

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

FILE COPY

DEPARTMENT: Office of the Attorney General

STATE OF MINNESOTA

OFFICE MEMORANDUM

DATE: April 26, 1990

TO: JAMES J. SOLEM, Commissioner
Housing Finance Agency
400 Sibley Street, Suite 300 (55101)

FROM: CHARLENE HATCHER
Special Assistant Attorney General
525 Park Street, Suite 500 (55103)

PHONE: 296-9422

SUBJECT: In the Matter of the Adopted Permanent Rule
Relating to Home Ownership Assistance Fund

The above-referenced rule has been approved as to its legality by the Attorney General on April 17, 1990.

Enclosed is your copy of the approved rule. This office has already filed two copies with the Secretary of State, who will forward one copy to the Revisor of Statutes. The fourth is being retained by this division of the Attorney General's Office for its records.

Also enclosed are any petitions, requests, submissions or comments along with any extra copies of documents which you submitted to the Attorney General.

Your next step is to arrange for publication of the Notice of Adoption in the State Register. In a day or two, you should receive from the Revisor's Office three copies of tne notice of adoption of your rule. You should submit two copies of the Notice of Adoption to the State Register for publication. A permanent rule without a hearing does not become effective until five days after a notice of adoption is published in the State Register in accordance with Minn. Stat. § 14.27. An emergency rule becomes effective five working days after approval by the Attorney General; however, the agency must publish a notice in the State Register in accordance with Minn. Stat. § 14.34.

If you have any questions in this regard, please contact me.

CH:BBL
Enclosures

cc: William Brown, Chief Judge (memo only)
MaryAnn Hruby " "
William Kuretsky " "

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STATE OF MINNESOTA

Office Memorandum

DEPARTMENT : ATTORNEY GENERAL

DATE : March 26, 1990

TO : JAMES J. SOLEM, Commissioner
Housing Finance Agency
400 Sibley Street, Suite 300 (55101)

FROM : CHARLENE HATCHER
Special Assistant Attorney General
525 Park Street, Suite 500 (55103)

PHONE : 296-9422

SUBJECT : In the Matter of the Adopted Permanent Rule
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Enclosures
cc: William Brown, Chief Judge (memo only)
MaryAnn Hruby " "
William Kuretsky " "

Minnesota Housing Finance Agency

Adopted Permanent Rules Relating to Home Ownership Assistance Fund

Rules as Adopted

HOME OWNERSHIP ASSISTANCE FUND

4900.1300 SCOPE.

Parts 4900.1300 to 4900.1390 govern the home ownership assistance fund.

4900.1315 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.1300 to 4900.1390 have the meanings given them in this part.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency.

Subp. 3. **Entry costs.** "Entry costs" means the financial requirements other than first mortgage loan proceeds needed to purchase residential real property, including required down payment, closing costs, mortgage insurance premium, origination fee, and other costs and expenses.

Subp. 4. **First mortgage loan.** "First mortgage loan" means a real estate loan that has priority over all other voluntary liens against certain real property.

Subp. 5. **Mortgage revenue bonds.** "Mortgage revenue bonds" means tax-exempt bonds issued by public entities payable from revenues derived from repayment of principal and interest on mortgage loans that were financed from the proceeds of the bonds.

Subp. 6. **Participation interest.** "Participation interest" means a percentage or specified monetary interest in a first mortgage loan that is shared by more than one lender.

Subp. 7. **Principal residence.** "Principal residence" means the primary, year-round domicile of the recipient. A residence that is primarily used in a trade or business, as an investment property, or a recreational home is not a principal residence.

Subp. 8. **Purchase price.** "Purchase price" means the

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contract price paid or payable by the buyer to the seller for the purchase of a property covered by a first mortgage loan.

Subp. 9. **Recipient.** "Recipient" means a person or household receiving home ownership assistance fund loans as described in part 4900.1375, subparts 2 to 8.

Subp. 10. **Single head of household.** "Single head of household" means an adult who is 18 years of age or older and is the parent, guardian, or legal custodian of one or more minor children under 18 years of age living in the home of the parent, guardian, or legal custodian.

4900.1331 HOME OWNERSHIP ASSISTANCE FUND.

Subpart 1. **Purpose of program.** The home ownership assistance fund is established to assist persons and families of low and moderate income as specified in part 4900.1345, subpart 2, in the purchase of affordable housing according to parts 4900.1300 to 4900.1390. Toward this end, the agency may provide assistance directly to home buyers, may use funds to provide additional security for eligible loans, and may provide additional security for bonds issued by the agency.

Subp. 2. **Use of fund; general.** Home ownership assistance fund money may only be used in conjunction with first mortgage loans made or purchased by the agency. However, within this limitation, money may be combined with funds from outside sources, including funds from other federal, state, and local government agencies or instrumentalities, private foundations, mortgage insuring entities, the Federal Housing Finance Board, or other public or private sources.

Subp. 3. **Fund recapture.** Home ownership assistance must provide for a reasonable likelihood of recapturing the money for later use. Home ownership assistance fund money under part 4900.1375, subparts 2 to 9, must be secured by a lien on the property being purchased with an appropriate repayment schedule. A repayment provision under part 4900.1375, subparts 2 to 8, must take into consideration potential income growth of recipients and the percentage of income that recipients may

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reasonably dedicate toward mortgage payments under mortgage industry accepted underwriting standards.

Subp. 4. **Default.** A home ownership assistance fund loan under part 4900.1375, subparts 2 to 8, is in default if the recipient defaults in the timely observance and performance of a condition or covenant of the first mortgage loan or of the home ownership assistance fund loan, or sells, assigns, rents, or transfers the property, whether by deed, contract for deed, or otherwise. A transfer of the property to a surviving joint tenant, if any, by reason of the death of the recipient does not constitute a default.

In the event of default, the home ownership assistance fund loan is immediately due and payable in its entirety, at the option of the agency, and is subject to interest from the date of default until the date of payment at the same rate of interest as the first mortgage loan on the property.

4900.1345 RECIPIENTS HOME OWNERSHIP ASSISTANCE FUND.

Subpart 1. **Three-year requirement.** In cases in which home ownership assistance fund money is to be used in conjunction with mortgage revenue bond funds, each recipient of home ownership assistance fund money under part 4900.1375, subparts 2 to 7, must not have had an ownership interest in a principal residence for three years before the date of receipt of home ownership assistance fund money. In cases in which home ownership assistance fund money is to be used under part 4900.1375, subparts 2 to 7, in conjunction with funds other than mortgage revenue bond funds, the three-year requirement also applies, except that recipients who are single heads of households who have sold a principal residence as a result of a marriage dissolution decree or who have been displaced through government action or natural disaster are exempt from the requirement.

Subp. 2. **Income limits.** In cases in which home ownership assistance fund money is to be used under part 4900.1375, subparts 2 to 8, in conjunction with mortgage revenue bond

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funds, the maximum adjusted income for a recipient of home ownership assistance fund money must not exceed 60 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development. In cases in which home ownership assistance fund money is to be used under part 4900.1375, subparts 2 to 8, in conjunction with funds other than mortgage revenue bond funds, the maximum adjusted income for a recipient must not exceed 75 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development. For purposes of this subpart, adjusted income is as defined in part 4900.0010, subpart 3.

4900.1359 ELIGIBLE PROPERTY.

To qualify as an eligible property, the property being purchased with the assistance of a home ownership assistance fund loan must be a newly constructed or existing single-family residential dwelling located within the state. At the time the property is purchased, the property must be totally completed, in good repair, and meet mortgage industry accepted underwriting standards, or provisions must be made to assure that these standards will be met.

4900.1375 USE OF HOME OWNERSHIP ASSISTANCE FUND.

Subpart 1. **Scope.** The home ownership assistance fund may be used for the purposes specified in this part and within the limitations specified.

Subp. 2. **Monthly assistance.** The agency may provide recipients with interest-free monthly assistance loans in the form of monthly payments of a portion of the principal and interest installment due on mortgage loans for eligible properties. The payment must not exceed $160 per month, and must be reduced annually.

Subp. 3. **Entry cost assistance.** The agency may provide interest-free loans to recipients who are determined, on the basis of normal credit procedures, to lack the financial

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resources necessary to pay entry costs on the property to be purchased. The amount of the entry cost assistance loan must equal (1) the maximum allowable under the applicable mortgage insurance program; or (2) the lesser of 50 percent of the entry costs or $3,500 if the maximum allowable under clause (1) exceeds this amount. Entry cost assistance may be used to pay a portion of the entry costs on the property to be purchased that are customary within the mortgage industry.

Subp. 4. **Noninterest participation loans.** The agency may take an interest-free participation interest in a first mortgage loan on an eligible property to reduce the interest rate on the mortgage note executed by recipients to affordable levels. The maximum interest rate reduction that the agency may effect on a first mortgage through a participation interest is two percent.

Subp. 5. **Equity participation loan.** The agency may provide equity participation loans to recipients in which a share of the equity proportionate to the agency's share of the equity participation loan shall be repaid to the agency upon sale of the property. The maximum equity participation loan that the agency may provide must not exceed 20 percent of the purchase price of the property or $15,000, whichever is less.

Subp. 6. **Buydown loans.** The agency may provide an interest-free loan to buy down the interest rate on a first mortgage on an eligible property to enable increased recipient affordability. The maximum amount that a mortgage interest rate may be permanently bought down is 1.5 percent. The maximum amount that a mortgage interest rate may be temporarily bought down is three percent, and the amount of the interest rate buydown may not be reduced to a level that exceeds one percent per year.

Subp. 7. **Equity contribution loans.** The agency may provide interest-free equity contribution loans on an eligible property to enable a recipient to afford to purchase a home. The maximum equity contribution loan that the agency may provide must not exceed 20 percent of the purchase price of the property or $15,000, whichever is less.

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Subp. 8. **Emergency mortgage assistance.** The agency may provide interest-free emergency mortgage assistance loans or mortgage reinstatement loans for recipients who own and occupy an eligible property and who have been unable to make mortgage payments due to unemployment, medical reasons, death of a mortgagor, or other valid, substantiated reasons; are at least 60 days behind in monthly payments on a first or second residential mortgage; and have reasonable prospects for maintaining a first or second mortgage after receiving such a loan. Recipients must have established an acceptable credit rating before requesting assistance under this subpart and be ineligible for mortgage assistance from any federal government program. Loans may provide for installment of principal, interest, real estate taxes, hazard or flood insurance, mortgage insurance premiums, and homeowners association dues. A maximum of 24 months of assistance may be provided.

Subp. 9. **Construction or rehabilitation loans.** The agency may make or participate in construction or rehabilitation loans to nonprofit entities as defined in part 4900.0010, subpart 21, for the construction or rehabilitation of housing designed for program recipients. The maximum loan may not exceed the "average area purchase price safe harbor limitations for single family residences" as provided and adjusted from time to time by the United States Department of Housing and Urban Development under section 103(a) of the Internal Revenue Code of 1986. The minimum interest rate for loans under this part must not be less than three percent per year and the maximum term of the loan must not exceed three years. The loans shall be provided primarily in circumstances in which the agency is implementing efforts or programs to aid in disposition of government real estate assets or in specific neighborhood revitalization efforts. The loans may be made in conjunction with other subsidies from public or private sources. The agency shall impose requirements customarily used within the mortgage industry to effect repayment of loans provided under this part.

Subp. 10. **Coinsurance and mortgage insurance risk sharing**

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agreements. The agency may provide for coinsurance or risk sharing pools to facilitate the availability of agency mortgage financing programs in cooperation with either government mortgage insuring or guaranteeing entities, or with private mortgage insurance entities licensed to do business in the state and maintaining an A2 rating from Moody's Investor's Service and AA from Standard and Poors Corporation. The fund must be limited to provide for mortgage insurance services for first mortgage loans with loan-to-value ratios in excess of 90 percent in areas of the state in which mortgage insurance services are unavailable on reasonable terms and conditions. The agency may not contribute more than five percent of the original principal amount for each loan to be coinsured under the pool, and may not pay more than 50 percent of the losses incurred on a claim for a defaulted mortgage loan subject to the pool.

4900.1390 LIMITS ON HOME OWNERSHIP ASSISTANCE.

The agency may further limit the amount of home ownership assistance fund money provided under part 4900.1375, subparts 2 to 8, to provide that recipients do not receive assistance beyond the amount necessary to make home ownership affordable under mortgage industry accepted underwriting standards. Among the factors that the agency must consider in limiting the amount of assistance shall be the interest rate on the first mortgage loans, the percentage of recipient income that may reasonably be spent on housing payments, the availability of funds from other sources to combine with the home ownership assistance fund, the resources available under the home ownership assistance fund, and general housing and construction costs in the state.

REPEALER. Minnesota Rules, parts 4900.1310, 4900.1320, 4900.1330, 4900.1340, 4900.1350, 4900.1360, 4900.1361, and 4900.1362, are repealed.

Approved
by Revisor _____

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED

APR 19 1990

Joan Anderson Growe
Secretary of State

1:15 pm

APPROVED AS TO LEGALITY.
April 12, 1990
HUBERT H. HUMPHREY, III
ATTORNEY GENERAL
BY Charlene H. Hatch
SPECIAL ASSISTANT ATTORNEY GENERAL

Housing Finance Agency

STATE OF MINNESOTA

Office Memorandum

Date: April 16, 1990

To: Patricia Nolte
Attorney General's Office

From: Terese Fritchman

Phone: 6-8837

Subject: Homeownership Assistance Fund Rules

The Homeownership Assistance Fund Rules were originally forwarded to the Attorney General's Office on March 8, 1990. The original information included a copy of the Findings of Fact. In the Findings of Fact, it was noted that there were comments filed regarding the rules and that minor nonsubstantive changes needed to be made.

Also in the packet of information that was sent to the Attorney General's was a copy of the Adopted Rules from the Revisor's Office. However, this copy of the Adopted Rules did not have the changes noted in the Findings of Fact. Subsequently the Revisor's Office was made aware of the changes that needed to be made to the Rule, were made and a "revised" copy of the Adopted Rules was forwarded to the Attorney General's Office.

As a result, the Attorney General's Office will have to file this Rule with the Secretary of State's Office twice.

If you should have any questions, please don't hesitate to call.

Stat Authority
462A.06 subd 4 and 11

(4) It may make, and from time to time, amend and repeal rules

(11) It may make and publish rules pursuant to chapter 14 respecting its mortgage lending, Construction etc

Conclusions of Law
no language that the ule was needed and reasonable K (8)

Changes made
4900.0100 = wrong ule 4900.0010 = corrent one
printed in the notice of intent

I don't think it is a substantial change because it is obvious that it was a typing error and I think it could be fo

MINNESOTA HOUSING FINANCE AGENCY

Celebrate MINNESOTA 1990

March 8, 1990

Ms. Patricia Nolte
Legal Assistant
Public Finance Division
Attorney General
404 Capitol Office Building
525 Park Street
St. Paul, MN 55155

RE: In the Matter of the Proposed Rule Relating to Rural and Urban Homesteading Program

Dear Ms. Nolte:

Enclosed please find for your review pursuant to Minnesota Statutes, Section 14.21 through 14.28, the adopted rules of the Minnesota Housing Finance Agency.

The following materials are submitted to you for your review pursuant to Minnesota Rules, Part 2010:

- Rule as Adopted;
- Certificate of Board's Resolution Adopting the Rule;
- Certificate of Agency's Authorizing Resolution;
- Notice of Intent to Adopt a Rule Without a Public Hearing;
- Affidavit of Mailing the Notice of Intent to Adopt a Rule Without a Public Hearing and Certificate of Mailing List;
- Rule as Proposed;
- Rule as published in State Register;
- Findings of Fact, Conclusions and Order Adopting the Rule Without a Public Hearing;
- Statement of Need and Reasonableness; and
- Declaration of Counsel.

The Agency did not publish a Notice of Intent to Solicit Outside Opinion in connection with this rule. No requests for a hearing were received during the 30 day comment period. The Agency did receive three comments during the 30 day comment period, however the Agency did not receive any requests from persons desiring notice of the date of submission of the proposed rule to the Attorney General. The adopted rules are the same as the Proposed rules.

Sincerely,

James J. Solem

400 Sibley Street, Suite 300, St. Paul, Minnesota 55101 (612) 296-7608 Telecopier (612) 296-8139
Equal Opportunity Housing and Equal Opportunity Employment

HFA

CH

RULE REVIEW CHECKLIST

File No. 1682

Docket No. 05.0009.0450

DATE RECEIVED 3-8-90

ADOPTED W/O HEARING X

REVIEW DATE ~~3-19-90~~ 3-19-90

EMERGENCY RULE

DUE DATE 3-22-90

To Revisor: 3-12-90

REVISOR APPROVED

APPROVED 3-22-90

REVISOR DISAPPROVED

DISAPPROVED

FILED W/SEC. OF STATE

WITHDRAWN

RETURNED TO AGENCY

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4 Rule as adopted (4 copies)

Notice to Solicit Outside Information/Opinion (if applicable)
- ✓ Date published in State Register
- Comments

Petition for Adoption of a Rule (if applicable)

✓ Board's Authorizing Resolution
- Dec 21, 1989 Date adopted

✓ Proposed Rule
- ✓ Revisor's Certificate

✓ Notice of Intent to Adopt Rule
- 462A.06 Sub 4 and 4 Statutory Authority
- Small Business Statement
- Expenditure of public money statement
- Jan 19, 1990 Signature

✓ Statement of Need and Reasonableness (if applicable)
- NA Small Business Statement
- ✓ Fees - § 16A.128

✓ Affidavit of Mailing Notice of Intent to Adopt Rule
- Jan 19, 1990 Date 30/25 days before adoption
- Notice attached
- Copy of rule or summary attached

✓ Publication in State Register
- Jan 22, 1990 Date 30/25 days before adoption

✓ 180-day deadline from:
- NA Effective date of law requiring rule not mandatory (14.12) (both rules)
- ✓ end of comment period (§ 14.26) (rules without hearing)
- effective date of statutory authority (§ 14.29) (emergency rules)

✓ Resolution Adopting
- Feb 22, 1990 Date adopted

✓ Findings of Fact, Conclusions & Order Adopting
- March 8, 1990 Date

✓ Written requests, submissions or comments

✓ Declaration of attorney
- Kurelsky Name of SAAG representing agency

Notice of Submission to Atty. Gen. (if applicable)

Aff. of Mailing Notice to Atty. Gen. (if applicable)

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Adoption of the Rule of the Minnesota Housing Finance Agency Governing the Rural and Urban Homesteading Program

FINDINGS OF FACT, CONCLUSIONS, AND ORDER ADOPTING RULE WITHOUT PUBLIC HEARING

Notice of the Commissioner's intent to adopt the above-entitled rule was published in the State Register on January 8, 1990 and was sent by United States mail to all persons on the list maintained by the Agency pursuant to Minnesota Statutes, section 14.14, subdivision 1a and 14.22 on January 5, 1990. The statement of need and reasonableness was prepared before the notice of intent to adopt a rule without a public hearing was mailed to all persons on the rulemaking mailing list and published in the State Register and was available to the public.

All persons were given the opportunity to submit comment on the rule for 30 days after notice of proposed rulemaking. The Agency received no requests for a public hearing on the rule, but did receive four comments from the public regarding the rule. Therefore, the Agency did not receive request for a public hearing from 25 or more persons.

No requests for notice of submission to the attorney general were received by the Agency.

Based on the comments and evidence in the record before the Agency, I find the following:

1. One comment was received as to the definition of an eligible entity in Minnesota Rules 4900.2460, subpart 1. The comment questioned the accuracy of the cite in the definition which was, in fact, incorrect. The correct city in the definition should have been "political subdivisions, or a nonprofit entity as defined in part 4900.0010, subpart 21" as opposed to "... part 4900.0100, subpart 21. Therefore, the following change is proposed:

   Minnesota Rules 4900.2460

   Subpart 1. Preliminary eligibility. The applicant must be a political subdivision, or a nonprofit entity as defined in part 4900.0010, subpart 21, that has a primary purpose the provision or development of affordable housing to low and moderate income homebuyers.

2. A letter was received from the author of the legislation offering several comments. After discussion with the author, a proposed change to Minnesota Rules 4900.2520, subpart 1 is made to make clear that eligible organizations may acquire additional properties as funds are

repaid to the revolving fund or as additional funds are provided to the program which may result in extended contracts:

Minnesota Rules 4900.2520

Subpart 1. General. Eligible properties are to be acquired by the eligible organization for rehabilitation and sale to at risk homebuyers with the consent of the local neighborhood advisory board for the designated area. The eligible organization may initially acquire up to five properties .... (emphasis added to specify change).

3. Two comments were received that noted that the proposed rule appeared to preclude all common wall properties. The intent of the rule was to preclude only condominium units and townhomes inplanned unit developments. Therefore, it is proposed that the definition of "eligible property" in Minnesota Rule 4900.2420, subpart 8 delete the word "detached". Minnesota Rules 4900.2520, subpart 1 would be revised to specify that townhomes located in planned unit developments would be precluded together with condominiums:

Minnesota Rules 4900.2420

Subpart 8. Eligible property. "Eligible property" means a single family residential property . . . .

Minnesota Rules 4900.2520

Subpart 1. . . . Mobile homes, townhomes in planned unit developments and condominium units . . . (emphasis added to specify change).

All of the above changes are constructive changes that either correct Agency error or provide clarification not inconsistent with initial Agency objectives for the rule. Therefore, they are not deemed a substantial change to the rule.

NOW, THEREFORE, IT IS ORDERED that the rule identified as 4900.2400 - 4900.2600 is adopted this 8th day of March, 1990, pursuant to authority vested in the Agency by Minnesota Statutes, sections 462A.06, subd. 4 and 11.

James J. Solem, Commissioner

State of Minnesota

Minnesota Housing Finance Agency

In the Matter of the Proposed Rules
Relating to Rural and Urban
Homesteading Program

Statement of Need and Reasonableness

4900.2400 through 4900.2600:

Minnesota Statutes Section 462A.057, Subdivisions 1 through 10 provides that the Minnesota Housing Finance Agency (Agency) shall develop and implement the Minnesota Rural and Urban Homesteading Program (Program). Under Laws of Minnesota for 1989, Chapter 328, Article 1, Section 20, the Agency may award up to two pilot project grants under the Program, but may not award more than one pilot project grant in a county. Finally, under Laws of Minnesota for 1989, Chapter 335, Article 1, Section 27, Subdivision 2, the Agency has been appropriated $375,000 for the Program for the current biennium. The proposed Rules have been developed under the above-referenced statutes.

Under the Minnesota Rural and Urban Homesteading Program, the Agency may award grants to eligible organizations which those organizations may use to acquire and rehabilitate eligible single family residences and then sell them by way of contract for deed to first time homebuyers who are defined as "at risk." The Program is designed to arrest or prevent the spread of blight and preserve the existing housing stock by providing a financing mechanism through which properties may be purchased and rehabilitated and then sold to homebuyers who will stabilize the neighborhood by following a "good neighbor" policy.

Proposed Minnesota Rules 4900.2420, Subparts 1 through 13 provide definitions under these Rules. Particular note should be taken of definitions provided in Subparts 5,6,7, and 9. Under these definitions, appropriate flexibility has been provided to potentially eligible organizations to develop proposals under the Program that meet the specific needs of their areas, given Program statutory constraints. Such flexibility is necessary to provide for the diversity of proposals that was intended under the statute. For example, the criteria for an "at risk homebuyer" or a "good neighbor policy," or the nature of a "local neighborhood advisory board" may be considerably different in an inner city urban neighborhood than a rural community. Definitions provided in Subparts 10 and 13 should also be noted, and will be further explained in the applicable paragraphs of this Statement of Need and Reasonableness.

Proposed Minnesota Rules 4900.2440 summarize the Program pursuant to provisions within the statute. It provides basic requirements pertaining to an allocation plan for the Program as well as maximum allowable administrative costs. Under the Rule, the Agency retains flexibility as to allocating grant funds similar to what is done for other Agency programs. In this program, the statute provides for not more than one pilot project grant in a county, but the name of the program implies that an effort should be

made to provide for both an urban and a rural project/grant. The Agency intends to do this, but needs more flexibility to allocate funds if it should become apparent that both an urban and a rural grant is not forthcoming. Similarly, while the Rule pertaining to administrative costs limits the Agency in one aspect pertaining to this issue, it also allows the Agency to accommodate unique proposals pertaining to administrative costs that may be requested by eligible organizations and may be necessary to facilitate their proposals.

Proposed Minnesota Rules 4900.2460 specifies the requirements that an eligible organization must meet to be selected under the Program. The Rule reflects requirements within the statute and provides that potentially eligible organizations must specify what they intend to accomplish under the more flexible aspects of the Program. Given that the Program provides for both purchase and rehabilitation of residences, the Rule provides that the potentially eligible organization reveal its experience in such activities and provides the extent or standard to which it intends to acquire and rehabilitate properties under the Program. Finally, the Rule provides for typical requirements developed for other similar programs of the Agency pertaining to both the budgeting and administration of the Program.

Proposed Minnesota Rules 4900.2480 specifies the criteria by which potentially eligible organizations shall be selected. Under Subpart 1, prior experience of the eligible organization in programs for low and moderate income households and in purchasing and rehabilitating residential property are critical given the nature of the Program. Availability of resources to deliver the Program is also noted. Finally, both the nature of the specific Program proposed by the eligible organization and the capacity of the organization to deliver the Program on an ongoing basis are specified. The selection criteria corresponds to the standards for potentially eligible organizations specified in Minnesota Rules 4900.2460, and are deemed necessary given both the nature and the complexity of the Program.

Given that it is anticipated that relatively few organizations may be interested in this Program given its complexity, Minnesota Rule 4900.2480, Subpart 2, allows the Agency to conduct outreach to encourage potentially eligible organizations to apply for funds under the Program.

Proposed Minnesota Rules 4900.2500 specifies that local neighborhood advisory boards must be established by each eligible organization selected for the Program in accordance with the statute. As above, eligible organizations are granted flexibility under these Rules to determine the structure and specific duties of the advisory board when possible. Minnesota Rules 4900.2500, Subpart 2 reflects statutory requirements pertaining to the racial composition of each advisory board. However, the Rule provides that if such racial composition cannot be achieved, the eligible organization is not specifically excluded from participating in the Program if it can demonstrate to the satisfaction of the Agency that a reasonable outreach effort was undertaken. This is deemed especially necessary for rural and urban communities in which it may be appropriate to deliver the Program but in which relatively few racial minorities reside.

Proposed Minnesota Rules 4900.2520, Subpart 1, reflects basic statutory requirements pertaining to eligible properties. Mobile homes are not eligible under the Rules as prudent lenders typically do not consider them to be adequate security for long-term real estate financing. Furthermore, townhomes and condominium units are

ineligible as constraints pertaining to purchase and rehabilitation programs may commonly be found in homeowners association documents pertaining to such projects.

Proposed Minnesota Rules 4900.2520, Subpart 2, specifies that eligible properties are to be rehabilitated, at a minimum, to the Housing Quality Standards as established and changed from time-to-time by the United States Department of Housing and Urban Development (HUD), although flexibility is provided for eligible organizations to rehabilitate properties beyond such standards where it is feasible. The Agency has chosen the HUD standards as they are commonly accepted and used by nonprofit and governmental housing providers -- the organizations from which applications are expected. This subpart also specifies types of improvements, the fact that each improvement must be a permanent improvement, and that all improvements must be made in compliance with local standards or codes. This language was developed to be consistent with the Administrative Rules governing other Agency rehabilitation programs.

Proposed Minnesota Rules 4900.2520, Subpart 3 provides that eligible properties must be appraised prior to the beginning of rehabilitation work and that the purchase price for the eligible property must be less than or equal to 125% of the appraised value of the eligible property after rehabilitation. Appraisals are required so that it can be determined that the eligible properties provide reasonable security for the financing being provided. The purchase price requirement was established since in many neighborhoods the cost of the property after rehabilitation significantly exceeds its value. However, the 125% requirement was imposed in the interest of providing reasonable protection to the applicant. The fact that the cost of the property may exceed its value to this extent is not deemed to be a significant burden for the homebuyer as the principal is being reduced under the contract for deed on an interest free basis.

Proposed Minnesota Rules 4900.2520, Subpart 4 specifies that the total initial acquisition cost of the property as defined under this Rule may generally not exceed $50,000 as prescribed by statute. The concept of "total initial acquisition cost" allows for the donation of resources to make the Program work. The concept of "sale cost" of the property allows for imputed value of donated material to be considered in establishing the purchase price at which rehabilitated property will be sold to homebuyers. The legislation did not intend for homebuyers to receive "free" housing and this concept will enable the eligible organization to sell properties at a reasonable cost and replenish the revolving fund to provide more housing opportunities.

Proposed Minnesota Rules 4900.2540 covers eligible homebuyers. Beyond statutory requirements, this Rule establish a maximum income limit for the Program based upon data available from the United States Department of Housing and Urban Development, but provides that the eligible organization may establish limits for their particular application at a lower level. This section also specifies that homebuyers must inform eligible organizations of significant changes in their gross income so that their payments may be adjusted appropriately.

Proposed Minnesota Rule 4900.2560 establishes requirements for the contracts for deed through which eligible organizations will sell properties to homebuyers under the Program. The contracts for deed are to reflect requirements pertaining to the statute

and these Administrative Rules as well as the requirements of the proposal submitted by the eligible organization.

Proposed Minnesota Rules 4900.2580 describes the revolving fund that may be established under the Program. Under standard Agency revolving fund agreements, eligible organizations are required to repay grant proceeds to the Agency unless the eligible organization continues the Program through the revolving fund in accordance with the agreements it executes with the Agency. The requirement of repayment acts as a check on the eligible organization so that compliance with the provisions of the Program agreements may be assured.

Finally, proposed Minnesota Rule 4900.2600 provides for recordkeeping and reporting requirements under the Program. This Rule was included so that the Agency and/or Legislative Auditor may receive periodic reports as to activity under the Program and may have access to information if it is deemed to audit the grant recipient.

The Agency is cognizant of the provisions of Section 14.115 of the Minnesota Statutes, entitled Small Business Considerations in Rulemaking. The proposed Rules do not establish any compliance or reporting requirements, or design or operational standards that directly affect the way any business must operate. Therefore, the provisions contained in Minnesota Statutes 14.115 (1986) do not apply to the proposed Rules discussed herein.

Minnesota Housing Finance Agency

Proposed Permanent Rules Relating to Rural and Urban Homesteading

Rules as Proposed (all new material)

RURAL AND URBAN HOMESTEADING PROGRAM

4900.2400 SCOPE.

Parts 4900.2400 to 4900.2600 govern the implementation of the rural and urban homesteading program under Minnesota Statutes, section 462A.057.

4900.2420 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.2400 to 4900.2600 have the meanings given them in this part.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency.

Subp. 3. **Applicant.** "Applicant" means one or more entities that submit an application to the agency for a grant under the rural and urban homesteading program.

Subp. 4. **Application.** "Application" means a submittal requesting a grant of funds under the rural and urban homesteading program.

Subp. 5. **At-risk homebuyer.** "At-risk homebuyer" means an individual or family who is homeless, receiving public assistance, or would otherwise be unable to afford homeownership through sources other than the program pursuant to criteria or standards as established by the eligible organization and accepted by the agency.

Subp. 6. **Designated area.** "Designated area" means a specific area where the acquisition, rehabilitation, and sale of eligible properties may take place under the program. In the metropolitan area, as defined in Minnesota Statutes, section 473.121, subdivision 2, a designated area must be a specific four square block area.

Subp. 7. **Eligible organization.** "Eligible organization"

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means an applicant that has been selected to receive a grant under the rural and urban homesteading program.

Subp. 8. **Eligible property.** "Eligible property" means a single family detached residential property, located within a designated area, that is vacant, condemned, abandoned, or identified as desirable for purchase and rehabilitation by the eligible organization for appropriate reasons cited by the eligible organization which, if rehabilitated, may prevent or arrest the spread of blight.

Subp. 9. **Good neighbor policy.** "Good neighbor policy" means a set of standards developed by the applicant pertaining to community behavior or housing maintenance that homebuyers under the program must agree to meet or observe.

Subp. 10. **Initial acquisition cost.** "Initial acquisition cost" means the actual costs incurred in acquiring and rehabilitating an eligible property under the program and includes back taxes and closing costs.

Subp. 11. **Local neighborhood advisory board or advisory board.** "Local neighborhood advisory board" or "advisory board" means a volunteer board established by the eligible organization in accordance with parts 4900.2400 to 4900.2600.

Subp. 12. **Program.** "Program" means the rural and urban homesteading program administered under parts 4900.2400 to 4900.2600.

Subp. 13. **Sales cost.** "Sales cost" means the actual cost and the imputed value of costs incurred in the acquisition and sale of an eligible property, except that the imputed value costs may be limited so that sale costs do not exceed the maximum allowed under the program.

4900.2440 THE RURAL AND URBAN HOMESTEADING PROGRAM.

Subpart 1. **Purpose of program.** The rural and urban homesteading program provides grants to eligible organizations to acquire and rehabilitate existing single family detached residences and sell them through contracts for deed to eligible homebuyers who are considered to be at risk and are willing to

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strengthen the neighborhood by adhering to a good neighbor policy reference.

Subp. 2. **Uses of grant money.** The agency may award grants to eligible organizations of up to $300,000. The grants must be used by eligible organizations to buy eligible properties and pay for the cost of rehabilitating those properties. The agency may establish an allocation plan for the program to provide for the greater likelihood of awarding such grants among rural and urban properties. The agency may also establish requirements pertaining to maximum allowable administrative costs under the program, but in no instance may the administrative costs exceed $30,000 per eligible organization from funds appropriated for the program during the period of acquisition, rehabilitation, and sale.

4900.2460 APPLICATION BY ELIGIBLE ORGANIZATION.

Subpart 1. **Preliminary eligibility.** The applicant must be a political subdivision, or a nonprofit entity as defined in part 4900.0100, subpart 21, that has as a primary purpose the provision or development of affordable housing to low and moderate income homebuyers.

Subp. 2. **Application.** The applicant must provide an application on a form prescribed by the agency that will document the entity's ability to develop and maintain the program as provided under parts 4900.2400 to 4900.2600. At a minimum, this application shall include:

A. documentation that the applicant meets the eligibility requirements in subpart 1;

B. a description of the applicant's organization that demonstrates that the applicant:

(1) has experience in acquisition and rehabilitation of housing for low and moderate income homebuyers; and

(2) has the ability to organize and complete the program;

C. a detailed description of how the applicant

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proposes to develop and administer the program, including, but not limited to:

(1) the designated area in which the program is to be delivered and the availability of eligible properties on reasonable terms and conditions within the designated area;

(2) a definition and description of the at-risk homebuyers to whom the applicant proposes to sell eligible property under the program;

(3) a definition and description of the good neighbor policy to which the at-risk homebuyers must adhere;

(4) the structure and specific duties of the local neighborhood advisory board as described in parts 4900.2400 to 4900.2600;

(5) the standard to which properties under the program will be acquired and rehabilitated;

(6) the means by which outreach for at-risk homebuyers will be undertaken, and by which such homebuyers will be selected;

(7) the qualifications of staff; and

(8) proposed means of record keeping; and

D. a detailed budget for the program showing all sources and uses of funds, including administrative funds that may be provided from sources other than the grant.

4900.2480 SELECTION OF ELIGIBLE ORGANIZATION.

Subpart 1. **Criteria.** The agency shall take the following criteria into consideration when determining whether an applicant will receive a grant under the program.

A. The prior experience of the applicant in establishing, administering, and maintaining affordable housing programs for low and moderate income households.

B. The prior experience of the applicant in purchasing and rehabilitating residential property for resale or rental.

C. The documented availability on reasonable terms and conditions of both eligible properties and resources through

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which the properties may be rehabilitated within the designated area identified by the applicant in the application.

D. The reasonableness of the program as developed by the applicant.

E. The availability of outside sources of funds for either administrative costs or to provide for purchase, rehabilitation, and sale of properties under the program, or both.

F. The reasonableness of the proposed budget in meeting the objectives of the program.

G. The capacity of the applicant to:

(1) organize and continue an ongoing relationship with the local neighborhood advisory board;

(2) provide the necessary staff to administer the program on the local level for an extended period;

(3) assist homebuyers by linking them with service providers to enhance their possibility of successful homeownership; and

(4) the ability to service the contract for deed and manage the revolving fund created under the program.

Subp. 2. **Agency may provide assistance.** Nothing in subpart 1 shall be construed to preclude the agency from conducting outreach, encouraging potentially eligible organizations to develop applications, or contacting or interviewing applicants regarding their applications before application selection.

4900.2500 LOCAL NEIGHBORHOOD ADVISORY BOARD.

Subpart 1. **Establishment of advisory board.** A local neighborhood advisory board for each designated area in which the program is delivered shall be established by the eligible organization. Except for the requirements in this part, the eligible organization shall be granted flexibility in determining the structure and specific duties of the advisory board. The advisory board shall be comprised of volunteer residents from the designated area.

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Subp. 2. **Racial composition.** Wherever possible, residents selected to serve on the advisory board must reflect the racial composition of the designated area. Within the metropolitan area as defined in Minnesota Statutes, section 473.121, subdivision 2, at least 20 percent of the advisory board must be minority residents. The eligible organization must undertake adequate outreach within each designated area to achieve such racial composition. If, despite such outreach, the eligible organization is unable to obtain such racial composition, the eligible organization must demonstrate to the satisfaction of the agency that a reasonable effort was made to do so.

Subp. 3. **Required duties.** The duties of the advisory board include, but are not limited to, the following:

A. recommending properties that may be acquired within the designated area to the eligible organization;

B. recommending the selection of eligible homebuyers to the organization; and

C. assisting the eligible organization in providing ongoing assistance to eligible homebuyers.

4900.2520 ELIGIBLE PROPERTIES.

Subpart 1. **General.** Eligible properties are to be acquired by the eligible organization for rehabilitation and sale to at-risk homebuyers with the consent of the local neighborhood advisory board for the designated area. The eligible organization may acquire up to five properties in a designated area with funds appropriated for the program or may acquire more than five properties if funds other than appropriated funds are used. Mobile homes, townhomes, and condominium units are not eligible under the program. Upon sale of the property, clear and marketable title subject to the contract for deed described in part 4900.2560 must be provided to the homebuyer.

Subp. 2. **Rehabilitation standards.** Eligible properties are to be rehabilitated, at a minimum, to the Housing Quality Standards as established in Code of Federal Regulations, title

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24, section 882.404, and changed from time to time by the United States Department of Housing and Urban Development. Applicants may provide for rehabilitation of properties beyond Housing Quality Standards where it is feasible, and are encouraged to do so. All rehabilitation work must also satisfy the following requirements:

A. Rehabilitation improvements may be made in order to comply with applicable state, county, and municipal health, housing, building, fire prevention, and housing maintenance codes, or other public standards applicable to housing; make the property more desirable to live in; increase the market value of the property; make the property more habitable; make the property more accessible to a handicapped person; or make the property more energy efficient.

B. Each rehabilitation improvement must be a permanent general improvement. Permanent general improvements include additions, alterations, renovations, or repairs upon or in connection with existing structures that materially preserve or improve the basic livability, safety, or utility of the property. Permanent general improvements do 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 rehabilitation improvement must be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no requirement may be imposed under the program that will preclude rehabilitation solely because the improvements will not bring the property into full compliance with all codes and standards.

Subp. 3. Appraisal. Eligible properties must be appraised before the beginning of rehabilitation work by an appraiser approved to conduct appraisal for the Federal Housing Administration, Veterans Administration, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation. The appraiser shall be informed as to the proposed

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improvements so that the value of the eligible property after rehabilitation may be estimated. The purchase price for the eligible property to be paid by the at-risk homebuyer must be less than or equal to 125 percent of the appraised value of the eligible property after rehabilitation.

Subp. 4. **Acquisition costs.** The total initial acquisition cost of the property may not exceed $50,000 unless costs over $50,000 are attributed to rehabilitation or improvement to make the property accessible for the physically disabled. The sales cost of the property may also not exceed $50,000 unless sales cost over $50,000 are attributed to rehabilitation or improvement to make the property accessible for the physically disabled.

4900.2540 ELIGIBLE HOMEBUYERS.

An individual or family eligible to purchase a home under the program must be an at-risk homebuyer as described in part 4900.2420, subpart 5, and must also:

A. not have owned a residential dwelling for the three years before the date of execution of the contract for deed;

B. have household income before the date of execution of the contract for deed at or below limits established by the eligible organization, but in no instance may such income limits be established at a level higher than 70 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development;

C. have sufficient gross household income so that on the date of execution of the contract for deed at least 25 percent of that income will be adequate to pay monthly installments of real estate taxes and hazard insurance premiums; and

D. agree to apply 25 percent of their gross monthly household income to the debt incurred under the contract for deed, immediately inform the eligible organization of

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significant changes in gross household income, and cooperate and participate in annual recertification of gross household income by the eligible organization.

4900.2560 CONTRACT FOR DEED.

The agency shall establish the terms and conditions for the contract for deed to be used to convey the rehabilitated property from the eligible organization to the at-risk homebuyer. The terms and conditions shall reflect state law pertaining to such documents, the requirements of Minnesota Statutes, section 462A.07, and parts 4900.2400 to 4900.2600 pertaining to the program, specific requirements of the program as implemented by the eligible organization, and provisions pertaining to the right of first refusal by the eligible organization or the agency upon property resale as prescribed in Minnesota Statutes, section 462A.07.

4900.2580 REVOLVING FUND.

The eligible organization shall repay to the agency, without interest, all grant funds advanced to it under the agreement executed for the program to the extent and manner provided in the agreement. The agreement shall provide for establishment of a revolving fund into which all loan repayments, sales proceeds, or recaptured funds must be repaid. The revolving fund shall provide that repayment to the agency may be deferred if the eligible organization elects to acquire, rehabilitate, and sell additional eligible properties under the program. The agency may also provide for payment of certain administrative and other costs from the revolving fund, and may establish other requirements pertaining to the revolving fund under the agreements with the eligible organization.

4900.2600 RECORD KEEPING AND REPORTING.

Subpart 1. Record keeping. The eligible organization shall be required to keep adequate records pertaining to the program in a format and fashion mutually agreed to between the eligible organization and agency, and the agency or legislative

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auditor may review such records upon adequate prior written notice to the eligible organization by the agency or the legislative auditor. The eligible organization must also provide written reports in a prescribed format regarding activity under the program to the agency at intervals prescribed by the agency, which typically will be no more often than quarterly.

Subp. 2. **Report to legislature.** The agency is responsible for preparing and submitting annual reports to the legislature and the governor as prescribed in Minnesota Statutes, section 462A.057, subdivision 10.

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by Revisor _____

Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Rural and Urban Homesteading

AGENCY: Housing Finance Agency

MINNESOTA RULES: Chapter 4900

The attached rules are approved for publication in the State Register

Carla M. Riehle

Carla M. Riehle
Assistant Revisor

CERTIFICATE OF THE

MINNESOTA HOUSING FINANCE AGENCY

AUTHORIZING RESOLUTION

I, Robert A. Worthington, do hereby certify that I am a member and the Chairman of the Minnesota Housing Finance Agency, an Agency duly authorized under the laws of the State of Minnesota, and that the following is a true, complete, and correct copy of a resolution adopted at a meeting of the Agency duly and properly called and held on the 16th day of November, 1989, that a quorum was present, and that a majority of those present voted for the resolution which has not been rescinded or modified.

"RESOLVED, that James J. Solem, Commissioner of the Minnesota Housing Finance Agency, is hereby granted the authority and directed to sign and to give the Notice of the Minnesota Housing Finance Agency's Intent to Adopt a rule without a public hearing, governing the Rural and Urban Homesteading Program to all persons who have registered their names with the Agency for that purpose and publish the Notice and rule in the State Register, and to perform any and all acts incidental thereto."

IN WITNESS WHEREOF, I have hereunto subscribed my name this 16th day of November, 1989.

Robert A. Worthington
Chairman

Shirley VanDyck
Attest by one other Board Member

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street
St. Paul, Minnesota 55101

RESOLUTION NO. MHFA 89-139

RESOLUTION AUTHORIZING ADOPTION OF RULES RELATING TO RURAL AND URBAN HOMESTEADING PROGRAM WITHOUT A PUBLIC HEARING

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

That James J. Solem, Commissioner, of the Minnesota Housing Finance Agency, is hereby granted the authority and directed to sign and to give the Notice of the Minnesota Housing Finance Agency's Intent to Adopt a rule without a public hearing governing the Rural and Urban Homesteading Program to all persons who have registered their names with the Agency for that purpose and publish the Notice and rule in the State Register, and to perform any and all acts incidental thereto.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 16th day of November, 1989.

Chairman

CERTIFICATE OF THE

MINNESOTA HOUSING FINANCE AGENCY

RESOLUTION ADOPTING THE RULE

I, Robert A. Worthington, do hereby certify that I am a member and the Chairman of the Minnesota Housing Finance Agency, an Agency duly authorized under the laws of the State of Minnesota, and that the following is a true, complete, and correct copy of a resolution adopted at a meeting of the Agency, duly and property called and held on the 22nd day of February, 1990, that a quorum was present, and that a majority of those present voted for the resolution which has not been rescinded or modified.

> "RESOLVED, that the rule relating to Rural and Urban Homesteading Program is approved and adopted, pursuant to authority vested in the Agency by Minnesota Statutes 462A.06, Subd. 4 and 11. James J. Solem, the Commissioner of the Minnesota Housing Finance Agency is authorized to sign the findings of fact, conclusions, and order adopting the rule and further is authorized to modify the rule if necessary to obtain the approval of the rule by the attorney general and to perform the necessary acts to provide that the rule shall have the force and effect of law."

IN WITNESS WHEREOF, I have hereunto subscribed my name this 22nd day of February, 1990.

Robert A. Worthington
Chairman

Attest by one other Board Member

MINNESOTA HOUSING FINANCE AGENCY
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101-1998

RESOLUTION NO. MHFA 90- 11

RESOLUTION AUTHORIZING ADOPTION OF RULES RELATING TO RURAL AND URBAN HOMESTEADING PROGRAM WITHOUT A PUBLIC HEARING

BE IT RESOLVED BY THE MINNESOTA HOUSING FINANCE AGENCY:

That the rule relating to Rural and Urban Homesteading Program is approved and adopted, pursuant to authority vested in the Agency by Minnesota Statutes 462A.06, Subd. 4 and 11. James J. Solem, the Commissioner of the Minnesota Housing Finance Agency is authorized to sign the findings of fact, conclusions, and order adopting the rule and further is authorized to modify the rule if necessary to obtain the approval of the rule by the attorney general and to perform the necessary acts to provide that the rule shall have the force and effect of law.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 22nd day of February, 1990.

Chairman

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Adoption of the Rule of the Minnesota Housing Finance Agency Governing the Rural and Urban Homesteading Program

NOTICE OF INTENT TO ADOPT A RULE WITHOUT A PUBLIC HEARING

Notice is hereby given that the Minnesota Housing Finance Agency intends to adopt the above-entitled rule without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in Minnesota Statutes section 14.22 to 14.28. The statutory authority to adopt the rule is Minnesota Statutes 462A.06, Subd. 4 and 11.

All persons have 30 days in which to submit comment in support of or in opposition to the proposed rule or any part of subpart of the rule. Comment is encouraged. Each comment should identify the portion of the prosed rule addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rule within the 30-day comment period. If 25 or more persons submit a written request for a public hearing within the 30-day comment period, a public hearing will be held unless a sufficient number withdraw their request in writing. Any person requesting a public hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rule addressed, the reason for the request, and any change proposed. If a public hearing is required, the agency will proceed pursuant to Minnesota Statutes, section 14.131 to 14.20.

Comments or written requests for a public hearing must be submitted to:

Susan K. Noren
Legal Division
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101-1998
Telephone: 612-296-9794

The proposed rule may be modified if the modifications are supported by data and views submitted to the agency and do not result in a substantial change in the proposed rule as noticed.

A copy of the proposed rule is attached to this notice.

(12) A Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rule and identifies the date and information relied upon to support the proposed rule has been prepared and is available from Susan K. Noren upon request.

(9) If no hearing is required, upon adoption of the rule, the rule and the required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent the form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General of who wish to receive a copy of the adopted rule, must submit the written request to Susan K. Noren.

Date: January 5, 1990

James J. Solem
Commissioner

In the Matter of the Proposed Adoption of the Rule of the Minnesota Housing Finance Agency Governing the Rural and Urban Homesteading Program

AFFIDAVIT OF MAILING THE NOTICE OF INTENT TO ADOPT A RULE WITHOUT A PUBLIC HEARING AND CERTIFICATE OF MAILING LIST

State of Minnesota }
County of Ramsey } ss.

Terese M. Fritchman, being sworn says:

I hereby certify that the list of persons and associations who have requested, pursuant to Minnesota Statutes sections 14.14, subdivision 1a and 14.22 or 14.30, that their names be placed on the Minnesota Housing Finance Agency rulemaking mailing list is accurate, complete, and current as of this 5th day of January, 1990.

That on the 5th day of January, 1990 at the City of St. Paul, County of Ramsey, State of Minnesota, I mailed the attached Notice of Intent to Adopt a Rule Without a Public Hearing by depositing in the United States mail, a copy thereof, with postage prepaid, to all persons and associations on the aforementioned mailing list.

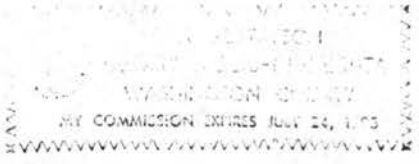
Terese M. Fritchman

Terese M. Fritchman

Subscribed and sworn to before me this 5th day of January, 1990.

Jan Gustafson

Notary Public



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Dated: 5 January 1990

James J. Solem
Commissioner

Rules as Proposed

4900.0920 QUALIFICATIONS FOR HOUSING.

Except as otherwise provided herein and by part 4900.0340, each recipient of a loan pursuant to the act, plan, and parts 4900.0900 to 4900.1080 and each person or family initially occupying a dwelling unit financed pursuant thereto shall be an American Indian as defined by Minnesota Statutes, section 254A.02, subdivision 11, or an American Indian family as hereinafter defined, and of low and moderate income as defined by part 4900.0010, subpart 23, ~~provided that~~ item A, subitem (1). However, developers of multi-family housing developments need not be American Indians or of low and moderate income, and further provided that the tribe, band, and communities may qualify as eligible borrowers, if the funds advanced are used to construct eligible housing for resale or rental to eligible recipients and the funds advanced are returned to the revolving loan fund under the jurisdiction of the tribe, band, or communities when permanent financing is obtained. An American Indian family for purposes of parts 4900.0900 to 4900.1080 is a family which at the time the loan is granted has at least one resident mortgagor who is an American Indian as defined by Minnesota Statutes, section 254A.02, subdivision 11.

Minnesota Housing Finance Agency

Proposed Permanent Rules Relating to Rural and Urban Homesteading

Notice of Intent to Adopt a Rule Without a Public Hearing

NOTICE IS HEREBY GIVEN that the Minnesota Housing Finance Agency intends to adopt the above-entitled rule without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in *Minnesota Statutes* sections 14.22 to 14.28. The statutory authority to adopt the rule is *Minnesota Statutes* 462A.06, Subd. 4 and 11.

All persons have 30 days in which to submit comment in support of or in opposition to the proposed rule or any part or subpart of the rule. Comment is encouraged. Each comment should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed.

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The proposed rule may be modified if the modifications are supported by data and views submitted to the agency and do not result in a substantial change in the proposed rule as noticed.

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

A copy of the proposed rule is attached to this notice.

A STATEMENT OF NEED AND REASONABLENESS that describes the need for and reasonableness of each provision of the proposed rule and identifies the data and information relied upon to support the proposed rule has been prepared and is available from Susan K. Noren upon request.

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Dated: 5 January 1990

James J. Solem
Commissioner

Rules as Proposed (all new material)

RURAL AND URBAN HOMESTEADING PROGRAM

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Parts 4900.2400 to 4900.2600 govern the implementation of the rural and urban homesteading program under Minnesota Statutes, section 462A.057.

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Subp. 4. **Application.** "Application" means a submittal requesting a grant of funds under the rural and urban homesteading program.

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Subp. 6. **Designated area.** "Designated area" means a specific area where the acquisition, rehabilitation, and sale of eligible properties may take place under the program. In the metropolitan area, as defined in Minnesota Statutes, section 473.121, subdivision 2, a designated area must be a specific four square block area.

Subp. 7. **Eligible organization.** "Eligible organization" means an applicant that has been selected to receive a grant under the rural and urban homesteading program.

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Subp. 13. **Sales cost.** "Sales cost" means the actual cost and the imputed value of costs incurred in the acquisition and sale of an eligible property, except that the imputed value costs may be limited so that sale costs do not exceed the maximum allowed under the program.

4900.2440 THE RURAL AND URBAN HOMESTEADING PROGRAM.

Subpart 1. **Purpose of program.** The rural and urban homesteading program provides grants to eligible organizations to acquire and rehabilitate existing single family detached residences and sell them through contracts for deed to eligible homebuyers who are considered to be at risk and are willing to strengthen the neighborhood by adhering to a good neighbor policy reference.

Subp. 2. **Uses of grant money.** The agency may award grants to eligible organizations of up to $300,000. The grants must be used by eligible organizations to buy eligible properties and pay for the cost of rehabilitating those properties. The agency may establish an allocation plan for the program to provide for the greater likelihood of awarding such grants among rural and urban properties. The agency may also establish requirements pertaining to maximum allowable administrative costs under the program, but in no instance may the administrative costs exceed $30,000 per eligible organization from funds appropriated for the program during the period of acquisition, rehabilitation, and sale.

4900.2460 APPLICATION BY ELIGIBLE ORGANIZATION.

Subpart 1. **Preliminary eligibility.** The applicant must be a political subdivision, or a nonprofit entity as defined in part 4900.0100, subpart 21, that has as a primary purpose the provision or development of affordable housing to low and moderate income homebuyers.

Subp. 2. **Application.** The applicant must provide an application on a form prescribed by the agency that will document the entity's ability to develop and maintain the program as provided under parts 4900.2400 to 4900.2600. At a minimum, this application shall include:

A. documentation that the applicant meets the eligibility requirements in subpart 1;

B. a description of the applicant's organization that demonstrates that the applicant:

(1) has experience in acquisition and rehabilitation of housing for low and moderate income homebuyers; and

(2) has the ability to organize and complete the program;

C. a detailed description of how the applicant proposes to develop and administer the program, including, but not limited to:

(1) the designated area in which the program is to be delivered and the availability of eligible properties on reasonable terms and conditions within the designated area;

(2) a definition and description of the at-risk homebuyers to whom the applicant proposes to sell eligible property under the program;

(3) a definition and description of the good neighbor policy to which the at-risk homebuyers must adhere;

(4) the structure and specific duties of the local neighborhood advisory board as described in parts 4900.2400 to 4900.2600;

(5) the standard to which properties under the program will be acquired and rehabilitated;

(6) the means by which outreach for at-risk homebuyers will be undertaken, and by which such homebuyers will be selected;

(7) the qualifications of staff; and

(8) proposed means of record keeping; and

D. a detailed budget for the program showing all sources and uses of funds, including administrative funds that may be provided from sources other than the grant.

4900.2480 SELECTION OF ELIGIBLE ORGANIZATION.

Subpart 1. **Criteria.** The agency shall take the following criteria into consideration when determining whether an applicant will receive a grant under the program.

A. The prior experience of the applicant in establishing, administering, and maintaining affordable housing programs for low and moderate income households.

B. The prior experience of the applicant in purchasing and rehabilitating residential property for resale or rental.

C. The documented availability on reasonable terms and conditions of both eligible properties and resources through which the properties may be rehabilitated within the designated area identified by the applicant in the application.

D. The reasonableness of the program as developed by the applicant.

E. The availability of outside sources of funds for either administrative costs or to provide for purchase, rehabilitation, and sale of properties under the program, or both.

F. The reasonableness of the proposed budget in meeting the objectives of the program.

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." **ADOPTED RULES SECTION** — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

G. The capacity of the applicant to:

(1) organize and continue an ongoing relationship with the local neighborhood advisory board;

(2) provide the necessary staff to administer the program on the local level for an extended period;

(3) assist homebuyers by linking them with service providers to enhance their possibility of successful homeownership; and

(4) the ability to service the contract for deed and manage the revolving fund created under the program.

Subp. 2. **Agency may provide assistance.** Nothing in subpart 1 shall be construed to preclude the agency from conducting outreach, encouraging potentially eligible organizations to develop applications, or contacting or interviewing applicants regarding their applications before application selection.

4900.2500 LOCAL NEIGHBORHOOD ADVISORY BOARD.

Subpart 1. **Establishment of advisory board.** A local neighborhood advisory board for each designated area in which the program is delivered shall be established by the eligible organization. Except for the requirements in this part, the eligible organization shall be granted flexibility in determining the structure and specific duties of the advisory board. The advisory board shall be comprised of volunteer residents from the designated area.

Subp. 2. **Racial composition.** Wherever possible, residents selected to serve on the advisory board must reflect the racial composition of the designated area. Within the metropolitan area as defined in Minnesota Statutes, section 473.121, subdivision 2, at least 20 percent of the advisory board must be minority residents. The eligible organization must undertake adequate outreach within each designated area to achieve such racial composition. If, despite such outreach, the eligible organization is unable to obtain such racial composition, the eligible organization must demonstrate to the satisfaction of the agency that a reasonable effort was made to do so.

Subp. 3. **Required duties.** The duties of the advisory board include, but are not limited to, the following:

A. recommending properties that may be acquired within the designated area to the eligible organization;

B. recommending the selection of eligible homebuyers to the organization; and

C. assisting the eligible organization in providing ongoing assistance to eligible homebuyers.

4900.2520 ELIGIBLE PROPERTIES.

Subpart 1. **General.** Eligible properties are to be acquired by the eligible organization for rehabilitation and sale to at-risk homebuyers with the consent of the local neighborhood advisory board for the designated area. The eligible organization may acquire up to five properties in a designated area with funds appropriated for the program or may acquire more than five properties if funds other than appropriated funds are used. Mobile homes, townhomes, and condominium units are not eligible under the program. Upon sale of the property, clear and marketable title subject to the contract for deed described in part 4900.2560 must be provided to the homebuyer.

Subp. 2. **Rehabilitation standards.** Eligible properties are to be rehabilitated, at a minimum, to the Housing Quality Standards as established in Code of Federal Regulations, title 24, section 882.404, and changed from time to time by the United States Department of Housing and Urban Development. Applicants may provide for rehabilitation of properties beyond Housing Quality Standards where it is feasible, and are encouraged to do so. All rehabilitation work must also satisfy the following requirements:

A. Rehabilitation improvements may be made in order to comply with applicable state, county, and municipal health, housing, building, fire prevention, and housing maintenance codes, or other public standards applicable to housing; make the property more desirable to live in; increase the market value of the property; make the property more habitable; make the property more accessible to a handicapped person; or make the property more energy efficient.

B. Each rehabilitation improvement must be a permanent general improvement. Permanent general improvements include additions, alterations, renovations, or repairs upon or in connection with existing structures that materially preserve or improve the basic livability, safety, or utility of the property. Permanent general improvements do 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 rehabilitation improvement must be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no requirement may be imposed under the program that will preclude rehabilitation solely because the improvements will not bring the property into full compliance with all codes and standards.

Subp. 3. **Appraisal.** Eligible properties must be appraised before the beginning of rehabilitation work by an appraiser approved to conduct appraisal for the Federal Housing Administration, Veterans Administration, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation. The appraiser shall be informed as to the proposed improvements so that the value of the eligible property after rehabilitation may be estimated. The purchase price for the eligible property to be paid by the at-risk homebuyer must be less than or equal to 125 percent of the appraised value of the eligible property after rehabilitation.

Subp. 4. **Acquisition costs.** The total initial acquisition cost of the property may not exceed $50,000 unless costs over $50,000 are attributed to rehabilitation or improvement to make the property accessible for the physically disabled. The sales cost of the property may also not exceed $50,000 unless sales cost over $50,000 are attributed to rehabilitation or improvement to make the property accessible for the physically disabled.

4900.2540 ELIGIBLE HOMEBUYERS.

An individual or family eligible to purchase a home under the program must be an at-risk homebuyer as described in part 4900.2420, subpart 5, and must also:

A. not have owned a residential dwelling for the three years before the date of execution of the contract for deed;

B. have household income before the date of execution of the contract for deed at or below limits established by the eligible organization, but in no instance may such income limits be established at a level higher than 70 percent of the greater of state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development;

C. have sufficient gross household income so that on the date of execution of the contract for deed at least 25 percent of that income will be adequate to pay monthly installments of real estate taxes and hazard insurance premiums; and

D. agree to apply 25 percent of their gross monthly household income to the debt incurred under the contract for deed, immediately inform the eligible organization of significant changes in gross household income, and cooperate and participate in annual recertification of gross household income by the eligible organization.

4900.2560 CONTRACT FOR DEED.

The agency shall establish the terms and conditions for the contract for deed to be used to convey the rehabilitated property from the eligible organization to the at-risk homebuyer. The terms and conditions shall reflect state law pertaining to such documents, the requirements of Minnesota Statutes, section 462A.07, and parts 4900.2400 to 4900.2600 pertaining to the program, specific requirements of the program as implemented by the eligible organization, and provisions pertaining to the right of first refusal by the eligible organization or the agency upon property resale as prescribed in Minnesota Statutes, section 462A.07.

4900.2580 REVOLVING FUND.

The eligible organization shall repay to the agency, without interest, all grant funds advanced to it under the agreement executed for the program to the extent and manner provided in the agreement. The agreement shall provide for establishment of a revolving fund into which all loan repayments, sales proceeds, or recaptured funds must be repaid. The revolving fund shall provide that repayment to the agency may be deferred if the eligible organization elects to acquire, rehabilitate, and sell additional eligible properties under the program. The agency may also provide for payment of certain administrative and other costs from the revolving fund, and may establish other requirements pertaining to the revolving fund under the agreements with the eligible organization.

4900.2600 RECORD KEEPING AND REPORTING.

Subpart 1. **Record keeping.** The eligible organization shall be required to keep adequate records pertaining to the program in a format and fashion mutually agreed to between the eligible organization and agency, and the agency or legislative auditor may review such records upon adequate prior written notice to the eligible organization by the agency or the legislative auditor. The eligible organization must also provide written reports in a prescribed format regarding activity under the program to the agency at intervals prescribed by the agency, which typically will be no more often than quarterly.

Subp. 2. **Report to legislature.** The agency is responsible for preparing and submitting annual reports to the legislature and the governor as prescribed in Minnesota Statutes, section 462A.057, subdivision 10.

Department of Public Safety

Driver and Vehicle Services Division

Proposed Permanent Rules Relating to Driver Training Programs

Notice of Public Hearing

NOTICE IS HEREBY GIVEN that a public hearing concerning the proposed adoption of rule amendments captioned above will

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

In the Matter of the Adoption
of the Rule of the Minnesota
Housing Finance Agency
Governing the Rural and Urban
Homesteading Program

DECLARATION
OF COUNSEL

I, William H. Kuretsky, Special Assistant Attorney General, do hereby declare that I have examined the above-captioned rule, and the supporting rulemaking record, and that, based on my examination, the Administrative Procedure Act and Minnesota Rules,chapter 2010 have been followed. Any exceptions are listed below. For Attorney General billing purposes, the four-digit docket client code is 0450.

William H. Kuretsky
Special Assistant Attorney General

Dated: February 26, 1990

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GREG C. GILBERT
SALLY L. SJOGREN
ROBERT F. HEDRICK
FAYE M. WITT
*ALSO MEMBER OF WISCONSIN BAR

BALDWIN, CHARLES O.	1888-1897
BALDWIN & BALDWIN (ALBERT BALDWIN)	1897-1902
BALDWIN, BALDWIN & DANCER	1903-1911
BALDWIN & BALDWIN	1912-1913
BALDWIN, BALDWIN & HOLMES	1914-1920
BALDWIN, BALDWIN, HOLMES & MAYALL	1921-1933
BALDWIN, HOLMES, MAYALL & REAVILL	1934-1938
HOLMES, MAYALL, REAVILL & NEIMEYER	1939-1950
REAVILL, JENSWOLD & NEIMEYER	1951
REAVILL, JENSWOLD, NEIMEYER & JOHNSON	1951-1961
REAVILL, JENSWOLD, NEIMEYER, JOHNSON & KILLEN	1962-1965
REAVILL, NEIMEYER, JOHNSON & KILLEN	1966
REAVILL, NEIMEYER, JOHNSON, FREDIN & KILLEN	1967-1972
REAVILL, NEIMEYER, JOHNSON, FREDIN, KILLEN & THIBODEAU	1973
JOHNSON, FREDIN, KILLEN, THIBODEAU & SEILER, P.A.	1974-1986
JOHNSON, KILLEN, THIBODEAU & SEILER, P.A.	1986

January 11, 1990



Ms. Susan K. Noren
Legal Division
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101-1998

Re: Proposed Permanent Rules Relating to Rural and Urban Homesteading

Dear Ms. Noren:

I wanted to comment with regard to the Proposed Permanent Rules Relating to Rural and Urban Homesteading published in the State Register on January 8, 1990.

In reviewing the proposed regulations, there was one ambiguity that I feel must be addressed. The Rule attempts to exclude condominiums and townhomes as not being eligible property (4900.2520 subpart 1). However, the terms "condominium" and "townhome" are not defined terms. This ambiguity is compounded by the fact that the term "eligible property" is defined as a single family detached residential property (emphasis added). In reviewing the statute as adopted, it is clear that the statute does not contain the term "detached" as has been inserted into the Rules. The legislature did not limit the program as the Rules propose to limit it.

My concern is quite simply that I come from an area of Duluth, Morgan Park, that consists of a number of homes that are now all over 70 years old. Many of the dwellings were originally constructed as row houses and were sold off as single family dwellings back in the 1930's. For the past 50 years, they have been treated as single family dwellings with common walls. They are not condominiums (which did not exist at that time), they are not planned unit developments (which did not exist at that time), but they are single family homes which, in some cases, are in need of rehabilitation. Under the proposed Rules, these homes would not qualify for the program.

Accordingly, I feel the Rule as proposed is inconsistent with the statute and improperly defines "eligible property". Instead, eligible property should be defined simply as a single family residential property and should exclude condominiums (for which a declaration has been filed under Minnesota law) and planned unit developments (for which covenants have been filed).

This letter also constitutes my request to receive a copy of the adopted Rule.

Yours very truly,

John N. Nys

JNN/clg

cc: Senator Sam Solon
Representative Willard Munger

Rep. Andy Dawkins

District 65A

Ramsey County

Minnesota House of Representatives

Robert Vanasek, Speaker

VICE CHAIR, ECONOMIC DEVELOPMENT COMMITTEE, COMMUNITY STABILIZATION AND DEVELOPMENT DIVISION
COMMITTEES: FINANCIAL INSTITUTIONS AND HOUSING; GOVERNMENTAL OPERATIONS; REGULATED INDUSTRIES



February 2, 1990

Ms. Susan K. Noren
Legal Division
Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101-1998

Re: Proposed Permanent Rules Relating to Rural and Urban Homesteading

Dear Ms. Noren:

I have read the proposed rules regarding the above-referenced program and generally find them quite satisfactory. However, as the chief author of the enabling legislation, I felt it was important to state my views for the record. All of my comments will either not require substantial changes in the proposed rules or are intended to simply lay the groundwork for future changes in the program, assuming the initial demonstration projects are successful and the legislature appropriates funds to continue the program.

Comment 1: 4900.2420 Subp. 5
I suggest that the application include a part where the applicant states precisely what criteria or standards will be used to determine at-risk homebuyers who are "otherwise...unable to afford homeownership through sources other than the program."

Comment 2: 4900.2420 Subp. 6
The original legislative intent was to have the "designated area" in the metropolitan area be up to 16 contiguous blocks as opposed to four square blocks. It was my error in draftsmanship that limits the area to four square blocks. I intend to introduce legislation this session to change the statute to 16 contiguous blocks. I don't see any reason to re-do the present rules at this time for the first demonstration projects -- they can go forward under the four square block rule.

Comment 3: 4900.2420 Subp. 13
It is unclear whether carrying charges for the property during the period between acquisition and resale can be included in the sales cost. The sales cost definition should indicate that the actual costs of the sale of the property can include carrying charges, for example, property taxes, property insurance, maintenance and marketing expenses.

continued-

788 Charles Avenue, St. Paul, Minnesota 55104 (612) 224-6270
State Office Building, St. Paul, Minnesota 55155 (612) 296-5158

Comment 4: 4900:2460 Subp. 1
This rule should be flexible enough to allow an applicant who has as one of its primary purposes the provision or development of affordable housing to low and moderate income homebuyers.

Comment 5: 4900.2460 Subp. 2.B (1)
4900.2480 Subp. 1.A
4900.2480 Subp. 1.B
With regards to all three of these proposed rules, it should be noted that the original intent of the legislation was to allow the grant money to be used as "seed money" to encourage the start up of brand-new nonprofit neighborhood housing development corporations, rather than solely fund pre-existing organizations with "demonstrated experience in acquisition and rehabilitation of housing" or "prior experience in establishing, administering and maintaining affordable housing," or "prior experience in purchasing and rehabilitating residential property."

However, after discussions with Commissioner James J. Solem and other MHFA staff, I agree that for the first several demonstration projects it is better to limit applicants to those with prior experience. If the program proves successful, I would like to expand its reach to include the start up of new organizations.

Comment 6: 4900.2460 Subp. 2.C (1)
4900.2480 Subp. 1.C
With regards to the "documented availability on reasonable terms of eligible properties within the designated area," I foresee several problems. First, it will not behoove the applicant to make it generally known that there exists the possibility of five property purchases within a tiny geographical area. This may drive up the initial purchase prices. The landlords in the area may decide as a group to inflate the asking prices. Second, without actually having the cash to purchase and rehabilitate the properties, it may be difficult for applicants to enter the potential properties and obtain appraisals or have contractors submit bids on the rehabilitation work.

I would support more flexibility in these two rules to allow an applicant to instead demonstrate the general market conditions in the area, the general blight in the area, the number of potential properties in the area and the approximate purchase and rehabilitation costs.

Comment 7: 4900.2500 Subp. 1
In addition to having an advisory board made up exclusively of residents from within the designated area, applicants should be encouraged to have adjunct, non-voting members who may live outside the designated area but have some particular expertise to offer the advisory board.

Comment 8: 4900.2500 Subp. 2
I agree with adding some flexibility to the racial composition of the advisory boards, but perhaps the criteria for selection of eligible organizations should include a preference for those applicants who can demonstrate an ability to meet the racial composition requirements over those applicants who can only demonstrate that a reasonable effort was made to do so.

continued-

Comment 9: 4900.2520 Subp. 1
Since the rules provide for the establishment of a revolving fund, it should be stated that an organization may "initially" acquire up to five properties.

Comment 10: 4900.2580
Here again, as stated in comment 5 above, the proposed rule would make it difficult for a new organization to form unless the revolving fund monies could be used to pay the staffing and administrative costs of the new organization. However, as stated in comment 5, I am content to allow the first demonstration projects to only be done by established organizations, as opposed to new organizations.

General Comments
I assume that it is unnecessary to put into rule the program requirements that there be no down payments and no interest charges on the contract for deeds. Please call me immediately if I am incorrect in this assumption or if it is the agency's intent to allow contracts to include down payments or interest charges.

I also assume that it is unnecessary to put into rule the program requirement that at-risk homebuyers must remain in the premises or allow the eligible organization to exercise its first refusal right to repurchase the property from the homebuyer; and the program requirement that in the case of termination of the contract for deed for violation of "good neighbor standards" the homebuyer will not receive his/her equity in the property, but in other cases involving termination of the contract or repurchase by the eligible organization, then the homebuyer will receive a limited equity return.

Again, please call me immediately if I am incorrect in this assumption or it is the agency's intent to not include these provisions in the contract for deed language.

Thank you very much for your consideration of these comments.

Sincerely,

Andy Dawkins
State Representative

AD:BF

Rep. Willard M. Munger

District 7A

St. Louis County



Minnesota House of Representatives

Robert Vanasek, Speaker

CHAIR, ENVIRONMENT AND NATURAL RESOURCES COMMITTEE
COMMITTEES: APPROPRIATIONS, EDUCATION DIVISION; RULES AND LEGISLATIVE ADMINISTRATION; MINNESOTA FUTURE RESOURCES COMMISSION; LEGISLATIVE COMMISSION ON WASTE MANAGEMENT

Betty Goihl
~~Ann M. Glorioso~~
Committee Administrator
Marge Lane
Committee Secretary

January 19, 1990

Ms. Donna Fairbanks
Housing Development Officer
Minnesota Housing Finance Agency
400 Sibley St., Suite 300
St. Paul, MN. 55101

Dear Ms. Fairbanks:

I am writing in response to the State Register publication of proposed permanent rules relating to rural and urban homesteading.

As a Duluth legislator familiar with the Morgan Park row houses and the need some of them have for rehabilitation, I strongly encourage the agency to abide by the recommendations of the statute and not impose the "detached" requirement when referring to "eligible" single family residential property.

I believe row houses such as those of Morgan Park are single family residential properties exclusive of condominiums or planned unit developments. Morgan Park row houses have been sold and treated as single family dwellings with common walls for many years and should be recognized as such.

Thank you for your attention to this matter.

Sincerely,

Willard Munger

WM/ml

c. John Nys
Senator Solon

1-29-90
phoned Rep Munger +
let him know
we will be discussing
this issue
PJ

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