

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

232

MINNESOTA STATE REGULATIONS

Notice of filing by the Commissioner of Administration

6 pp



We have received on this date, stamped and filed 2 copies of Rules and Regulations pertaining to

the Minnesota Housing Finance Agency
(Agency or Board)

Regulation No. MHFA 2, 3, 7, 8, 34, 35, 51, 52, 61, 62, 63, 64, 65

Subject: Definitions, Meetings, Procedures for applying for loans and Grants and Selection Projects to be financed by the agency

Department of Administration
Publication, Central Services Division
Documents Section
140 Centennial Office Building
St. Paul, Minnesota 55155
Telephone: (612) 296-2874

Amended

FILED
RICHARD L. BRUBACHER
Commissioner of Administration

JUN 28 1976

WITH SIGNATURE

Stamped and filed with the Secretary of State June 28, 1976, 4:05 pm 4:10 PM R.S.

Rev. 9-72

232

George Reilly
Special Attorney
Leonard, Street and Deinard

July 1, 1976

- MHTA 2, 3, 7, 8, 34, 35, 51, 52, 61, 62, 63, 64, 65

STATE OF MINNESOTA

COUNTY OF RAMSEY

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE MINNESOTA HOUSING FINANCE AGENCY RELATING TO CERTAIN DEFINITIONS, AGENCY MEETINGS, PUBLIC APPEARANCE AT AGENCY MEETINGS, PROCEDURES FOR APPLYING FOR CERTAIN AGENCY LOANS AND GRANTS, AND CRITERIA GOVERNING THE SELECTION OF PROJECTS TO BE FINANCED BY THE AGENCY.

STATEMENT OF COMPLIANCE WITH MANUAL OF RULE MAKING PROCEDURES

As a Special Attorney, I, George Reilly, do hereby declare that I have examined the proposed rules of the Minnesota Housing Finance Agency and all related documents and that, based on them and my personal familiarity with the applicable procedures, the Manual of Rule Making Procedures has been followed. Any exceptions are noted below.

George Reilly
Special Attorney

Dated: June 2, 1976

STATE OF MINNESOTA

COUNTY OF RAMSEY

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE MINNESOTA HOUSING FINANCE AGENCY RELATING TO CERTAIN DEFINITIONS, AGENCY MEETINGS, PUBLIC APPEARANCE AT AGENCY MEETINGS, PROCEDURES FOR APPLYING FOR CERTAIN AGENCY LOANS AND GRANTS, AND CRITERIA GOVERNING THE SELECTION OF PROJECTS TO BE FINANCED BY THE AGENCY.

CERTIFICATE OF BOARD'S ADOPTION OF RULES

I, Robert W. Mattson, do hereby certify that I am secretary of the Board of the Minnesota Housing Finance Agency (the "Agency"), a board duly authorized under the laws of the State of Minnesota; that at a meeting of the Board of the Agency duly and properly called and held on the 26th day of May, 1976, with a quorum present, a motion was duly made, seconded, and unanimously approved adopting rules relating to certain definitions, Agency meetings, public appearances at Agency meetings, procedures for applying for certain Agency loans and grants, and criteria governing the selection of projects to be financed by the Agency, pursuant to authority vested in the Board by Section 462A.06, Subd. 11, Minnesota Statutes, and authorizing Richard Miller, one of the members of the Board of the Agency to sign an order adopting those rules; and that said rules are set forth in the minutes of said meeting and have not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 2 day of June, 1976.

Robert W. Mattson
Secretary

Richard L. Miller
Attest by one other Officer.

STATE OF MINNESOTA

COUNTY OF RAMSEY

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ORDER ADOPTING RULES

The above-entitled matter came on for consideration before the Board of the Minnesota Housing Finance Agency (the "Agency") of the State of Minnesota on the 26th day of May, 1976, after proper notice required by Section 15.0412, Minnesota Statutes, was served upon all persons, associations and other interested groups registered with the Secretary of State for that purpose.

After affording interested persons an opportunity to present written and oral data, statements and arguments, having heard all of the testimony, having considered all of the evidence adduced and upon the records, files and proceedings herein, and applicable statutory standards or criteria, and having confirmed the need for the above captioned rules.

NOW, THEREFORE, IT IS ORDERED that the rules attached hereto and incorporated herein by this reference as if fully set forth herein are adopted this 26th day of May, 1976, pursuant to authority vested in me by the Board of the Agency under the provisions of Section 462A.06, Subd. 11, Minnesota Statutes.

Richard Miller
Chairman of the Board
Minnesota Housing Finance Agency

STATE OF MINNESOTA

COUNTY OF RAMSEY

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RULES AS ADOPTED BY THE MINNESOTA HOUSING FINANCE AGENCY

---

1. Minn. Reg. MHFA 2(o) is hereby amended to read as follows:

"(o) 'Persons and Families of Low and Moderate Income' means

(i) With respect to a structure or structures designed primarily for residential use by not more than four families, or a dwelling unit in a planned unit development or a condominium, those persons and families whose Adjusted Income does not exceed $16,000; and

(ii) With respect to all other structures, those persons and families whose Adjusted Income does not exceed 550 percent of the gross rental for the dwelling unit to be occupied; provided, however, that the gross rentals for at least 75 percent of the dwelling units in such structure or structures shall not exceed 120% of the Fair Market Rents for the geographical area in which such structure or structures are located, as determined and adjusted from time to time by the United States Department of Housing and Urban Development; provided, however, that the Members may allow higher gross rentals for units in any structure if the Members determine that such higher gross rentals are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or similar factors relating to income available for housing or housing costs; and

(iii) With respect to home improvement grants to be made by the Agency, those persons and families whose Adjusted Income does not exceed $5,000 and whose gross assets, excluding the property to be improved, does not exceed $25,000."

2. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"(p) 'Developmentally Disabled' means an individual who has a disability which

(i) Is attributable to mental retardation, cerebral palsy, epilepsy or other neurological condition found to be closely related to mental retardation or to require treatment similar to that for mentally retarded individuals,

(ii) Originated at an age earlier than 18 years of age, is continuing and can be expected to continue indefinitely, and

(iii) Constitutes a substantial handicap to the individual."

3. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision to read as follows:

"(q) 'Capital contribution of the Investors' means the excess of the total development cost of the project as determined by the Agency, whether or not paid in cash, over the original principal amount of the Agency's loan."

4. Minn. Reg. MHFA 3 is hereby amended to read as follows:

"MHFA 3. Forms and Procedures.

With respect to each mortgage loan program, rehabilitation loan program, rehabilitation grant program and development cost loan program from time to time instituted by the Agency, the Executive Director shall prepare guides setting forth uniform procedures by which applications for loans or grants shall be submitted, the contents thereof, and the conditions upon which loans or grants shall be made. Each said guide, and any amendment thereto, shall be submitted to the Members of the Agency for their review at any regular or special meeting called for such purpose and shall become effective only upon the approving vote of the Members."

5. Minn. Reg. MHFA 7 is hereby adopted to read as follows:

"MHFA 7. Agency Meetings.

(a) Regular meetings of the Agency shall be held on the third Thursday of each month at 1:00 PM at the offices of the Agency in St. Paul, Minnesota, unless another place of meeting is designated by resolution. In the event such date shall fall on a legal holiday, the regular meeting shall be held the next succeeding business day.

(b) Special meetings of the Agency may be called by the Chairman or by a majority of the existing Members of the Agency, for the purpose of transacting any business designated in the notice, and shall be held at the business offices of the Agency in St. Paul, Minnesota, unless another place of meeting is designated by resolution. At any such special meeting, no business shall be considered other than as designated in the notice; provided, however, that if all of the Members of the Agency are present at such special meeting, this limitation shall not apply.

(c) A majority of the existing Members of the Agency shall constitute a quorum for the purpose of conducting the Agency's business and exercising its powers and for all other purposes, but a smaller number may adjourn from time to time until a quorum is obtained. When a quorum is in attendance, action may be taken by the Agency on the vote of the majority of the Members present."

6. Minn. Reg. MHFA 8 is hereby adopted to read as follows:

"MHFA 8. Public Appearances at Meetings of the Members.

The following procedures shall govern public appearances at meetings of the Members:

(a) With respect to regular meetings, the Executive Director shall complete the agenda for meetings of the Members, not less than five nor more than seven days prior to the date of any such meeting.

(b) With respect to regular meetings, any person who desires to appear and address the Members with respect to any matter not enumerated on the agenda shall make a written request to the Executive Director, with a copy to the Chairman, at least ten days prior to the date of the meeting, setting forth the nature of the matter about which such person wishes to appear.

(c) With respect to regular or special meetings, any person who desires to appear and address the Members with respect to any matter enumerated on the agenda shall make a written request to the Executive Director, with a copy to the Chairman, at least twenty-four hours before the meeting.

(d) Any Member may at any time request that a person be permitted to appear and address the Members at any regular or special meeting.

(e) All such requests shall be placed on the agenda for review by the Members at the meeting. A majority vote of the members present shall be required in order to grant any such request to address the Members."

7. Minn. Reg. MHFA 34 is hereby adopted to read as follows:

"MHFA 34. Project Selection Criteria.

In determining whether to accept applications of Housing Sponsors for development cost loans or mortgage loans, the Members shall examine the following facts:

(a) Whether a need exists in the geographical area for the proposed development.

(b) Whether adequate provision has been made for housing opportunities for minority families, including elderly persons and families.

(c) Whether the proposed development is consistent with orderly growth and development in the geographical area.

(d) The impact of the proposed development on the physical environment of the surrounding neighborhood.

(e) Whether the Housing Sponsor has adequate capacity to proceed promptly to the construction and completion of the proposed development.

(f) The extent to which the proposed development will create minority employment and business opportunities.

(g) The effect of the proposed development in eliminating substandard housing and preventing the recurrence of such conditions.

(h) The extent to which the proposed development will reduce the cost of mortgage financing or rentals for housing for low and moderate income persons and families.

(i) The extent to which the proposed development will house persons and families of varied economic means and of a wide range of incomes.

(j) The relationship of the proposed development to public facilities, sources of employment and services (including public transportation, health, education and recreation facilities, and public utilities) essential to orderly growth.

(k) The relationship of the housing development to any comprehensive plans, policies, procedures and programs adopted and approved according to law by an agency of state or local government acting pursuant to legislative authority, including but not limited to the plans, policies, procedures and programs of regional development commissions and the Metropolitan Council.

(l) Whether a loan would otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions.

(m) In the case of a Housing Sponsor which is a Limited Dividend Entity, whether the rate of return on its investment in the proposed development is reasonable in light of then existing conditions in the housing industry and financial markets and in the rates of return then prescribed by other governmental agencies.

(n) Whether the proposed development will assist in fulfilling the purposes of the Act."

8. Minn. Reg. MHFA 35 is hereby adopted to read as follows:

"MHFA 35. Mortgage Loans for Single Family Dwellings.

Mortgage loans for single family dwellings shall be made only to applicants who are fee owners of the dwelling and who intend to occupy such dwelling."

9. Minn. Reg. MHFA Ch. 6 is hereby adopted to read as follows:

"CHAPTER SIX: HOME IMPROVEMENT LOANS

MHFA 51. Eligible Applications.

Applications for home improvement loans shall satisfy the following requirements:

(a) Each applicant must be an individual fee owner or contract for deed purchaser of the property to be improved. However, occupancy of the property by the applicant shall not be required.

(b) Each applicant must be a person or family (including non-related individual adults) of low or moderate income.

(c) Each applicant must be a reasonable credit risk with the ability to pay the loan obligation, as determined by the Agency or by the lending institution, if any, servicing the loan on behalf of the Agency.

(d) The structure to be improved must be at least 15 years old, or in need of repair to correct damage resulting from a natural disaster, or in need of repair to correct defects or

deficiencies which are hazardous to health or safety, or to directly improve energy efficiency.

(e) The structure to be improved must not be in violation of applicable zoning ordinances or other applicable land use guides.

(f) The property must be used primarily for residential purposes and must not contain more than six dwelling units. Mobile homes and trailers shall not be eligible for home improvement loans.

(g) Home improvement loan proceeds must be used to finance only improvements upon or in connection with existing structures.

(h) All improvements must be reasonably capable of being completed (except for causes beyond the applicant's reasonable control, such as fire, strike and shortages of materials) within nine months of the date of the first disbursement of funds pursuant to the home improvement loan.

(i) At the time of application, conventional financing must not be available from private lenders upon equivalent terms and conditions.

MHFA 52. Eligible Improvements.

Improvements made with home improvement loan proceeds shall satisfy the following requirements:

(a) Improvements may be made in order (i) to comply with applicable state, county and municipal health, housing, building, fire prevention and housing maintenance codes, or other public standards applicable to housing, or (ii) to make the property more desirable to live in, or (iii) to increase the market value of the property, or (iv) to make the property more habitable.

(b) Each improvement must be a Permanent General Improvement. Permanent General Improvements shall include additions, alterations, renovations or repairs upon or in connection with existing structures, which materially preserve or improve the basic livability, safety or utility of the property. Permanent General Improvements shall not include materials, fixtures or landscaping of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved.

(c) Each improvement must be made in compliance with all applicable health, fire prevention, building and housing codes and standards; provided, however, that no application for a home improvement loan for property occupied by the owner shall be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

(d) Home improvement loan proceeds shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such proceeds may be used for improvements which will bring an individual sewage disposal system (including septic systems) located on the property into compliance with local, state or federal environmental and sanitary standards.

(e) All contracts covering all or any portion of an improvement must contain an MHFA approved warranty of workmanship and materials."

10. Minn. Reg. MHFA Ch. 7 is hereby adopted to read as follows:

"CHAPTER 7: HOME IMPROVEMENT GRANTS

MHFA 61. Reservation of Funds.

For a period of at least three months after the Agency gives notice that the funds for making rehabilitation grants are available, the Agency shall receive requests for reservation of funds.

MHFA 62. Requests for Reservation of Funds.

Requests for Reservation of Funds for rehabilitation grants may be made to the Agency, and shall be accompanied by (a) a plan setting forth the proposed method of delivery of the rehabilitation grants, (b) evidence satisfactory to the Agency that the person or organization which will administer the delivery of the grants has the capacity effectively and efficiently to carry out the plan, and (c) evidence satisfactory to the Agency of the approval of the plan by the governing body of the political subdivision within which the plan is to be administered.

MHFA 63. Review by Regional Development Commissions.

The Agency shall submit all plans to the applicable Regional Development Commission (including the Metropolitan Council) and shall consider the comments and recommendations of such Commissions with respect to the extent to which the plan assists in satisfying the housing needs for such region.

MHFA 64. Allocation of Funds.

The Agency shall allocate the total funds available at any time ratably among the several regions, based upon data assembled by the Agency and accurately reflecting housing needs and related factors.

MHFA 65. Eligible Recipients of Rehabilitation Grants.

In addition to all conditions imposed by the Act, an application

for a rehabilitation grant shall satisfy the following requirements:

(a) The applicant must have an Adjusted Income not in excess of $5,000.

(b) The gross assets of the applicant, excluding the property to be improved with the proceeds of the grant, may not exceed $25,000.

(c) The applicant must use the proceeds of the grant to correct defects or deficiencies in the property affecting directly the safety, habitability or energy usage of the property."

STATE OF MINNESOTA

COUNTY OF RAMSEY

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(b) Whether adequate provision has been made for housing opportunities for minority families, including elderly persons and families.

(c) Whether the proposed development is consistent with orderly growth and development in the geographical area.

(d) The impact of the proposed development on the physical environment of the surrounding neighborhood.

(e) Whether the Housing Sponsor has adequate capacity to proceed promptly to the construction and completion of the proposed development.

(f) The extent to which the proposed development will create minority employment and business opportunities.

(g) The effect of the proposed development in eliminating substandard housing and preventing the recurrence of such conditions.

(h) The extent to which the proposed development will reduce the cost of mortgage financing or rentals for housing for low and moderate income persons and families.

(i) The extent to which the proposed development will house persons and families of varied economic means and of a wide range of incomes.

(j) The relationship of the proposed development to public facilities, sources of employment and services (including public transportation, health, education and recreation facilities, and public utilities) essential to orderly growth.

(k) The relationship of the housing development to any comprehensive plans, policies, procedures and programs adopted and approved according to law by an agency of state or local government acting pursuant to legislative authority, including but not limited to the plans, policies, procedures and programs of regional development commissions and the Metropolitan Council.

(l) Whether a loan would otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions.

(m) In the case of a Housing Sponsor which is a Limited Dividend Entity, whether the rate of return on its investment in the proposed development is reasonable in light of then existing conditions in the housing industry and financial markets and in the rates of return then prescribed by other governmental agencies.

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(d) The structure to be improved must be at least 15 years old, or in need of repair to correct damage resulting from a natural disaster, or in need of repair to correct defects or

deficiencies which are hazardous to health or safety, or to directly improve energy efficiency.

(e) The structure to be improved must not be in violation of applicable zoning ordinances or other applicable land use guides.

(f) The property must be used primarily for residential purposes and must not contain more than six dwelling units. Mobile homes and trailers shall not be eligible for home improvement loans.

(g) Home improvement loan proceeds must be used to finance only improvements upon or in connection with existing structures.

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(b) Each improvement must be a Permanent General Improvement. Permanent General Improvements shall include additions, alterations, renovations or repairs upon or in connection with existing structures, which materially preserve or improve the basic livability, safety or utility of the property. Permanent General Improvements shall not include materials, fixtures or landscaping of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved.

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(d) Home improvement loan proceeds shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such proceeds may be used for improvements which will bring an individual sewage disposal system (including septic systems) located on the property into compliance with local, state or federal environmental and sanitary standards.

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Requests for Reservation of Funds for rehabilitation grants may be made to the Agency, and shall be accompanied by (a) a plan setting forth the proposed method of delivery of the rehabilitation grants, (b) evidence satisfactory to the Agency that the person or organization which will administer the delivery of the grants has the capacity effectively and efficiently to carry out the plan, and (c) evidence satisfactory to the Agency of the approval of the plan by the governing body of the political subdivision within which the plan is to be administered.

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The Agency shall submit all plans to the applicable Regional Development Commission (including the Metropolitan Council) and shall consider the comments and recommendations of such Commissions with respect to the extent to which the plan assists in satisfying the housing needs for such region.

MHFA 64. Allocation of Funds.

The Agency shall allocate the total funds available at any time ratably among the several regions, based upon data assembled by the Agency and accurately reflecting housing needs and related factors.

MHFA 65. Eligible Recipients of Rehabilitation Grants.

In addition to all conditions imposed by the Act, an application

for a rehabilitation grant shall satisfy the following requirements:

(a) The applicant must have an Adjusted Income not in excess of $5,000.

(b) The gross assets of the applicant, excluding the property to be improved with the proceeds of the grant, may not exceed $25,000.

(c) The applicant must use the proceeds of the grant to correct defects or deficiencies in the property affecting directly the safety, habitability or energy usage of the property."

STATE OF MINNESOTA

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IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE MINNESOTA HOUSING FINANCE AGENCY RELATING TO CERTAIN DEFINITIONS, AGENCY MEETINGS, PUBLIC APPEARANCE AT AGENCY MEETINGS, PROCEDURES FOR APPLYING FOR CERTAIN AGENCY LOANS AND GRANTS, AND CRITERIA GOVERNING THE SELECTION OF PROJECTS TO BE FINANCED BY THE AGENCY.

FINDINGS OF FACT OF THE MINNESOTA HOUSING FINANCE AGENCY

The above-entitled matter came on for hearing before the Hearing Examiner on December 1, 1975, at 10:00 a.m. in Conference Room D, Veterans Service Building, Capitol Approach, St. Paul, Minnesota. The hearing continued until all representatives of associations or other interested groups or persons had an opportunity to participate and be heard concerning the adoption of the proposed rules. The Minnesota Housing Finance Agency, upon motion duly made, seconded and adopted by the members of its board on May 26, 1976, and upon the Findings of Fact, Conclusions and Recommendations of Hearing Examiner, all records, files, evidence, arguments and written comments, hereby makes and issues the following Findings of Fact:

FINDINGS OF FACT

1. That the Order for Hearing issued October 29, 1975, was in all respects proper in form, content, execution and filing.

2. That due, timely and adequate legal notice of the hearing ordered by the Minnesota Housing Finance Agency (the Agency) was properly served and filed. All other substantive procedural requirements imposed by statute or rule have been complied with by the Agency.

3. That the Legislature has authorized the adoption of these rules pursuant to Minnesota Statutes 1974, Chapter 462A.06, Subd. 11, which provides as follows:

> "It may make and publish rules and regulations respecting its mortgage lending, construction lending, rehabilitation lending, grants, and temporary lending, and any such other rules and regulations as are necessary to effectuate its corporate purpose."

4. That the statement of need for these rules presented at the hearing was not specifically criticized in testimony or written comments. The comments generally reinforced the conclusions drawn therein. The statement of need provides as follows:

> "The above-captioned rules are for the use of the Minnesota Housing Finance Agency. The proposed rules are necessary in order to establish, for the guidance of the Agency, reasonable income limitations, based on current economic conditions, of eligible recipients of Agency loans; to provide definitions of certain terms contained in the Minnesota Housing Finance Agency law, as amended, and the rules and regulations promulgated pursuant thereto; the steps and procedures relating to meetings of the Agency, both regular and special, and the circumstances under which members of the public may address members of the Agency at such meetings; to establish certain criteria and procedures for Agency review of loan and grant applications; to establish certain uniform conditions for and limitations upon single-family mortgage loans, multi-family mortgage loans, home improvement loans and home improvement grants to be made by the Agency."

5. Minn. Reg. MHFA 2(o) is proposed for amendment to provide a definition of persons and families of low and moderate income. Subdivision (i) relates to those structures designed primarily for residential use by not more than four (4) families, or a dwelling unit in planned unit development or condominium. Where individuals are receiving direct loans from the Agency to purchase or improve a residence, the person or family may not have an adjusted income in excess of Sixteen Thousand and no/100ths Dollars ($16,000.00).

Subdivision (ii) defines persons and families of low and moderate income by imposing a limitation on occupancy in apartment developments financed with Agency funds requiring persons and families whose Adjusted Income does not exceed five hundred fifty percent (550%) of the gross rental for the dwelling unit to be occupied. In no event shall the gross rentals for at least seventy-five percent (75%) of the dwelling units in such structures exceed one hundred twenty percent (120%) of the fair market rents in the geographical area in which the structures are located. Agency regulations presently permit a maximum of twenty-five percent (25%) of the units financed by the Agency to be occupied by individuals without reference to income limitation. Recognizing the propriety of this policy, the proposal seeks to amend the rule to provide additional standards designed to give the Agency flexibility in fostering maximized diversity of residency which may result in the encouragement of economic integration of its facilities in

accordance with statutory mandate. Accordingly, the proposal is found to be reasonable and necessary and to implement properly the Agency's statutory mandate.

6. Minn. Reg. MHFA 2 is proposed to amend the definition section of the rules by adding subdivisions defining the term "Developmentally Disabled." The new language describes an individual who has a mental or physical impediment which originated prior to the time the individual was 18 years of age and constitutes a substantial handicap to the individual. The purpose of this definition is to establish a standard for occupancy of facilities to be financed by the Agency. This is a part of the Agency's program to house developmentally disabled persons outside of institutional settings. The definition is consistent with those definitions adopted by the United States Department of Health, Education and Welfare. The definition is found to be necessary and reasonable in light of the statutory authorization and the objectives to be achieved.

7. Minn. Reg. MHFA 2 is further amended by adding a subdivision defining "Capital Contribution of the Investors." This definition recognizes the principal amount of the Agency's loan as a basis for value and defines the developer's contribution to be the difference between the loan and the total development cost of the project. The Agency has responsibility for determining project costs. The concept of contribution is vital because it is the basis upon which investors are allowed to receive a return on their investment from the cash generated by a project financed by the Agency. The definition appears reasonable and necessary and within the authority of the Agency and is recommended for adoption.

8. Minn. Reg. MHFA 3 is a necessary amendment establishing forms, procedures (establishing the contents of the application and conditions upon which loans or grants shall be made), and guides to assist in the preparations of such applications. There was no criticism or comment upon this proposal and its adoption is consistent with the requirement that agencies adopt rules delimiting the nature and requirements of all formal and informal procedures related to the administration of official agency duties.

9. Minn. Reg. MHFA 7 is needed to define the time and location for Agency meetings, the conditions under which special meetings may be convened by the chairman or a majority of the existing members of the Agency and to establish the number of members which may constitute a quorum required for the exercise of power by the Agency.

10. Minn. Reg. MHFA 8 is necessary to establish reasonable rules governing appearance by members of the public at Agency meetings. The rule provides for preparation of agenda, scheduling persons who wish to appear and address members of the Agency at specified times, and procedures for appearances where the timing of scheduled appearances cannot be satisfied. The rule appears to be necessary and reasonable to assure that orderly procedures will be observed at all Agency meetings.

11. Minn. Reg. MHFA 34 is proposed to be adopted to establish project selection criteria. In general, the amendment is intended to select areas for examination on a non-exclusive basis to be considered by members of the Agency in reviewing development or mortgage applications. The proposed criteria relate to the relationship of the proposal to overall planning objectives together with legislatively defined social goals. Among the minimal areas to be examined are those which relate to orderly growth and development in a geographical area, the impact of the physical development in the surrounding neighborhood, the adequacy of concern with minorities and their need for housing, employment, concern with whether the loan or development will foster additional low-cost housing and foster a pattern of integrated living without reference to the economic means of those who will occupy the units, the availability of alternative sources of financing and return on the investment to the developer and the capacity of the developer to perform the obligations undertaken in connection with the development or loan.

Testimony suggests that the Agency is in fact pursuing policies which require satisfaction of the above criteria. Adoption of the informal guidelines or criteria appears consistent with the requirements of Minnesota Statutes 1974, Chapter 15, particularly 15.0412. It is necessary and reasonable that guidelines applied currently by members of the Agency be adopted in rule form to afford interested persons notice of the consideration that will be given to specified factors. This will permit developers to take these factors into account when structuring development proposals for the Agency. The standard of administrative fairness is served by the adoption of this proposal.

12. Minn. Reg. MHFA 35 is proposed for adoption to require that mortgage loans for single-family dwellings be limited to applicants who are occupants and fee owners of the dwelling. There were no comments or criticisms received in reference to this proposal. Testimony indicated that the Agency had been formally enforcing

this requirement in the course of processing applications for loans. Given the Agency's responsibility to safeguard the investment of public funds in private loans and development, it appears reasonable and necessary that the objectives of the legislation establishing the Agency be secured by the requirement that loans financing the acquisition of single-family dwellings be made only to those who will occupy the dwelling as fee owner.

13. Minn. Reg. MHFA Chapter 6 is proposed for adoption in reference to home improvement loans defining the eligibility of applicants and the nature of the improvements subject to financing through loans secured from the Agency. An eligible loan is defined by statute to mean any mortgage loan, construction loan, rehabilitation loan, or other loan, whether or not federally insured, granted by the Agency to an eligible mortgagor. See Minnesota Statutes 1974, Section 462A.03. Additionally, Section 462A.05 provides at Subdivision 14 that the Agency shall have specific power

> ". . . to purchase, make, or otherwise participate in the making, and enter into commitments for the purchase, making, or participation in the making, of eligible loans for rehabilitation to persons and families of low and moderate income, and to sponsors of existing residential housing for occupancy by such persons and families, for the rehabilitation of existing residential housing owned by them . . . . No loan for rehabilitation shall be made unless the Agency determines that such loan will be used primarily to make the housing more desirable to live in, to increase the market value of the housing or for compliance with state, county or municipal building, housing maintenance, fire, health or similar codes and standards applicable to housing . . . ."

The broad discretion vested in the Agency by statute suggests ample authority to define criteria for those who may be eligible to obtain loans and the purposes to which the loan can be put. Proposed MHFA 51 dealing with the qualifications of applicants establishes a series of nine (9) categories in which the Agency has defined a standard of eligibility for individuals seeking home improvement loans. Again, the Agency testified the criteria have been applied and the procedures are now being adopted as rules. Upon careful evaluation and review I find it is necessary and reasonable that the Agency adopt criteria requiring that home improvement loan applicants own the property, but not necessarily occupy it, that the individual be a person or family of low or moderate income, that the applicant be a reasonable credit risk, manifesting the ability to pay the loan obligation, the structure to be improved be in need of repair, that the structure

to be improved not be in violation of the applicable zoning ordinances or other local law, that the property be used primarily for residential purposes and not contain more than six (6) dwelling units, that home improvement loan proceeds be used to finance only improvements to existing structures, that the improvements be capable of completion within a reasonable time, and at the time of the application, as required by statute, conventional financing not be available from private lenders upon equivalent terms and conditions.

The rules also propose to adopt criteria defining which improvements may be made with a home improvement loan. It is necessary and reasonable in fulfilling the statutory mandate that the Agency define the improvements eligible for financing as those necessary to improve the property to the satisfaction of local governmental codes relating to health, housing, building, fire prevention and house maintenance; that the improvements be a permanent general improvement, that is, an improvement that includes an addition, alteration, renovation or repairs upon the existing structure which materially preserves or improves the livability, safety or utility of the property; that the improvement be in compliance with local ordinances; that proceeds need not be used for the payment, wholly or in part, of assessments or public improvements except those improvements which relate to bringing individual sewage disposal systems into compliance with local, state or federal environmental sanitary standards; and contracts covering all or a portion of an improvement thus contained in MHFA approved warranty and workmanship and materials.

Each criterion relates to the individual and the improvement eligible for financing by the Agency. The purpose of these criteria is to define rational requirements for compliance with local codes governing structures contributing to the health, welfare and safety of the population. Further, the requirements seek to assure that the expenditure of monies is for a proper purpose sanctioned by the legislature with adequate safeguards to provide reasonable assurance that the loan will be repaid either by the efforts of the borrower or out of the security required to be made available at the time of the loan.

14. Minn. Reg. MHFA Chapter 7 is proposed for adoption of criteria for home improvement grants. Authority to make grants is specifically conferred upon the Agency by Minnesota Statutes 1974, Section 462A.05 Subdivision 15:

> "It may make grants to persons and families of low and moderate income to pay or to assist in paying a loan made pursuant to subdivision 14, or to rehabilitate or to assist in rehabilitating existing residential housing owned or occupied by such persons or families . . . . No such grant shall be made unless the agency determines that such grant will be used primarily to make the housing more desirable to live in, to increase the market value of the housing or for compliance with state, county or municipal building, housing maintenance, fire, health or similar codes and standards applicable to housing. In unincorporated areas and municipalities not having such codes and standards, the agency may, solely for the purpose of administering this provision, establish such codes and standards. No grant for rehabilitation of owner occupied residential housing shall be denied solely because the grant will not be used for placing such residential housing in full compliance with all state, county or municipal building, housing maintenance, fire, health or similar codes and standards applicable to housing. The amount of any such grant shall not exceed the lesser of (a) $5,000, or (b) the actual cost of the work performed, or (c) that portion of the cost of rehabilitation which the agency determines cannot otherwise be paid by such person or family without spending an unreasonable portion of the income of such person or family thereon. In making such grants, the agency shall determine the circumstances under which and the terms and conditions under which all or any portion thereof will be repaid and shall determine the appropriate security should such repayment be required.

There has been no criticism or comment in reference to this proposal. The proposal is unique in that it anticipates action by the legislature funding the grant authority and providing additional specific power through which the grant authority can be implemented.

Proposed Chapter 7 proposes a procedure for reservation of funds by the Agency upon request through the filing of a statement evidencing a plan for a proposed method of delivery of the rehabilitation grants, evidence that the plan will be administered in an effective and efficient manner providing reasonable assurance of implementation and evidence that the governing body of the political subdivision in which the plan is to be administered approves of the plan. The regional development commissions are designated as proper agencies for review and comment. Funds are to be allocated ratably among the several regions in accordance with housing needs and related factors as disclosed in assembled data.

Recipient eligibility for rehabilitation grants is limited to individuals having income of Five Thousand Dollars ($5,000) or less. The individual may not have gross assets exceeding Twenty-five Thousand Dollars ($25,000). In light of the legislative intent set forth in the statutory language quoted above, it appears that the proposed limitations are necessary and reasonable and properly address the area of concern. The legislature intended to address problems of a critical nature to individuals in need of shelter because of inadequate income with assistance in rehabilitating existing residential facilities. The 1976 legislature has reaffirmed this policy and has provided additional legislative authority for its implementation.

PROPOSED RULES

1. Minn. Reg. MHFA 2(o) is hereby amended to read as follows:

"(o) 'Persons and Families of Low and Moderate Income' means

(i) With respect to a structure or structures designed primarily for residential use by not more than four families, or a dwelling unit in a planned unit development or a condominium, those persons and families whose Adjusted Income does not exceed $16,000; provided, however, that such maximum Adjusted Income limitation shall be adjusted, upward or downward as the case may be, annually, promptly after January 1 in each year, in direct proportion to the increase or decrease in the Consumers' Price Index in the immediately preceding calendar year. For purposes of the foregoing computation, the Consumers' Price Index shall be deemed to mean the Consumers' U.S. (1967 = 100) New Series -- All Items issued from time to time by the Federal Bureau of Labor Statistics (or any successor agency that shall issue said Index); and

(ii) With respect to all other structures, those persons and families whose Adjusted Income does not exceed 550 percent of the gross rental for the dwelling unit to be occupied; provided, however, that the gross rentals for at least 75 percent of the dwelling units in such structure or structures shall not exceed 120% of the Fair Market Rents for the geographical area in which such structure or structures are located, as determined and adjusted from time to time by the United States Department of Housing and Urban Development; provided, however, that the Members may allow higher gross rentals for units in any structure if the Members determine that such higher gross rentals are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or similar factors relating to income available for housing or housing costs.

2. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"(p) 'Developmentally Disabled' means an individual who has a disability which

(i) Is attributable to mental retardation, cerebral palsy, epilepsy or other neurological condition found to be closely related to mental retardation or to require treatment similar to that for mentally retarded individuals,

(ii) Originated at an age earlier than 18 years of age, is continuing and can be expected to continue indefinitely, and

(iii) Constitutes a substantial handicap to the individual."

3. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision to read as follows:

"(q) 'Capital contribution of the Investors' means the excess of the total development cost of the project as determined by the Agency, whether or not paid in cash, over the original principal amount of the Agency's loan."

4. Minn. Reg. MHFA 3 is hereby amended to read as follows:

"MHFA 3. Forms and Procedures.

With respect to each mortgage loan program, rehabilitation loan program, rehabilitation grant program and development cost loan program from time to time instituted by the Agency, the Executive Director shall prepare guides setting forth uniform procedures by which applications for loans or grants shall be submitted, the contents thereof, and the conditions upon which loans or grants shall be made. Each said guide, and any amendment thereto, shall be submitted to the Members of the Agency for their review at any regular or special meeting called for such purpose and shall become effective only upon the approving vote of the Members."

5. Minn. Reg. MHFA 7 is hereby adopted to read as follows:

"MHFA 7. Agency Meetings.

(a) Regular meetings of the Agency shall be held on the third Thursday of each month at 1:00 PM at the offices of the Agency in St. Paul, Minnesota, unless another place of meeting is designated by resolution. In the event such date shall fall on a legal holiday, the regular meeting shall be held the next succeeding business day.

(b) Special meetings of the Agency may be called by the Chairman or by a majority of the existing Members of the Agency, for the purpose of transacting any business designated in the notice, and shall be held at the business offices of the Agency in St. Paul, Minnesota, unless another place of meeting is designated by resolution. At any such special meeting, no business shall be considered other than as designated in the notice; provided, however, that if all of the Members of the Agency are present at such special meeting, this limitation shall not apply.

(c) A majority of the existing Members of the Agency shall constitute a quorum for the purpose of conducting the Agency's business and exercising its powers and for all other purposes, but a smaller number may adjourn from time to time until a quorum is obtained. When a quorum is in attendance, action may be taken by the Agency on the vote of the majority of the Members present."

6. Minn. Reg. MHFA 8 is hereby adopted to read as follows:

"MHFA 8. Public Appearances at Meetings of the Members.

The following procedures shall govern public appearances at meetings of the Members:

(a) With respect to regular meetings, the Executive Director shall complete the agenda for meetings of the Members, not less than five nor more than seven days prior to the date of any such meeting.

(b) With respect to regular meetings, any person who desires to appear and address the Members with respect to any matter not enumerated on the agenda shall make a written request to the Executive Director, with a copy to the Chairman, at least ten days prior to the date of the meeting, setting forth the nature of the matter about which such person wishes to appear.

(c) With respect to regular or special meetings, any person who desires to appear and address the Members with respect to any matter enumerated on the agenda shall make a written request to the Executive Director, with a copy to the Chairman, at least twenty-four hours before the meeting.

(d) Any Member may at any time request that a person be permitted to appear and address the Members at any regular or special meeting.

(e) All such requests shall be placed on the agenda for review by the Members at the meeting. A majority vote of the members present shall be required in order to grant any such request to address the Members."

7. Minn. Reg. MHFA 34 is hereby adopted to read as follows:

"MHFA 34. Project Selection Criteria.

In determining whether to accept applications of Housing Sponsors for development cost loans or mortgage loans, the Members shall

examine the following facts:

(a) Whether a need exists in the geographical area for the proposed development.

(b) Whether adequate provision has been made for housing opportunities for minority families, including elderly persons and families.

(c) Whether the proposed development is consistent with orderly growth and development in the geographical area.

(d) The impact of the proposed development on the physical environment of the surrounding neighborhood.

(e) Whether the Housing Sponsor has adequate capacity to proceed promptly to the construction and completion of the proposed development.

(f) The extent to which the proposed development will create minority employment and business opportunities.

(g) The effect of the proposed development in eliminating substandard housing and preventing the recurrence of such conditions.

(h) The extent to which the proposed development will reduce the cost of mortgage financing or rentals for housing for low and moderate income persons and families.

(i) The extent to which the proposed development will house persons and families of varied economic means and of a wide range of incomes.

(j) The relationship of the proposed development to public facilities, sources of employment and services (including public transportation, health, education and recreation facilities, and public utilities) essential to orderly growth.

(k) The relationship of the housing development to any comprehensive plans, policies, procedures and programs adopted and approved according to law by an agency of state or local government acting pursuant to legislative authority, including but not limited to the plans, policies, procedures and programs of regional development commissions and the Metropolitan Council.

(l) Whether a loan would otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions.

(m) In the case of a Housing Sponsor which is a Limited Dividend Entity, whether the rate of return on its investment in the proposed development is reasonable in light of then existing conditions in the housing industry and financial markets and in the rates of return then prescribed by other governmental agencies.

(n) Whether the proposed development will assist in fulfilling the purposes of the Act."

8. Minn. Reg. MHFA 35 is hereby adopted to read as follows:

"MHFA 35. Mortgage Loans for Single Family Dwellings.

Mortgage loans for single family dwellings shall be made only to applicants who are fee owners of the dwelling and who intend to occupy such dwelling."

9. Minn. Reg. MHFA Ch. 6 is hereby adopted to read as follows:

"CHAPTER SIX: HOME IMPROVEMENT LOANS

MHFA 51. Eligible Applications.

Applications for home improvement loans shall satisfy the following requirements:

(a) Each applicant must be an individual fee owner or contract for deed purchaser of the property to be improved. However, occupancy of the property by the applicant shall not be required.

(b) Each applicant must be a person or family (including non-related individual adults) of low or moderate income.

(c) Each applicant must be a reasonable credit risk with the ability to pay the loan obligation, as determined by the Agency or by the lending institution, if any, servicing the loan on behalf of the Agency.

(d) The structure to be improved must be at least 15 years old, or in need of repair to correct damage resulting from a natural disaster, or in need of repair to correct defects or deficiencies which are hazardous to health or safety.

(e) The structure to be improved must not be in violation of applicable zoning ordinances or other applicable land use guides.

(f) The property must be used primarily for residential purposes and must not contain more than four dwelling units. Mobile homes and trailers shall not be eligible for home improvement loans.

(g) Home improvement loan proceeds must be used to finance only improvements to existing structures.

(h) All improvements must be reasonably capable of being completed (except for causes beyond the applicant's reasonable control, such as fire, strike and shortages of materials) within nine months of the date of the first disbursement of funds pursuant to the home improvement loan.

(i) At the time of application, conventional financing must not be available from private lenders upon equivalent terms and conditions.

MHFA 52. Eligible Improvements.

Improvements made with home improvement loan proceeds shall satisfy the following requirements:

(a) Improvements may be made in order (i) to comply with applicable state, county and municipal health, housing, building, fire prevention and housing maintenance codes, or other public standards applicable to housing, or (ii) to make the property more desirable to live in, or (iii) to increase the market value of the property, or (iv) to make the property more habitable.

(b) Each improvement must be a Permanent General Improvement. Permanent General Improvements shall include additions, alterations, renovations or repairs upon or in connection with existing structures, which materially preserve or improve the basic livability, safety or utility of the property. Permanent General Improvements shall not include materials, fixtures or landscaping of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved.

(c) Each improvement must be made in compliance with all applicable health, fire prevention, building and housing codes and standards; provided, however, that no application for a home improvement loan for property occupied by the owner shall be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

(d) Home improvement loan proceeds shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such proceeds may be used for improvements which will bring an individual sewage disposal system (including septic systems) located on the property into compliance with local, state or federal environmental and sanitary standards.

(e) All contracts covering all or any portion of an improvement must contain an MHFA approved warranty of workmanship and materials."

10. Minn. Reg. MHFA Ch. 7 is hereby adopted to read as follows:

"CHAPTER 7: HOME IMPROVEMENT GRANTS

MHFA 61. Reservation of Funds.

For a period of at least three months after the Agency gives notice that the funds for making rehabilitiation grants are available, the Agency shall receive requests for reservation of funds.

MHFA 62. Requests for Reservation of Funds.

Requests for Reservation of Funds for rehabilitation grants may be made to the Agency, and shall be accompanied by (a) a plan setting forth the proposed method of delivery of the rehabilitation grants, (b) evidence satisfactory to the Agency that the person or organization which will administer the delivery of the grants has the capacity effectively and efficiently to carry out the plan, and (c) evidence satisfactory to the Agency of the approval of the plan by the governing body of the political subdivision within which the plan is to be administered.

MHFA 63. Review by Regional Development Commissions.

The Agency shall submit all plans to the applicable Regional Development Commission (including the Metropolitan Council) and shall consider the comments and recommendations of such Commissions with respect to the extent to which the plan assists in satisfying the housing needs for such region.

MHFA 64. Allocation of Funds.

The Agency shall allocate the total funds available at any time ratably among the several regions, based upon data assembled by the Agency and accurately reflecting housing needs and related factors.

MHFA 65. Eligible Recipients of Rehabilitiation Grants.

In addition to all conditions imposed by the Act, an application for a rehabilitation grant shall satisfy the following requirements:

(a) The applicant must have an Adjusted Income not in excess of $5,000.

(b) The gross assets of the applicant, excluding the property to be improved with the proceeds of the grant, may not exceed $25,000.

(c) The applicant must use the proceeds of the grant to correct defects or deficiencies in the property affecting directly the safety, habitability or energy usage of the property."

STATE OF MINNESOTA

COUNTY OF RAMSEY

In the Matter of the Proposed Adoption of Rules of the Minnesota Housing Finance Agency Relating to Certain Definitions, Agency Meetings, Public Appearances at Agency Meetings, Procedures for Applying for Certain Agency Loans and Grants, and Criteria Governing the Selection of Projects to be Financed by the Agency.

CERTIFICATE

I hereby certify that the attached 442 labels sheets constitute the complete list of persons, associations and other interested groups who as of 8:15 o'clock, A.M., this 27th day of October, 1975 have requested pursuant to Minnesota Statutes §15.0412, that their names be placed on file with the Secretary of State for the purpose of receiving notice of public hearings on proposed rules on the above captioned subject.

Joan Anderson Growe
Secretary of State

By Neil Dunn

Agency Exhibit 1
12-1-75 LW

MINNESOTA HOUSING FINANCE AGENCY
480 Cedar Street
St. Paul, Minnesota 55101

RESOLUTION NO. 75-14

RESOLUTION AUTHORIZING PUBLC HEARING ON
PROPOSED RULES

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

That James Dlugosch, the Executive Director of the Minnesota Housing Finance Agency, be and he hereby is authorized and directed (1) to call a hearing for the purpose of promulgating rules of the Minnesota Housing Finance Agency, relating to certain definitions, Agency meetings, public appearances at Agency meetings, procedures for applying for certain Agency loans and grants, and criteria governing the selection of projects to be financed by the Agency; (2) to designate a hearing examiner to act as presiding officer at said hearing; and (3) to perform all other acts incidental to such hearing including without limitation signing an order of hearing and notice of hearing.

Adopted by the Minnesota Housing
Finance Agency this 23rd day of
October, 1975.

By Richard K Miller
Chairman

Attest: Everett W Mattson
Secretary

Agency Exhibit 2
12-1-75 LW

CERTIFICATE OF RESOLUTION
OF
THE MINNESOTA HOUSING FINANCE AGENCY

The undersigned does hereby certify that he is the Secretary of the Minnesota Housing Finance Agency, an Agency duly authorized under the laws of the State of Minnesota; that the following is a true, complete and correct copy of a resolution adopted at a meeting of the Minnesota Housing Finance Agency duly and properly called and held on the 23rd day of October, 1975; that a quorum was present at said meeting; that a majority of those present voted in favor of the adoption of said resolution; that said resolution is set forth in the minutes of said meeting; and that said resolution has not been altered, modified or annulled and remains in full force and effect:

"BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

"That James Dlugosch, the Executive Director of the Minnesota Housing Finance Agency, be and he hereby is authorized and directed (1) to call a hearing for the purpose of promulgating rules of the Minnesota Housing Finance Agency, relating to certain definitions, Agency meetings, public appearances at Agency meetings, procedures for applying for certain Agency loans and grants, and criteria governing the selection of projects to be financed by the Agency; (2) to designate a hearing examiner to act as presiding officer at said hearing; and (3) to perform all other acts incidental to such hearing including without limitation signing an order of hearing and notice of hearing."

IN WITNESS WHEREOF, I have hereunto subscribed my name this 23rd day of October, 1975.

Attest: Richard R. Miller
Member

Robert H. Mattson
Secretary

Agency Exhibit 3
12-1-76 EW

STATE OF MINNESOTA

COUNTY OF RAMSEY

MINNESOTA HOUSING FINANCE AGENCY

BEFORE Edward J. Driscoll
Hearing Examiner

In the Matter of the Proposed Adoption of Rules of the Minnesota Housing Finance Agency Relating to Certain Definitions, Agency Meetings, Public Appearances at Agency Meetings, Procedures for Applying for Certain Agency Loans and Grants, and Criteria Governing the Selection of Projects to be Financed by the Agency.

STATEMENT OF NEED

The above captioned rules are for the use of the Minnesota Housing Finance Agency. The proposed rules are necessary in order to establish, for the guidance of the Agency, reasonable income limitations, based on current economic conditions, of eligible recipients of Agency loans; to provide definitions of certain terms contained in the Minnesota Housing Finance Agency law, as amended, and the rules and regulations promulgated pursuant thereto; to establish procedures relating to meetings of the Agency, both regular and special, and the circumstances under which members of the public may address members of the Agency at such meetings; to establish certain criteria and procedures for Agency review of loan and grant applications; and to establish certain uniform conditions for and limitations upon single family mortgage loans, multi-family mortgage loans, home improvement loans and home improvement grants to be made by the Agency.

MINNESOTA HOUSING FINANCE AGENCY

By Richard Miller
Richard Miller
Its Chairman

Agency Exhibit 4
12-1-75 ZW

AFFIDAVIT

The undersigned, being first duly sworn, on oath deposes and says:

1. That he is an employee of the Minnesota Housing Finance Agency.

2. That on the 27 day of October, 1975, he went to the office of the Secretary of State of the State of Minnesota and requested a current list of all representatives of associations or other interested groups or persons who had registered their names with the Secretary of State for the purpose of obtaining notices of public hearings relating to the promulgation of rules pursuant to Minnesota Statutes § 15.0412.

3. That on the 27 day of October, 1975, in response to the above request the Secretary of State provided him with such list, a copy of which is attached hereto and incorporated herein by this reference.

Further Affiant saith not.

Mike Kuschke

Subscribed and sworn to me this 27 day of October, 1975.

Roseann M. Koran
Notary Public

ROSEANN M. KORAN
Notary Public, Ramsey County, Minn.
MY COMMISSION EXPIRES
March 14, 1979

Agency Exhibit 5
12-1-75 LN

STATE OF MINNESOTA

COUNTY OF RAMSEY

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Adoption of Rules of the Minnesota Housing Finance Agency Relating to Certain Definitions, Agency Meetings, Public Appearances at Agency Meetings, Procedures for Applying for Certain Agency Loans and Grants, and Criteria Governing the Selection of the Projects to be Financed by the Agency.

APPOINTMENT OF HEARING OFFICER

Pursuant to resolution adopted by the Minnesota Housing Finance Agency (the "Agency") on October 23, 1975, which is incorporated herein by reference, Edward Driscoll (hereinafter the "Hearing Officer"), is appointed Hearing Officer in the public hearings for the above described matter.

He is authorized and empowered to preside as Hearing Officer, to review the record of the hearing, to research the law as necessary, to make findings of fact and recommendations to the Agency, and to perform any and all acts incidental thereto in the name of the Agency.

Dated this 28th day of October, 1975.

James Dlugosch, Executive Director

Subscribed and sworn to before me
this 28 day of October, 1975.

Roseann M. Koran

ROSEANN M. KORAN
Notary Public, Ramsey County, Minn.
MY COMMISSION EXPIRES
March 14, 1979

Agency Exhibit 6
12-1-75 KH

STATE OF MINNESOTA

COUNTY OF RAMSEY

MINNESOTA HOUSING FINANCE AGENCY

BEFORE Edward J. Driscoll
Hearing Examiner

In the Matter of the Proposed Adoption of Rules of the Minnesota Housing Finance Agency Relating to Certain Definitions, Agency Meetings, Procedures for Applying for Certain Agency Loans and Grants, and Criteria Governing the Selection of Projects to be Financed by the Agency.

ORDER OF HEARING

To effectively implement Minnesota Statutes Chapter 462A, the Minnesota Housing Finance Agency Law, the Minnesota Housing Finance Agency deems it necessary to consider adoption of the proposed rules captioned above, pursuant to the authority vested in it by Minnesota Statutes Section 462A.06(11).

NOW, THEREFORE, It is Ordered this ____ day of October, 1975, that a public hearing on the proposed rules captioned above be held at: Conference Room D, Veterans Service Building, Capitol Approach on December 1, 1975, commencing at 10:00 o'clock A. M., and continuing until all representatives of associations or other interested groups or persons have had an opportunity to be heard.

IT IS FURTHER ORDERED that notice of said hearing be given to all representatives of associations or other interested groups or persons who have registered their names with the Secretary of State for that purpose and all persons who are presently members of the Minnesota Legislature.

MINNESOTA HOUSING FINANCE AGENCY

By _____
James Dlugosch, Executive Director

Dated: October 29, 1975.

Agency Exhibit 7
12-1-75 KG

STATE OF MINNESOTA

COUNTY OF RAMSEY

In the Matter of the Proposed Adoption of Rules of the Minnesota Housing Finance Agency Relating to Certain Definitions, Agency Meetings, Public Appearances at Agency Meetings, Procedures for Applying for Certain Agency Loans and Grants, and Criteria Governing the Selection of Projects to be Financed by the Agency.

AFFIDAVIT OF MAILING

Bonnie Nelson, being first duly sworn, deposes and says:

That on the 29 day of October, 1975, at the City of St. Paul, County of Ramsey, State of Minnesota, he served the attached Notice of Hearing by depositing in the United States mail at said City of St. Paul, a true and correct copy thereof, properly enveloped, with postage prepaid, to all persons and associations at the addresses listed on the attached Certificate of the Secretary of State as well as to all persons listed on the attached sheet as presently being members of the Minnesota Legislature.

Bonnie Nelson

Subscribed and sworn to before

me this 29 day of October, 1975.

Roseann M. Koran

ROSEANN M. KORAN
Notary Public, Ramsey County, Minn.
MY COMMISSION EXPIRES
March 14, 1979

Agency Exhibit 8
12-1-75 LD

STATE OF MINNESOTA

COUNTY OF RAMSEY

MINNESOTA HOUSING FINANCE AGENCY

BEFORE Edward J. Driscoll
Hearing Examiner

In the Matter of the Proposed Adoption of Rules of the Minnesota Housing Finance Agency Relating to Certain Definitions, Agency Meetings, Public Appearances at Agency Meetings, Procedures for Applying for Certain Agency Loans and Grants, and Criteria Governing the Selection of Projects to be Financed by the Agency.

NOTICE OF HEARING

Notice is hereby given that a public hearing will be held pursuant to Minnesota Statues, Section 15.0412, in the above entitled matter at: Conference Room D, Veterans Service Building, Capitol Approach on December 1, 1975, commencing at 10:00 o'clock A.M., and continuing until all representatives of associations and other interested persons and groups shall have had an opportunity to be heard concerning adoption of the proposed rules captioned above by submitting either oral or written data, statements or arguments. Statements or briefs may be submitted without appearing at the hearing.

A copy of the proposed rules is attached hereto.

Copies of the proposed rules may also be obtained by writing to the Minnesota Housing Finance Agency, 480 Cedar Street, St. Paul, MN 55101, and additional copies will be available at the door on the date of the hearing.

Under Minnesota Statutes § 10A-01(11), any individual representing persons or associations attempting to influence administrative action, such as promulgation of these rules, must register with the State Ethics Commission as a lobbyist within five days of the commencement of such activity by the individual. The State Ethics Commission is located at 410 State Office Building, St. Paul, Minnesota 55155.

MINNESOTA HOUSING FINANCE AGENCY

By _____
James Dlugosch, Executive Director

Dated: October 29, 1975

1. Minn. Reg. MHFA 2(o) is hereby amended to read as follows:

"(o) 'Persons and Families of Low and Moderate Income' means

(i) With respect to a structure or structures designed primarily for residential use by not more than four families, or a dwelling unit in a planned unit development or a condominium, those persons and families whose Adjusted Income does not exceed $16,000; provided, however, that such maximum Adjusted Income limitation shall be adjusted, upward or downward as the case may be, annually, promptly after January 1 in each year, in direct proportion to the increase or decrease in the Consumers' Price Index in the immediately preceding calendar year. For purposes of the foregoing computation, the Consumers' Price Index shall be deemed to mean the Consumers' U.S. (1967 = 100) New Series -- All Items issued from time to time by the Federal Bureau of Labor Statistics (or any successor agency that shall issue said Index); and

(ii) With respect to all other structures, those persons and families whose Adjusted Income does not exceed 550 percent of the gross rental for the dwelling unit to be occupied; provided, however, that the gross rentals for at least 75 percent of the dwelling units in such structure or structures shall not exceed 120% of the Fair Market Rents for the geographical area in which such structure or structures are located, as determined and adjusted from time to time by the United States Department of Housing and Urban Development; provided, however, that the Members may allow higher gross rentals for units in any structure if the Members determine that such higher gross rentals are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or similar factors relating to income available for housing or housing costs.

2. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"(p) 'Developmentally Disabled' means an individual who has a disability which

(i) Is attributable to mental retardation, cerebral palsy, epilepsy or other neurological condition found to be closely related to mental retardation or to require treatment similar to that for mentally retarded individuals,

(ii) Originated at an age earlier than 18 years of age, is continuing and can be expected to continue indefinitely, and

(iii) Constitutes a substantial handicap to the individual."

3. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision to read as follows:

"(q) 'Capital contribution of the Investors' means the excess of the total development cost of the project as determined by the Agency, whether or not paid in cash, over the original principal amount of the Agency's loan."

4. Minn. Reg. MHFA 3 is hereby amended to read as follows:

"MHFA 3. Forms and Procedures.

With respect to each mortgage loan program, rehabilitation loan program, rehabilitation grant program and development cost loan program from time to time instituted by the Agency, the Executive Director shall prepare guides setting forth uniform procedures by which applications for loans or grants shall be submitted, the contents thereof, and the conditions upon which loans or grants shall be made. Each said guide, and any amendment thereto, shall be submitted to the Members of the Agency for their review at any regular or special meeting called for such purpose and shall become effective only upon the approving vote of the Members."

5. Minn. Reg. MHFA 7 is hereby adopted to read as follows:

"MHFA 7. Agency Meetings.

(a) Regular meetings of the Agency shall be held on the third Thursday of each month at 1:00 PM at the offices of the Agency in St. Paul, Minnesota, unless another place of meeting is designated by resolution. In the event such date shall fall on a legal holiday, the regular meeting shall be held the next succeeding business day.

(b) Special meetings of the Agency may be called by the Chairman or by a majority of the existing Members of the Agency, for the purpose of transacting any business designated in the notice, and shall be held at the business offices of the Agency in St. Paul, Minnesota, unless another place of meeting is designated by resolution. At any such special meeting, no business shall be considered other than as designated in the notice; provided, however, that if all of the Members of the Agency are present at such special meeting, this limitation shall not apply.

(c) A majority of the existing Members of the Agency shall constitute a quorum for the purpose of conducting the Agency's business and exercising its powers and for all other purposes, but a smaller number may adjourn from time to time until a quorum is obtained. When a quorum is in attendance, action may be taken by the Agency on the vote of the majority of the Members present."

6. Minn. Reg. MHFA 8 is hereby adopted to read as follows:

"MHFA 8. Public Appearances at Meetings of the Members.

The following procedures shall govern public appearances at meetings of the Members:

(a) With respect to regular meetings, the Executive Director shall complete the agenda for meetings of the Members, not less than five nor more than seven days prior to the date of any such meeting.

(b) With respect to regular meetings, any person who desires to appear and address the Members with respect to any matter not enumerated on the agenda shall make a written request to the Executive Director, with a copy to the Chairman, at least ten days prior to the date of the meeting, setting forth the nature of the matter about which such person wishes to appear.

(c) With respect to regular or special meetings, any person who desires to appear and address the Members with respect to any matter enumerated on the agenda shall make a written request to the Executive Director, with a copy to the Chairman, at least twenty-four hours before the meeting.

(d) Any Member may at any time request that a person be permitted to appear and address the Members at any regular or special meeting.

(e) All such requests shall be placed on the agenda for review by the Members at the meeting. A majority vote of the members present shall be required in order to grant any such request to address the Members."

7. Minn. Reg. MHFA 34 is hereby adopted to read as follows:

"MHFA 34. Project Selection Criteria.

In determining whether to accept applications of Housing Sponsors for development cost loans or mortgage loans, the Members shall

examine the following facts:

(a) Whether a need exists in the geographical area for the proposed development.

(b) Whether adequate provision has been made for housing opportunities for minority families, including elderly persons and families.

(c) Whether the proposed development is consistent with orderly growth and development in the geographical area.

(d) The impact of the proposed development on the physical environment of the surrounding neighborhood.

(e) Whether the Housing Sponsor has adequate capacity to proceed promptly to the construction and completion of the proposed development.

(f) The extent to which the proposed development will create minority employment and business opportunities.

(g) The effect of the proposed development in eliminating substandard housing and preventing the recurrence of such conditions.

(h) The extent to which the proposed development will reduce the cost of mortgage financing or rentals for housing for low and moderate income persons and families.

(i) The extent to which the proposed development will house persons and families of varied economic means and of a wide range of incomes.

(j) The relationship of the proposed development to public facilities, sources of employment and services (including public transportation, health, education and recreation facilities, and public utilities) essential to orderly growth.

(k) The relationship of the housing development to any comprehensive plans, policies, procedures and programs adopted and approved according to law by an agency of state or local government acting pursuant to legislative authority, including but not limited to the plans, policies, procedures and programs of regional development commissions and the Metropolitan Council.

(l) Whether a loan would otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions.

(m) In the case of a Housing Sponsor which is a Limited Dividend Entity, whether the rate of return on its investment in the proposed development is reasonable in light of then existing conditions in the housing industry and financial markets and in the rates of return then prescribed by other governmental agencies.

(n) Whether the proposed development will assist in fulfilling the purposes of the Act."

8. Minn. Reg. MHFA 35 is hereby adopted to read as follows:

"MHFA 35. Mortgage Loans for Single Family Dwellings.

Mortgage loans for single family dwellings shall be made only to applicants who are fee owners of the dwelling and who intend to occupy such dwelling."

9. Minn. Reg. MHFA Ch. 6 is hereby adopted to read as follows:

"CHAPTER SIX: HOME IMPROVEMENT LOANS

MHFA 51. Eligible Applications.

Applications for home improvement loans shall satisfy the following requirements:

(a) Each applicant must be an individual fee owner or contract for deed purchaser of the property to be improved. However, occupancy of the property by the applicant shall not be required.

(b) Each applicant must be a person or family (including non-related individual adults) of low or moderate income.

(c) Each applicant must be a reasonable credit risk with the ability to pay the loan obligation, as determined by the Agency or by the lending institution, if any, servicing the loan on behalf of the Agency.

(d) The structure to be improved must be at least 15 years old, or in need of repair to correct damage resulting from a natural disaster, or in need of repair to correct defects or deficiencies which are hazardous to health or safety.

(e) The structure to be improved must not be in violation of applicable zoning ordinances or other applicable land use guides.

(f) The property must be used primarily for residential purposes and must not contain more than four dwelling units. Mobile homes and trailers shall not be eligible for home improvement loans.

(g) Home improvement loan proceeds must be used to finance only improvements to existing structures.

(h) All improvements must be reasonably capable of being completed (except for causes beyond the applicant's reasonable control, such as fire, strike and shortages of materials) within nine months of the date of the first disbursement of funds pursuant to the home improvement loan.

(i) At the time of application, conventional financing must not be available from private lenders upon equivalent terms and conditions.

MHFA 52. Eligible Improvements.

Improvements made with home improvement loan proceeds shall satisfy the following requirements:

(a) Improvements may be made in order (i) to comply with applicable state, county and municipal health, housing, building, fire prevention and housing maintenance codes, or other public standards applicable to housing, or (ii) to make the property more desirable to live in, or (iii) to increase the market value of the property, or (iv) to make the property more habitable.

(b) Each improvement must be a Permanent General Improvement. Permanent General Improvements shall include additions, alterations, renovations or repairs upon or in connection with existing structures, which materially preserve or improve the basic livability, safety or utility of the property. Permanent General Improvements shall not include materials, fixtures or landscaping of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved.

(c) Each improvement must be made in compliance with all applicable health, fire prevention, building and housing codes and standards; provided, however, that no application for a home improvement loan for property occupied by the owner shall be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

(d) Home improvement loan proceeds shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such proceeds may be used for improvements which will bring an individual sewage disposal system (including septic systems) located on the property into compliance with local, state or federal environmental and sanitary standards.

(e) All contracts covering all or any portion of an improvement must contain an MHFA approved warranty of workmanship and materials."

10. Minn. Reg. MHFA Ch. 7 is hereby adopted to read as follows:

"CHAPTER 7: HOME IMPROVEMENT GRANTS

MHFA 61. Reservation of Funds.

For a period of at least three months after the Agency gives notice that the funds for making rehabilitiation grants are available, the Agency shall receive requests for reservation of funds.

MHFA 62. Requests for Reservation of Funds.

Requests for Reservation of Funds for rehabilitation grants may be made to the Agency, and shall be accompanied by (a) a plan setting forth the proposed method of delivery of the rehabilitation grants, (b) evidence satisfactory to the Agency that the person or organization which will administer the delivery of the grants has the capacity effectively and efficiently to carry out the plan, and (c) evidence satisfactory to the Agency of the approval of the plan by the governing body of the political subdivision within which the plan is to be administered.

MHFA 63. Review by Regional Development Commissions.

The Agency shall submit all plans to the applicable Regional Development Commission (including the Metropolitan Council) and shall consider the comments and recommendations of such Commissions with respect to the extent to which the plan assists in satisfying the housing needs for such region.

MHFA 64. Allocation of Funds.

The Agency shall allocate the total funds available at any time ratably among the several regions, based upon data assembled by the Agency and accurately reflecting housing needs and related factors.

MHFA 65. Eligible Recipients of Rehabilitiation Grants.

In addition to all conditions imposed by the Act, an application for a rehabilitation grant shall satisfy the following requirements:

(a) The applicant must have an Adjusted Income not in excess of $5,000.

(b) The gross assets of the applicant, excluding the property to be improved with the proceeds of the grant, may not exceed $25,000.

(c) The applicant must use the proceeds of the grant to correct defects or deficiencies in the property affecting directly the safety, habitability or energy usage of the property."

STATE OF MINNESOTA

COUNTY OF RAMSEY

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE MINNESOTA HOUSING FINANCE AGENCY RELATING TO CERTAIN DEFINITIONS, AGENCY MEETINGS, PUBLIC APPEARANCE AT AGENCY MEETINGS, PROCEDURES FOR APPLYING FOR CERTAIN AGENCY LOANS AND GRANTS, AND CRITERIA GOVERNING THE SELECTION OF PROJECTS TO BE FINANCED BY THE AGENCY.

RULES AS ADOPTED BY THE MINNESOTA HOUSING FINANCE AGENCY

---

1. Minn. Reg. MHFA 2(o) is hereby amended to read as follows:

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(ii) With respect to all other structures, those persons and families whose Adjusted Income does not exceed 550 percent of the gross rental for the dwelling unit to be occupied; provided, however, that the gross rentals for at least 75 percent of the dwelling units in such structure or structures shall not exceed 120% of the Fair Market Rents for the geographical area in which such structure or structures are located, as determined and adjusted from time to time by the United States Department of Housing and Urban Development; provided, however, that the Members may allow higher gross rentals for units in any structure if the Members determine that such higher gross rentals are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or similar factors relating to income available for housing or housing costs; and

(iii) With respect to home improvement grants to be made by the Agency, those persons and families whose Adjusted Income does not exceed $5,000 and whose gross assets, excluding the property to be improved, does not exceed $25,000."

2. Minn. Reg. MHFA 2 is hereby amended by adding a subdivision, to read as follows:

"(p) 'Developmentally Disabled' means an individual who has a disability which

(i) Is attributable to mental retardation, cerebral palsy, epilepsy or other neurological condition found to be closely related to mental retardation or to require treatment similar to that for mentally retarded individuals,

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(c) Whether the proposed development is consistent with orderly growth and development in the geographical area.

(d) The impact of the proposed development on the physical environment of the surrounding neighborhood.

(e) Whether the Housing Sponsor has adequate capacity to proceed promptly to the construction and completion of the proposed development.

(f) The extent to which the proposed development will create minority employment and business opportunities.

(g) The effect of the proposed development in eliminating substandard housing and preventing the recurrence of such conditions.

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(i) The extent to which the proposed development will house persons and families of varied economic means and of a wide range of incomes.

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(k) The relationship of the housing development to any comprehensive plans, policies, procedures and programs adopted and approved according to law by an agency of state or local government acting pursuant to legislative authority, including but not limited to the plans, policies, procedures and programs of regional development commissions and the Metropolitan Council.

(l) Whether a loan would otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions.

(m) In the case of a Housing Sponsor which is a Limited Dividend Entity, whether the rate of return on its investment in the proposed development is reasonable in light of then existing conditions in the housing industry and financial markets and in the rates of return then prescribed by other governmental agencies.

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(d) The structure to be improved must be at least 15 years old, or in need of repair to correct damage resulting from a natural disaster, or in need of repair to correct defects or

deficiencies which are hazardous to health or safety, or to directly improve energy efficiency.

(e) The structure to be improved must not be in violation of applicable zoning ordinances or other applicable land use guides.

(f) The property must be used primarily for residential purposes and must not contain more than six dwelling units. Mobile homes and trailers shall not be eligible for home improvement loans.

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for a rehabilitation grant shall satisfy the following requirements:

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(c) The applicant must use the proceeds of the grant to correct defects or deficiencies in the property affecting directly the safety, habitability or energy usage of the property."

APPROVED AS TO FORM AND LEGALITY
JUN 28 1976 19
WARREN SPANNAUS, ATTORNEY GENERAL
BY Melanie A. Miller
SPECIAL ASSISTANT ATTORNEY GENERAL

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
JUN 28 1976 - 4:00 pm
Joan Anderson Growe
Secretary of State

FILED
RICHARD L. BRUBACHER
Commissioner of Administration
JUN 28 1976
BY Eda Staudenmaier
AUTH. SIGNATURE
4:10 pm