factor D is reasonable because it encourages leveraging other funds.

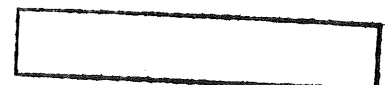
Proposed Minnesota Rules 4900.3403 (Eligible Mortgagor) and the statute provide that an applicant may be a for profit limited dividend entity or a nonprofit entity.

Proposed Minnesota Rules 4900.3404 (Selection Criteria) sets forth a priority consideration and six additional factors for use in selecting among competing projects. The Legislature required that priority must be given to viable proposals that address the needs of the Native American population and veterans of military service.

Factors A and F - prior experience and ability to proceed expeditiously - are reasonable criteria because they are a measure for evaluating whether or not the housing project will be completed, used for the purposes proposed, and managed effectively over the long term.

Factor B is reasonable because it is a measure of the likelihood of the project to be completed, that is, have sufficient other funds been raised to cover the project. The Legislative Commission to Review Administrative Rules

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development costs, and a measure of the economic feasibility of the project as proposed. Factors C and D - need and geographic area to be served - are reasonable because they allow the Agency to target funds to areas of the greatest need and also to areas with an undersupply of low-income housing.

Factor E is necessary to ensure that housing designed for persons with chronic chemical dependency is appropriately designed to meet those needs.

The Agency recognizes the provisions of Minnesota Statutes Section 14.115, "Small Business Considerations in Rulemaking." The proposed rule does not affect small businesses directly. Small businesses which are limited dividend entities may be recipients of funds under this section.