

## MINNESOTA RULES

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#### 4900.0010 DEFINITIONS.

Subpart 1. **Scope.** The terms defined in the act, known as the Minnesota housing finance agency law of 1971, have the same meanings when used in these rules as are ascribed to them in the act.

Subp. 2. **Act.** "Act" means the Minnesota Housing Finance Agency Law of 1971 in Minnesota Statutes 1971, chapter 462A, as now in effect and as from time to time amended.

Subp. 3. **Adjusted income.** "Adjusted income" means the gross annual income, from all sources and before taxes or withholding, of all residents age 18 and over, of a housing unit, after deducting the following:

- A. an amount equal to \$1,000 for each resident of the housing unit; and
- B. extraordinary medical or other expenses as the commissioner approves for exclusion.

Subp. 4. **Administering entity.** "Administering entity" means a nonprofit or governmental entity, including but not limited to an incorporated county or municipality, a housing redevelopment authority, and a community action organization, which enters into a contract with the agency for the local administration of the home improvement grant or rehabilitation loan program pursuant to parts 4900.0610 to 4900.0700.

Subp. 5. **Approved mortgagee.** "Approved mortgagee" means an individual, partnership, corporation, or other business entity that has been approved by the United States Department of Housing and Urban Development.

Subp. 6. **Builder.** "Builder" means a person or entity engaged in the business of housing construction who meets all licensing and other requirements of applicable laws, ordinances, and regulations; who possesses satisfactory experience and credit worthiness; and who will enter into an agreement satisfactory to the agency to sell or rent the residential housing constructed in whole or in part from the proceeds of an agency loan to persons and families of low and moderate income.

Subp. 7. **Capital contribution of the investors.**

A. "Capital contribution of the investors" means the excess of the value of the project at the times and in the manner determined by the agency, whether or not paid in cash, over the then current principal amount of the agency's loan:

- (1) for those developments that:
  - (a) have adequate reserves as determined by the agency;
  - (b) all needed maintenance, as determined by the agency, has either been performed or is scheduled to be performed;
  - (c) during the next 12-month period will require no major repairs or replacements, as determined by the agency, the payment of which would reduce the reserve accounts below an amount determined by the agency;
  - (d) the operating expenses are paid in full;
  - (e) have operating account balances equal to or greater than one month's total operating expenses;
  - (f) have sustained an average occupancy by rent paying tenants of 95 percent or more for the prior 24 months;

(g) have a current waiting list equal to at least 1-1/2 times the annual turnover for the prior 24 months, but the requirements of this unit are not applicable to developments that have reserves equal to or exceeding the sum that is the greater of \$5,000 per dwelling unit or 30 percent of the outstanding principal balance of the mortgage;

(h) the mortgage has not been delinquent during the prior 24 months;

(i) the owner agrees to limit future rent increases to the amount needed to pay for increases in annual operating expenses which includes return on equity and the maintenance of adequate reserves as determined by the agency;

(j) the owner agrees to maintain the development as Section 8 or Section 236 assisted housing for a minimum of 20 years from the effective date of the Housing Assistance Payments Contract or Agreement for Interest Reduction Payments, if one exists, and the minimum 20-year term has not yet expired and in excess of five years remain prior to its expiry date; and

(k) the owner agrees to execute any documents that the agency deems necessary and appropriate to effectuate the intent of this definition;

(2) for those developments that:

(a) meet the requirements of subitem (1), units (a) to (e), (h), and (i);

(b) have a current waiting list equal to at least 1-1/2 times the annual turnover for the prior 24 months, but the requirements of this unit are not applicable to developments that:

i. have sustained an average occupancy of rent paying tenants of 95 percent or more for the prior 24 months, and have reserves equal to or exceeding the sum that is the greater of \$5,000 per dwelling unit or 30 percent of the outstanding principal balance of the mortgage; or

ii. have reserves equal to or exceeding the sum that is the greater of 40 percent of the outstanding principal balance of the mortgage or \$5,000 per unit;

(c) have sustained an average occupancy of rent-paying tenants of 95 percent or more for the prior 24 months, but the requirements of this unit are not applicable to developments that have reserves equal to or exceeding the sum that is the greater of 40 percent of the outstanding principal balance of the mortgage or \$5,000 per unit;

(d) the owner agrees to maintain the development as Section 8 or Section 236 assisted housing according to the following:

i. as to Section 8 assisted housing, to the date which is the later of: (i) ten years from the date of execution of legal documents which meet the requirements of this subitem, or (ii) the date of the end of the five-year optional renewal term of any Section 8 Housing Assistance Payments Contract benefiting the development existent at the date of expiration of the ten-year term identified in clause (i); and

ii. as to Section 236 assisted housing, the owner agrees to maintain the development as Section 236 assisted housing until the date which is ten years after the date of execution of legal documents for developments which meet the requirements of this subitem.

(e) as to both Section 8 and Section 236 assisted housing, the owner agrees not to prepay its mortgage with the agency for ten years from the date of execution of legal documents for developments which meet the requirements of this subitem; and

(f) the owner agrees to execute any documents that the agency deems necessary and appropriate to effectuate the intent of this subitem, which shall include an agreement by the agency that the owner shall be entitled to cumulative dividends; or

(3) for those developments that:

(a) are subject to an agency-financed first mortgage but do not receive federal assistance pursuant to a project-based Section 8 or Section 236 contract;

(b) meet the requirements of subitem (1), units (a) to (e), (h), (i), and (k);

(c) the owner agrees not to prepay its mortgage with the agency for ten years from the date of execution of legal documents for developments which meet the requirements of this subitem; and

(d) have sustained an average occupancy of rent-paying tenants of 95 percent or more for the prior 24 months, but the requirements of this unit are not applicable to developments that have reserves equal to or exceeding the sum that is the greater of 40 percent of the outstanding principal balance of the mortgage or \$5,000 per unit.

B. "Capital contribution of the investors" means the excess of the total development cost of the project as determined by the agency, whether or not paid in cash, over the original principal amount of the agency's loan for developments not meeting the requirements of item A, subitem (1) or (2).

Subp. 7a. **Commissioner.** "Commissioner" means the commissioner employed by the agency, who is the chief administrative officer of the agency.

Subp. 8. **Cooperative housing corporation.** "Cooperative housing corporation" means and refers to those corporations which qualify as cooperative housing corporations pursuant to section 216 of the Internal Revenue Code of 1954, as amended.

Subp. 9. **Development cost loan.** "Development cost loan" means a loan, or participation in a loan, with or without interest in the discretion of the members, authorized by resolution of the members and made or to be made to a housing sponsor from the housing development fund created by the act, for the purpose of defraying development costs, commonly referred to as a "seed money loan."

Subp. 10. **Developmentally disabled.** "Developmentally disabled" means an individual who has a severe, chronic disability which:

A. is attributable to a mental or physical impairment or a combination of mental and physical impairments;

B. is manifested before the person attains the age of 22;

C. is likely to continue indefinitely;

D. results in substantial functional limitations in three or more of the following areas of major life activity: self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic sufficiency;

E. reflects the person's need for a combination and sequence of special interdisciplinary or generic care, treatment, or other services which are of lifelong or extended duration.

Subp. 11. [Repealed by amendment, L 1987 c 187 s 15]

Subp. 11a. **Federally subsidized mortgages.** "Federally subsidized mortgages" means loans funded or acquired with the proceeds of bonds or notes the income from which is exempt from taxation under federal law except, where applicable, for federal alternative minimum tax laws, including federally insured mortgages, and loans that are benefited by payments under interest reduction, rental assistance, housing assistance, or other similar programs from agencies or instrumentalities of the federal government to assist persons and families of low and moderate income in obtaining decent, safe, and sanitary housing.

Subp. 12. **Gross annual income from self-employment.** "Gross annual income from self-employment" shall be deemed to be the net profit from said self-employment as declared by the applicant in Schedule C, F, or E, Part III, as appropriate, of the United States Internal Revenue Service Form 1040, or such other schedule as may be hereafter promulgated, but including as income all depreciation.

Subp. 12a. **HUD.** "HUD" means the United States Department of Housing and Urban Development.

Subp. 13. **Housing sponsor.** "Housing sponsor" means an individual, a nonprofit entity, a limited dividend entity, or a cooperative housing corporation engaged in sponsoring a housing project for occupancy by persons and families of low and moderate income.

Subp. 14. **Limited dividend or limited dividend entity.** "Limited dividend" or "limited dividend entity" means and refers to those individuals, partnerships, joint ventures, and corporations: which, by their organizational documents or by agreement or otherwise, comply with limitations established by the agency or by other governmental agencies, on the rate of return which such individuals, partnerships, joint ventures, or corporations may realize on investments in proposed housing projects; and which, in the case of corporations, are in compliance with all the provisions of Minnesota Statutes, chapter 301 or 303, whichever is applicable.

Subp. 15. **Limited-unit development.** "Limited-unit development" means a loan or grant to a person or family of low or moderate income for new or existing residential housing intended for occupancy by such person or family and by not more than five other families.

Subp. 16. **Local community.** "Local community" means and refers to a city, village, or borough, however organized, in the state of Minnesota, and any housing and redevelopment authority created pursuant to the provisions of Minnesota Statutes, sections 469.001 to 469.047.

Subp. 17. [Repealed, 24 SR 1332]

Subp. 18. **Members.** "Members" means those persons appointed to the agency pursuant to section 4 of the act.

Subp. 19. **Mortgage loan.** "Mortgage loan" means a loan authorized by resolution of the members and made or to be made to a housing sponsor, or to a person or family of low or moderate income, or to a low income purchaser, from the proceeds of sale of the agency's bonds or notes, or from appropriations, for the purpose of providing construction financing, long-term financing, or both, for residential housing, and the payment of which is secured or to be secured.

Subp. 20. **Multiunit development.** "Multiunit development" means a loan or grant for new or existing residential housing which is intended for occupancy by more than one family, and the mortgagor of which is a nonprofit or limited dividend entity.

Subp. 21. **Nonprofit or nonprofit entity.** "Nonprofit" or "nonprofit entity" means and refers to: housing and redevelopment authorities established under and pursuant to the provisions of Minnesota Statutes, sections 469.001 to 469.047; and those partnerships, joint ventures, corporations, and associations which are established for a purpose not involving pecuniary gain to the members, partners, or shareholders thereof, pay no dividends or other pecuniary remuneration, directly or indirectly, to the members, partners, or shareholders thereof, and in the case of private, nonprofit corporations, are established under and pursuant to Minnesota Statutes, chapter 317A and are in compliance with all the provisions thereof; provided, however, that in no event shall a limited dividend entity be deemed a nonprofit entity.

Subp. 22. **Planning grant.** "Planning grant" means a grant authorized by resolution of the members and made or to be made to a local community from the housing development fund, for the purpose of providing funds to assist the local community in planning for land and building acquisition, improvements, renewal, relocation, or conservation on specific sites upon which housing is or will be situated, for occupancy by persons and families of low and moderate income.

Subp. 23. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" means:

A. With respect to limited-unit mortgage loans pursuant to parts 4900.0310 to 4900.0350, except for development cost loans pursuant to parts 4900.0210 to 4900.0240, planning grants pursuant to parts 4900.0410 and 4900.0420, and American Indian housing loans pursuant to parts 4900.0900 to 4900.1080, which loans and grants are intended for a limited-unit development, or a dwelling unit in a planned unit development or a condominium, those persons and families whose adjusted income does not exceed the amounts set forth in the following tables or such lower amount as shall be required to assure that the interest on obligations of the agency will be exempt from federal income taxation.

(1) Maximum adjusted income for loans for new construction:

(a) in the counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Washington, and Wright:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$37,500
10.01 - 10.50%	\$38,500
10.51 - 11.00%	\$39,500
11.01 - 11.50%	\$40,500
11.51% and over	\$41,500

(b) in the counties of Clay, Nicollet, and Olmsted:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$32,000
10.01 - 10.50%	\$33,000
10.51 - 11.00%	\$34,000
11.01 - 11.50%	\$35,000
11.51% and over	\$36,000

(c) in the counties of Benton, Blue Earth, St. Louis, Sherburne, and Stearns:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$28,000
10.01 - 10.50%	\$29,000
10.51 - 11.00%	\$30,000
11.01 - 11.50%	\$31,000
11.51% and over	\$32,000

(d) in all other counties:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$28,000
10.01 - 10.50%	\$29,000
10.51 - 11.00%	\$30,000
11.01 - 11.50%	\$31,000
11.51% and over	\$32,000

(2) Maximum adjusted income for loans for existing construction:

(a) in the counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Washington, and Wright:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$33,000
10.01 - 10.50%	\$34,000
10.51 - 11.00%	\$35,000
11.01 - 11.50%	\$36,000
11.51% and over	\$37,000

(b) in the counties of Clay, Nicollet, and Olmsted:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$26,000
10.01 - 10.50%	\$27,000
10.51 - 11.00%	\$28,000
11.01 - 11.50%	\$29,000
11.51% and over	\$30,000

(c) in the counties of Benton, Blue Earth, St. Louis, Sherburne, and Stearns:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$24,000
10.01 - 10.50%	\$25,000
10.51 - 11.00%	\$26,000
11.01 - 11.50%	\$27,000
11.51% and over	\$28,000

(d) in all other counties:

Mortgage Interest Rate	Maximum Adjusted Income
0 - 10.00%	\$22,000
10.01 - 10.50%	\$23,000
10.51 - 11.00%	\$24,000
11.01 - 11.50%	\$25,000
11.51% and over	\$26,000

B. [Repealed, 10 SR 1557]

C. With respect to multiunit mortgage loans pursuant to parts 4900.0310 to 4900.0350, development cost loans pursuant to parts 4900.0210 to 4900.0240, planning grants pursuant to parts 4900.0410 and 4900.0420, and American Indian housing loans pursuant to parts 4900.0900 to 4900.1080, which loans or grants are intended for a multiunit development, those persons and families whose adjusted income at initial occupancy does not exceed:

(1) (a) 50 percent of area median income as determined by HUD, adjusted for family size, for at least 20 percent of the units in the development; or

(b) 60 percent of area median income as determined by HUD, adjusted for family size, for at least 40 percent of the units in the development; and

(2) the greater of area or statewide median income for a four-person household, as determined by HUD, and who pay no more than 30 percent of their income for housing, for at least 75 percent of the units in the development.

In addition to the requirements in subitems (1) and (2), assuming occupancy of at least 1.5 persons per bedroom:

(a) the rents for at least 20 percent of the units in the development must be affordable to persons and families whose adjusted income is 50 percent of area median income as determined by HUD and who pay no more than 30 percent of their income for housing; or

(b) the rents for at least 40 percent of the units in the development must be affordable to persons and families whose adjusted income is 60 percent of area median income as determined by HUD and who pay no more than 30 percent of their income for housing.

The members may allow higher rents for units in a structure if the members determine that higher rents are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or similar factors relating to income available for housing or housing costs.

D. With respect to home improvement grants and rehabilitation loans pursuant to parts 4900.0610 to 4900.0700 and accessibility loans pursuant to parts 4900.0750 to 4900.0780 to be made by the agency, those persons and families whose assets do not exceed \$25,000, and with respect to rehabilitation loans defined in part 4900.0610 as revolving loans and accessibility loans defined in part 4900.0770 as deferred loans, those persons and families whose adjusted incomes do not exceed the limit stated in part 4900.0630, subpart 3.

E. With respect to home improvement loans and accessibility improvement assistance, pursuant to parts 4900.0510 and 4900.0710, respectively, those persons and families whose gross income does not exceed the limits established by the agency pursuant to part 4900.0070 in conformity with the requirements of the United States Department of the Treasury or other agency of the federal government for federally subsidized mortgages for low- and moderate-income families.

F. With respect to parts 4900.2900 to 4900.2907, those persons whose income is at or below 50 percent of the median income adjusted for family size of the standard metropolitan statistical area.

Subp. 24. **Section 8.** "Section 8" means Section 8 of the United States Housing Act of 1937, codified at United States Code, title 42, section 1437f.

Subp. 25. **Section 236.** "Section 236" means Section 236 of the National Housing Act, codified at United States Code, title 12, section 1715z-1.

**Statutory Authority:** *MS s 14.05; 462A.03; 462A.06*

**History:** *8 SR 2661; 10 SR 1557; 11 SR 104; 11 SR 740; 12 SR 411; L 1987 c 186 s 15; 12 SR 1564; 13 SR 2153; 14 SR 331; 14 SR 2354; 14 SR 2432; 15 SR 376; L 1989 c 304 s 137; 16 SR 542; 18 SR 720; 18 SR 2277; 20 SR 41; 22 SR 23; 22 SR 1547; 24 SR 1332; 25 SR 877; 25 SR 1964; 29 SR 1479*

**Published Electronically:** *October 2, 2013*

#### **4900.0011 EFFECTIVE DATE.**

The amendment to part 4900.0010, subpart 3, is effective on June 1, 1983, or five days after its final adoption, whichever occurs first, for multiunit mortgage loans under parts 4900.0310 to 4900.0360; on July 1, 1983, or five days after its final adoption, whichever occurs first, for home

improvement loans under parts 4900.0510 and 4900.0520, and for home improvement grants and rehabilitation loans under parts 4900.0610 to 4900.0700; and on January 1, 1984, for all other programs of the agency.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

#### **4900.0020 SCOPE OF RULES.**

The parts in this chapter are made and published pursuant to subdivisions 4 and 11 of section 6 and subdivision 10 of section 7 of the Minnesota Housing Finance Agency Law of 1971, and relate to the providing of development cost loans, mortgage loans, rehabilitation loans and grants, development grants, and technical assistance to qualified housing sponsors for construction and rehabilitation of housing for occupancy by persons and families of low and moderate income.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.0030** [Repealed, 29 SR 1479]

**Published Electronically:** *June 11, 2008*

**4900.0040** [Repealed, 29 SR 1479]

**Published Electronically:** *June 11, 2008*

### **LOAN AND MORTGAGE APPLICATIONS**

#### **4900.0050 STAFF SERVICES TO ASSIST HOUSING SPONSOR IN PREAPPLICATION PROCEDURE.**

The commissioner may provide staff services to assist a housing sponsor in complying with the requirements of the act and this chapter and may establish a preapplication procedure.

**Statutory Authority:** *MS s 462A.06*

**History:** *L 1987 c 186 s 15*

**Published Electronically:** *June 11, 2008*

#### **4900.0060 ELIGIBLE HOUSING SPONSORS.**

No development cost loan, pursuant to parts 4900.0210 to 4900.0240, or multiunit development mortgage loan, pursuant to parts 4900.0310 to 4900.0360, shall be made or disbursed until such time as the housing sponsor is an eligible sponsor. An eligible housing sponsor is a sponsor which is authorized by the act to receive a development cost loan or a multiunit development mortgage loan and which has obtained the commissioner's approval of its organizational documents, including proposed or existing articles of incorporation, proposed or existing partnership agreement, joint venture agreement, trust agreement, or other document of basic organization, and proposed amendments thereto, together with such other documents as the commissioner may determine, in specific cases, are necessary in order to determine eligibility.

**Statutory Authority:** *MS s 462A.06*

**History:** *L 1987 c 186 s 15*

**Published Electronically:** *June 11, 2008*

#### **4900.0070 FORMS AND PROCEDURES.**

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

**Statutory Authority:** *MS s 462A.06*

**History:** *L 1987 c 186 s 15*

**Published Electronically:** *June 11, 2008*

#### **4900.0080 CREDIT REVIEW.**

The agency may review, or cause to be reviewed, loan and mortgage applications for suitable credit worthiness. In evaluating credit worthiness the agency may consider:

A. the percentage of applicant's income which can reasonably be expected to be spent on housing costs;

B. the amount of applicant's outstanding debts;

C. the applicant's employment history and likelihood of continued employment;

D. the applicant's credit history;

E. whether applicant has ever sought bankruptcy relief; and

F. on a case-by-case basis, the general educational background and residential stability of the applicant.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

#### **4900.0090 WAIVERS.**

The provisions of this chapter may be waived by the members upon their determination that the application of such rules, in specific cases, may result in undue hardship.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.0100 SEPARABILITY.**

If any word, phrase, sentence, paragraph, section, or part of this chapter is finally adjudged by a court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this chapter.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.0110 PROJECTS IN COMPLIANCE WITH CIVIL RIGHTS.**

All agency projects must be administered in compliance with all applicable federal, state, and local civil rights laws, ordinances, and regulations including but not limited to those applying to the selection of recipients for agency loans and grants, and the site selection, construction, purchase, and rental of residential housing financed in whole or in part with agency participation. Any determination that a project or recipient has failed to comply with the civil rights laws, if made by a court or an administrative agency charged with the enforcement of said laws, shall be sufficient grounds for termination of agency participation and immediate recall of outstanding agency loans. This part shall not be construed to prohibit housing programs administered by or for American Indians.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.0120 PREFERENCE IN OCCUPANCY.**

Each recipient of an agency loan who is the owner of residential housing occupied in whole or in part by renters shall give preference in occupancy to those persons and families of low and moderate income who occupied the residence at the time of the loan application, subject to the right of the owner to reside there.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 1279*

**Published Electronically:** *June 11, 2008*

**DEVELOPMENT COST LOANS****4900.0210 APPLICATION FOR DEVELOPMENT COST LOAN.**

An application by a housing sponsor, or by an approved mortgagee on behalf of a housing sponsor, for a development cost loan or for agency participation in a development cost loan shall contain:

A. information with respect to the eligibility of the housing sponsor, or with respect to the steps which have been taken by such sponsor to become eligible;

B. information with respect to the site of the proposed housing project, including location, dimensions, ownership, present zoning, present use and occupancy, relocation requirements as to present occupants, present on-site utilities and streets, present property taxes and assessments, utility charges and liens or other charges on the land, and all physical characteristics of the site which might affect construction;

C. information with respect to the characteristics of the proposed housing project, including number and size of dwelling units, type of occupancy (ownership, rental, or cooperative), rehabilitation or new construction, range of proposed rents, occupancy charges, or sale prices, building type, federally aided mortgage or otherwise, and proposed incidental or appurtenant educational, social, recreational, commercial, community, and other supporting facilities;

D. a schedule of the proposed uses of any requested development cost loan and the amounts proposed to be allocated to each such use;

E. a copy of the option in favor of such sponsor to purchase property, or other evidence of agreement for, or authorization to purchase of property on the proposed housing site, or a copy of the certificate of title or abstract of title, as the case may be, evidencing the sponsor's ownership of such property; and

F. such other information as to the proposed housing project, the housing sponsor, or other parties involved in the housing project, as the commissioner may require.

**Statutory Authority:** *MS s 462A.06*

**History:** *L 1987 c 186 s 15*

**Published Electronically:** *June 11, 2008*

#### **4900.0220 AUTHORIZATION OF DEVELOPMENT LOANS.**

No development cost loan shall be made until the members of the agency have received and reviewed the recommendation of the commissioner relating to such loan, and until the members of the agency have adopted a resolution approving such loan, which resolution shall include determinations that:

A. the housing sponsor is a nonprofit entity;

B. the proceeds of the development cost loan are to be used to defray development costs;

C. the proposed housing project is eligible or potentially eligible for a federally insured construction loan or a federally insured mortgage;

D. the development cost loan is repayable in full concurrently with initial endorsement of the housing project by the FHA; and

E. the development of the proposed housing project will assist in fulfilling the purposes of the act.

In addition, any such resolution may contain such other provisions and conditions which the members of the agency, in their sole discretion, deem advisable.

**Statutory Authority:** *MS s 462A.06*

**History:** *L 1987 c 186 s 15*

**Published Electronically:** *June 11, 2008*

#### **4900.0230 DISBURSEMENT OF LOAN WITH EVIDENCE OF INDEBTEDNESS.**

The commissioner of the agency shall not permit any disbursement of an approved development cost loan until such loan is evidenced by a fully executed note or other evidence of indebtedness, and by such other instruments as the commissioner may in specific cases deem necessary or appropriate.

**Statutory Authority:** *MS s 462A.06*

**History:** *L 1987 c 186 s 15*

**Published Electronically:** *June 11, 2008*

#### **4900.0240 CANCELLATION OR RECALL OF DEVELOPMENT COST LOAN.**

The members of the agency may, from time to time, review the remaining unexpended balance of any development cost loan and cancel and/or recall the remaining balance thereof from the housing sponsor upon a determination, in the sole discretion of the members, that reasonable progress has not been and/or will not be made in the development of a housing project.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

### **RENTAL REHABILITATION PROGRAM**

#### **4900.0290 SCOPE.**

Parts 4900.0290 to 4900.0296 govern the implementation of the rental rehabilitation program and the disbursement of rental rehabilitation grants authorized by section 301 of the Housing and Urban - Rural Recovery Act of 1983, Public Law 98-181 (November 30, 1983), codified at United States Code, title 42, section 1437o.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 1249*

**Published Electronically:** *June 11, 2008*

#### **4900.0291 DEFINITIONS.**

Subpart 1. **Scope.** For the purposes of parts 4900.0290 to 4900.0296, the following terms have the meanings given them.

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

Subp. 3. **Application.** "Application" means a submittal requesting a rental rehabilitation grant.

Subp. 4. **Lower income family.** "Lower income family" has the meaning used by the Department of Housing and Urban Development as specified in the Code of Federal Regulations, title 24, section 511.2.

Subp. 5. **Rental rehabilitation program or program.** "Rental rehabilitation program" or "program" means the organization of agency procedures designed to distribute funds for the purposes of rehabilitating rental dwelling units and to provide for the distribution of subsidies for tenant rental payments as specified in parts 4900.0290 to 4900.0296 and Code of Federal Regulations, title 24, part 511.

Subp. 6. **Rental rehabilitation program grant or grant.** "Rental rehabilitation program grant" or "grant" means an appropriation of money to an eligible applicant under the program.

Subp. 7. **Rental dwelling unit.** "Rental dwelling unit" means a housing unit containing cooking, sleeping, and bathroom facilities that is occupied by a household other than the owner of the structure in which the unit is located, and for which rent is paid either in cash or in kind.

Subp. 8. **Very low-income family.** "Very low-income family" has the meaning used by the Department of Housing and Urban Development as specified in the Code of Federal Regulations, title 24, section 511.2.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 1249*

**Published Electronically:** *August 7, 2013*

#### **4900.0292 INCORPORATION OF FEDERAL REGULATIONS.**

Except as further limited by parts 4900.0290 to 4900.0296, the operation of the rental rehabilitation program and the disbursement of grants under it are governed by the Rental Rehabilitation Program Interim Rule, Code of Federal Regulations, title 24, part 511, as published in the Federal Register, volume 49, number 78, April 20, 1984, as amended and modified by the final rule, and any waivers of the interim and final rules obtained by the agency, which will be published in the State Register.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 1249*

**Published Electronically:** *June 11, 2008*

#### **4900.0293 ADDITIONAL AGENCY REQUIREMENTS FOR PARTICIPATION IN RENTAL REHABILITATION PROGRAM.**

Projects selected for grants under the rental rehabilitation program, in addition to meeting the eligibility and ineligibility criteria in Code of Federal Regulations, title 24, section 511.10, must comply with all of the following requirements:

A. The project must consist of one or more buildings that contain one or more rental dwelling units.

B. The project must consist of one or more buildings situated within municipalities that are eligible to take part in the program and that have entered into a participation agreement with the agency.

C. The project must consist of one or more buildings situated within the jurisdiction of a public housing authority, housing development authority, or other entity that is authorized to administer the Department of Housing and Urban Development Section 8 Existing Housing Program or Department of Housing and Urban Development Voucher Program and that entered into a participation agreement with the agency.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 1249; 9 SR 2174*

**Published Electronically:** *June 11, 2008*

#### **4900.0294 AGENCY LOANS.**

At its discretion the agency may make grants under the rental rehabilitation program in conjunction with loans funded by the agency under Minnesota Statutes, chapter 462A.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 1249*

**Published Electronically:** *June 11, 2008*

#### **4900.0295 NOTICE OF FUND AVAILABILITY.**

From time to time the agency shall publish a notice of fund availability in the State Register prior to the date upon which it first accepts applications for grants. The notice must include the date upon which applications will first be accepted and the specific requirements for obtaining forms and other materials for the submission of applications.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 1249*

**Published Electronically:** *June 11, 2008*

#### **4900.0296 SELECTION OF APPLICATIONS.**

The agency shall review applications for grants to determine their compliance with Code of Federal Regulations, title 24, part 511. The agency may accept or reject applications for grants based on the requirements of parts 4900.0290 to 4900.0296.

In the selection of an application for a grant, the agency shall apply the following criteria:

A. the extent to which the building or buildings proposed for rehabilitation are currently occupied by lower income families;

B. the extent to which rental dwelling units with two bedrooms or more will be rehabilitated;

- C. the extent to which very low income families who reside in the building or buildings that are proposed for rehabilitation are housed in substandard conditions;
- D. the extent to which the building or buildings proposed for rehabilitation are free from serious adverse environmental and site conditions;
- E. the extent to which the proposed rehabilitation is financially feasible, given the maximum grant per rental dwelling unit, prevailing interest rates, proposed rents, and market for rehabilitated units;
- F. the extent to which displacement of existing tenants will be minimized;
- G. the extent to which the rehabilitated rental dwelling units will be affordable to low and very low income families;
- H. the extent to which the proposed rehabilitation will have a positive impact on the physical environment of the surrounding neighborhood;
- I. the extent to which the proposed rehabilitation eliminates substandard housing and prevents the recurrence of such conditions;
- J. the extent to which a municipality rates proposals, if such rating has been performed, within their community;
- K. the extent to which proposals selected by the agency achieve a distribution of funds among participating communities; and
- L. the extent to which the grant funds will be utilized for physical rehabilitation as opposed to relocation expenses and other eligible nonconstruction costs.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 1249*

**Published Electronically:** *June 11, 2008*

## **MULTIUNIT DEVELOPMENT MORTGAGE LOANS**

### **4900.0310 APPLICATION FOR MULTIUNIT DEVELOPMENT MORTGAGE LOANS.**

An application by a housing sponsor, or by an approved mortgagee on behalf of a housing sponsor, for a multiunit development mortgage loan or for agency participation in a multiunit development mortgage loan shall contain:

- A. information with respect to the eligibility of the housing sponsor, or with respect to the steps which have been taken by such sponsor to become eligible;
- B. information with respect to the site of the proposed housing project, including location, dimensions, ownership, present zoning, present use and occupancy, relocation requirements as to present occupants, present on-site utilities and streets, present property taxes and assessment, utility

charges and liens or other charges on the land, and all physical characteristics of the site which might affect construction;

C. information with respect to the characteristics of the proposed housing project, including number and size of dwelling units, type of occupancy (ownership, rental, or cooperative), rehabilitation or new construction, range of proposed rents, occupancy charges, or sale prices, building type, federally aided mortgage or otherwise, and proposed incidental or appurtenant educational, social, recreational, commercial, community, and other supporting facilities;

D. identity and qualifications of the design architect, supervisory architect, sponsor's attorney, housing consultant, general contractor, marketing or sales agent, and management agent;

E. architectural drawings and specifications, site plan, schedule of construction costs, reports of soil tests or engineering studies performed, executed construction contract, and evidence of approval of the architectural drawings, specifications, and site plan by governmental bodies having jurisdiction;

F. proposed marketing plan, reports of market surveys or analyses, schedule of proposed rents, occupancy charges, or sales prices, proposed operating budget, proposed management plan, proposed relocation plan and cost analysis, schedule of the proposed uses of the requested mortgage loan, and the amounts to be allocated to each such use including the sponsor's equity investment where applicable, and a proposed construction schedule;

G. a schedule of the proposed initial rents or occupancy charges;

H. a plan setting forth: arrangements contemplated for tenant referral from local housing authorities or other governmental agencies or community organizations, having contact with potential eligible occupants, and procedures contemplated to make generally known to minority groups the availability of units on a nondiscriminatory basis; and

I. such other information as to the proposed housing project, the housing sponsor, or other parties involved in the housing project, as the commissioner may require.

**Statutory Authority:** *MS s 462A.06*

**History:** *L 1987 c 186 s 15*

**Published Electronically:** *June 11, 2008*

#### **4900.0320 AUTHORIZATION OF MULTIUNIT DEVELOPMENT MORTGAGE LOANS.**

No multiunit development mortgage loan shall be made until the members of the agency have received and reviewed the recommendation of the commissioner relating to such loan, and until the members of the agency have adopted a resolution approving such loan; which resolution shall include determinations that:

A. a multiunit development mortgage loan would not otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions;

B. the development of the proposed housing project will assist in fulfilling the purposes of the act;

C. in the case of a housing sponsor which is a limited dividend entity, the rate of return on the investment in the proposed housing project is reasonable in light of then existing conditions in the housing industry and financial markets and rate of return then prescribed by other governmental agencies; and

D. the obligation of the agency to make such loans is contingent on the ability of the agency to sell its bonds or bond anticipation notes, on terms which the members of the agency, in their sole discretion, deem acceptable.

In addition, any such resolution may contain such other provisions and conditions which the members of the agency, in their sole discretion, deem advisable.

**Statutory Authority:** *MS s 462A.06*

**History:** *L 1987 c 186 s 15*

**Published Electronically:** *June 11, 2008*

#### **4900.0330 PROJECT SELECTION CRITERIA FOR MULTIUNIT DEVELOPMENT MORTGAGE LOANS.**

In determining whether to accept applications of housing sponsors for development cost loans or multiunit development mortgage loans, the members shall examine the following facts and make their determinations thereon:

A. whether a need exists in the geographical area for the proposed development;

B. whether adequate provision has been made for housing opportunities for minority families, including elderly persons and families;

C. whether the proposed development is consistent with orderly growth and development in the geographical area;

D. the impact of the proposed development on the physical environment of the surrounding neighborhood;

E. whether the housing sponsor has adequate capacity to proceed promptly to the construction and completion of the proposed development;

F. the extent to which the proposed development will create minority employment and business opportunities;

G. the effect of the proposed development in eliminating substandard housing and preventing the recurrence of such conditions;

H. the extent to which the proposed development will reduce the cost of mortgage financing or rentals for housing for low- and moderate-income persons and families;

I. the extent to which the proposed development will house persons and families of varied economic means and of a wide range of incomes;

J. the relationship of the proposed development to public facilities, sources of employment, and services, including public transportation, health, education, and recreation facilities, and public utilities, essential to orderly growth;

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

L. whether a loan would otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions;

M. in the case of a housing sponsor which is a limited dividend entity, whether the rate of return on its investment in the proposed development is reasonable in light of then existing conditions in the housing industry and financial markets and in the rates of return then prescribed by other governmental agencies; and

N. whether the proposed development will assist in fulfilling the purposes of the act.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *October 2, 2013*

#### **4900.0340 OCCUPANCY IN MULTIUNIT DEVELOPMENTS.**

Initial occupancy in multiunit developments financed by the agency shall be limited to persons and families of low and moderate income; provided, however, that to the extent necessary to avoid economic loss resulting from inability to achieve full occupancy, and in order to encourage economic integration, a housing sponsor may, with the prior written approval of the commissioner, permit initial occupancy of up to 25 percent of the units in the housing project by persons and families who are not persons and families of low and moderate income.

Preference for occupancy in multiunit developments financed by the agency may not be given to persons and families by virtue of their prior residence in the community in which the development is located; except that the housing sponsor may, with the prior written approval of the commissioner allow preference for persons and families displaced by public action or natural disaster or for previous residents of a rehabilitated multiunit development financed by the agency.

**Statutory Authority:** *MS s 462A.06*

**History:** *L 1987 c 186 s 15*

**Published Electronically:** *June 11, 2008*

#### **4900.0350 DISBURSEMENT OF LOAN WITH EVIDENCE OF INDEBTEDNESS.**

The commissioner of the agency shall not permit any disbursement of an approved mortgage loan until such loan is evidenced by a fully executed note or other evidence of indebtedness, a

mortgage, appropriate evidence of insurance, if applicable, and by such other instruments as the commissioner may in specific cases deem necessary or appropriate.

**Statutory Authority:** *MS s 462A.06*

**History:** *L 1987 c 186 s 15*

**Published Electronically:** *June 11, 2008*

**4900.0351** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.0352** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.0353** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.0354** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.0355** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.0356** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

## APARTMENT RENOVATION MORTGAGE LOANS

### 4900.0357 ELIGIBILITY REQUIREMENTS FOR APARTMENT RENOVATION MORTGAGE LOANS.

Subpart 1. **Restrictions on loans.** Improvements made with apartment renovation mortgage loans shall be in compliance with subparts 2 to 7.

Subp. 2. **State energy conservation standards.** In accordance with Minnesota Statutes, section 462A.05, subdivision 21, the structure must be brought into compliance with the standards established in Minnesota Statutes, section 216C.27, subdivision 3, state energy conservation standards.

Subp. 3. **Structures less than 15 years old.** For structures less than 15 years old, only improvements necessary to achieve compliance with the state energy conservation standards under Minnesota Statutes, section 462A.05, subdivision 21, are eligible.

Subp. 4. **Structures 15 years old or more.** For structures 15 years old or more, permanent general improvements as described in subpart 5 are eligible in addition to the improvements relating to state energy conservation standards referred to in subpart 2.

Subp. 5. **Permanent general improvements.** An improvement must be a permanent general improvement. Permanent general improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures which materially preserve or improve the basic livability, safety, or utility of the property; which may include the installation or replacement

of appliances as well as fixtures. Permanent general improvements shall not include materials, fixtures, appliances, 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.

Subp. 6. **Other code and standards.** An improvement must be made in compliance with applicable health, fire prevention, building, and housing codes and standards.

Subp. 7. **Public improvements.** Apartment renovation mortgage program loan proceeds shall not be used for the payment, wholly or in part, of assessments for public improvements.

**Statutory Authority:** *MS s 462A.06*

**History:** *11 SR 2077; L 1987 c 312 art 1 s 10 subd 1*

**Published Electronically:** *June 11, 2008*

#### **4900.0358 SELECTION CRITERIA FOR APARTMENT RENOVATION MORTGAGE PROGRAM LOANS.**

In determining whether or not to accept applications for apartment renovation mortgage loans, the agency shall take the following criteria into consideration:

A. whether the location of the structure to be improved is such that it will enable the housing to be successfully marketed at the proposed rents;

B. accessibility to schools, shopping, health care, recreation and social facilities, and centers of employment;

C. availability of a convenient access to public transportation;

D. availability and proximity of adequate sewer and water facilities, public utilities, and paved roads;

E. freedom from serious adverse environmental and site conditions;

F. the extent to which displacement of residents is minimized;

G. rental management qualifications and financial strength of the owner; and

H. reasonableness of property and property related costs.

**Statutory Authority:** *MS s 462A.06*

**History:** *11 SR 2077*

**Published Electronically:** *June 11, 2008*

#### **LIMITED-UNIT DEVELOPMENTS AND HOUSING PROGRAM LOANS**

##### **4900.0360 MORTGAGE LOANS FOR LIMITED-UNIT DEVELOPMENTS.**

Mortgage loans for limited-unit developments shall be made only to applicants who: are persons or families of low or moderate income; are fee owners of the dwelling and who intend to occupy

such dwelling as their principal place of residence; satisfy minimum standards of credit worthiness; and execute such documents as the agency deems necessary to secure the mortgage loan.

No mortgage loan shall be approved unless the agency determines that a mortgage loan would not otherwise be available, wholly or in part, from a private lender upon equivalent terms and conditions.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.0370** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.0380** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.0381** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

## PLANNING GRANT

### 4900.0410 APPLICATIONS.

An application by a local community for a planning grant shall contain:

- A. information with respect to the status of the applicant as a local community;
- B. information with respect to the plan of land or building acquisition, improvement, renewal, relocation, or conservation;
- C. the total cost of the plan, the net costs to the local community of the plan, and a schedule of the proposed uses of the requested planning grant and the amounts to be allocated to each such use;
- D. information with respect to the site upon which the housing is or will be situated, including location, dimensions, ownership, present zoning, present use and occupancy, relocation requirements as to present occupants, present on-site utilities, and streets; and
- E. such other information with respect to the site, the local community, or other parties involved, as the commissioner may require.

**Statutory Authority:** *MS s 462A.06*

**History:** *L 1987 c 186 s 15*

**Published Electronically:** *June 11, 2008*

### 4900.0420 AUTHORIZATION OF PLANNING GRANTS.

No planning grant shall be made until the members of the agency have received and reviewed the recommendation of the commissioner, relating to such planning grant, and until the members

of the agency have adopted a resolution approving such grant, which resolution shall include determinations that:

- A. the applicant is a local community;
- B. the local community is reasonably expected to be able to implement successfully the plan;
- C. the plan will meet a social need in the area in which it is to be operative;
- D. the development of the plan will assist in fulfilling the purposes of the act;
- E. the amount of the grant is not in excess of the net costs, exclusive of any federal aid or assistance, as have been or may reasonably be anticipated to be incurred by the local community in connection with the plan; and
- F. the plan relates to a specific site upon which housing is or will be situated, or relates to a site which is or will be used for purposes which are reasonably related to such housing.

In addition, any such resolution may contain such other provisions and conditions which the members of the agency, in their sole discretion, deem advisable.

**Statutory Authority:** *MS s 462A.06*

**History:** *L 1987 c 186 s 15*

**Published Electronically:** *June 11, 2008*

## HOME IMPROVEMENT LOANS

### 4900.0510 ELIGIBILITY REQUIREMENTS FOR APPLICATIONS FOR HOME IMPROVEMENT LOANS.

Subpart 1. **Interest in property.** Each applicant must individually or in the aggregate possess at least a one-third interest in a fee, contract for deed, life estate, or a long-term lease of public record in the property to be improved. All persons who, individually or collectively, possess the type of ownership upon which the application is based, or whose income is to be included for the purpose of determining the adjusted income, and spouses of all such persons, except separated spouses who do not live in the property to be improved, except that all spouses will be required to sign documents that convey an interest in real property, must join in the application and must execute the loan documents. However, occupancy of the property by the applicant shall not be required.

Subp. 2. **Person or family of low or moderate income.** Each applicant must be a person or family, including nonrelated individual adults, of low or moderate income.

Subp. 3. **Credit risk.** Each applicant must be a reasonable credit risk with the ability to pay the loan obligation, as determined by the agency or by the lending institution, if any, servicing the loan on behalf of the agency.

Subp. 4. **Structure.** The structure to be improved must be at least 90 days old, except when loan proceeds will be used to make a newly constructed property accessible to a resident with a disability if authorized by law. The structure to be improved must not be in violation of applicable zoning ordinances or other applicable land use guides.

Subp. 5. **Property.** The property must be used primarily for residential purposes and must not contain more than six dwelling units. Trailers shall not be eligible for home improvement loans.

Subp. 6. **Use of proceeds.** Home improvement loan proceeds must be used to finance only improvements upon or in connection with existing structures, except when loan proceeds will be used to make a newly constructed property accessible to a resident with a disability if authorized by law.

Subp. 7. **Time limit.** All improvements must be reasonably capable of being completed, except for causes beyond the applicant's reasonable control, such as fire, strike, and shortage of materials, within nine months of the date of the first disbursement of funds pursuant to the home improvement loan.

Subp. 8. **Conventional financing not available.** At the time of application, conventional financing must not be available from private lenders upon equivalent terms and conditions.

Subp. 9. **Agreement with renters.** Each applicant who is an owner of residential housing occupied in whole or in part by renters, shall enter into such agreement as the agency shall require to ensure that for the term of the loan persons and families of low and moderate income will occupy at least one of the units in the case of a two unit residence, two of the units in the case of a three unit residence, three of the units in the case of a four unit residence, and four of the units in the case of a five or six unit residence.

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *8 SR 475; 24 SR 1332*

**Published Electronically:** *June 11, 2008*

#### **4900.0520 ELIGIBILITY REQUIREMENTS FOR HOME IMPROVEMENT LOANS.**

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

A. 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; or to make the property more desirable to live in; or to increase the market value of the property; or to make the property more habitable; or to make the property more accessible to a person with a disability as provided in parts 4900.0710 to 4900.0740.

B. Each improvement must be a permanent general improvement. Permanent general improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures, which materially preserve or improve the basic livability, safety, or utility of the property. Permanent general improvements shall not include materials, fixtures, or landscaping

of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved.

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

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

E. All contracts covering all or any portion of an improvement must contain an MHFA approved warranty of construction and materials.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 1279; L 2005 c 56 s 2*

**Published Electronically:** *June 11, 2008*

## RENTAL REHABILITATION LOANS

### 4900.0530 ELIGIBLE APPLICATIONS.

Subpart 1. **Property interest.** Each applicant for a rental rehabilitation loan must individually or in the aggregate possess at least a one-third interest in a fee, or a contract for deed, or a life estate in the property to be improved. However, occupancy of the property by the applicant shall not be required.

Subp. 2. **Credit risk.** Each applicant must be a reasonable credit risk with the ability to pay the loan obligation as determined by the agency or by the lending institution, if any, servicing the loan on behalf of the agency pursuant to part 4900.0080.

Subp. 3. **Eligible improvements.** To be eligible, the structure must be in need of repairs in order to bring it into compliance with Minnesota Statutes, section 216C.27, subdivision 3, state energy conservation standards. For structures less than 15 years old, only improvements necessary to bring the structure into compliance with the state energy conservation standards are eligible. Further explanation of this requirement is in part 4900.0540.

Subp. 4. **Compliance with zoning ordinances.** The structure to be improved must not be in violation of applicable zoning ordinances or other applicable land use guides.

Subp. 5. **Use of property restricted.** The property must be used primarily for residential purposes and must consist primarily of comprehensive living units including kitchen and bathroom facilities. Mobile homes and trailers shall not be eligible for rental rehabilitation loans.

Subp. 6. **Restriction on loan use.** Rental rehabilitation loan proceeds must be used to finance only improvements upon or in connection with existing structures.

Subp. 7. **Time of completion.** All improvements must be reasonably capable of being completed within nine months of the date of the first disbursement of funds pursuant to the rental rehabilitation loan except for delays due to causes beyond the applicant's reasonable control, such as fire, strike, and shortage of materials.

Subp. 8. **Unavailability of financing.** At the time of application, conventional financing must not be available from private lenders upon equivalent terms and conditions.

Subp. 9. **Required occupancy.** The structure to be improved must be occupied at the time of loan closing primarily by persons and families of low and moderate income. Structures containing six rental units or fewer must be occupied by persons and families of low and moderate income in at least one of the units in the case of a one-unit or two-unit rental structure, two of the units in the case of a three-unit rental structure, three of the units in the case of a four-unit rental structure, four of the units in the case of a five-unit or six-unit rental structure, and at least 75 percent of the rental units in the case of rental structures containing more than six units.

**Statutory Authority:** *MS s 462A.06*

**History:** *L 1987 c 312 art 1 s 10 subd 1*

**Published Electronically:** *June 11, 2008*

#### **4900.0540 ELIGIBILITY REQUIREMENTS FOR IMPROVEMENT LOANS.**

Subpart 1. **Restrictions on loans.** Improvements made with rental rehabilitation loan proceeds shall be in compliance with subparts 2 to 4.

Subp. 2. **State energy conservation standards.** The structure must be brought into compliance with the standards established in Minnesota Statutes, section 216C.27, subdivision 3, state energy conservation standards.

Subp. 3. **Structures less than 15 years old.** For structures less than 15 years old, only improvements necessary to bring the structure into compliance with the state energy conservation standards are eligible.

Subp. 4. **Structures more than 15 years old.** For structures more than 15 years old, permanent general improvements as described in subpart 5 are eligible if the structure has been or will be brought into compliance with the state energy conservation standards.

Subp. 5. **Permanent general improvements.** Each improvement must be a permanent general improvement. Permanent general improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures which materially preserve or improve the basic livability, safety, or utility of the property. However, conversions of structures, or portions thereof, from nonresidential use to residential use are not eligible. Permanent general improvements shall not include materials, fixtures, or landscaping of a type or quality exceeding that customarily used in the locality for properties of the same general type as the property to be improved.

Subp. 6. **Other codes and standards.** Each improvement must be made in compliance with all applicable health, fire prevention, building, and housing codes and standards, but no application for a rental rehabilitation loan for property occupied by the owner shall be denied solely because the improvements will not bring the property into full compliance with all codes and standards, except that the property must be brought into compliance with state energy conservation standards as specified in subpart 2.

Subp. 7. **Public improvements.** Rental rehabilitation loan proceeds shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that the proceeds may be used for improvements which will bring an individual sewage disposal system located on the property, including septic systems, into compliance with local, state, or federal environmental and sanitary standards.

Subp. 8. **Warranty.** All contracts covering all or any portion of an improvement must contain an agency-approved warranty of construction and materials.

**Statutory Authority:** *MS s 462A.06*

**History:** *L 1987 c 312 art 1 s 10 subd 1; 17 SR 1279*

**Published Electronically:** *June 11, 2008*

**4900.0550** [Repealed, 24 SR 1332]

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**4900.0560** [Repealed, 24 SR 1332]

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**4900.0570** [Repealed, 24 SR 1332]

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**4900.0580** [Repealed, 24 SR 1332]

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**4900.0581** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.0582** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.0583** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.0584** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

## HOME ENERGY LOANS

### 4900.0590 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of parts 4900.0590 to 4900.0594, the following terms have the meanings given them.

Subp. 2. **Borrower.** "Borrower" means one or more persons who apply for and receive a loan under parts 4900.0590 to 4900.0594. A borrower must be a person or family, but need not be of low and moderate income.

Subp. 3. **Home energy loan.** "Home energy loan" means a loan made to a borrower, the proceeds of which are used for energy conservation improvements in an eligible property.

Subp. 4. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" is as defined in part 4900.0010, subpart 23, item E.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 506; 12 SR 2342*

**Published Electronically:** *June 11, 2008*

### 4900.0591 ELIGIBLE BORROWERS.

Subpart 1. **Interest in property.** A borrower shall individually or in the aggregate possess at least a one-third interest in a fee title, a contract for deed, or a life estate in the property to be improved.

For manufactured or factory made housing taxed as personal property or not permanently affixed to real property, a borrower must individually or in the aggregate have a 100 percent interest in the title to the housing to be improved.

Subp. 2. **Credit review.** A borrower shall be a reasonable credit risk, and shall be able to pay the loan obligation, as determined by the agency under part 4900.0080, or by a lending institution that originates a loan for sale to the agency.

Subp. 3. **Principal place of residence.** A borrower shall occupy the property to be improved as his or her principal place of residence.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 506; 12 SR 2342*

**Published Electronically:** *June 11, 2008*

### 4900.0592 ELIGIBLE PROPERTIES.

The property to be improved by a home energy loan is restricted as follows:

- A. The property to be improved may not contain more than two dwelling units.

B. The property to be improved may not be in violation of applicable zoning ordinances or other land use guides.

C. The property must be used primarily for residential purposes.

D. The property to be improved may not be used as investment property or as a recreational home.

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *9 SR 506; 12 SR 2342; 24 SR 1332*

**Published Electronically:** *June 11, 2008*

#### **4900.0593 OTHER REQUIREMENTS.**

Subpart 1. **In general.** Improvements made with home energy loan funds must satisfy the following requirements:

A. Improvements made with the proceeds of a home energy loan must be a permanent improvement made upon or in connection with an existing structure, and must improve the energy efficiency of the structure or be directly related to energy efficiency.

B. An improvement must be made in compliance with all applicable health, fire prevention, building, or housing codes and standards; provided, however, that no application for a home energy loan may be denied solely because the improvements will not bring the property into full compliance with these codes and standards.

C. The proceeds of a home energy loan must be used only to finance new improvements and may not be used to refinance an existing loan or mortgage.

D. A borrower shall agree to complete all improvements within nine months of the date of the loan.

Subp. 2. **Conventional financing not available.** At the time of application conventional financing must not be available from private lenders upon equivalent terms and conditions.

Subp. 3. **Qualifications of income.** In order for a borrower to obtain the preference for persons or families of low and moderate income, all persons who, individually or collectively, possess the type of ownership upon which the application is based, or whose income is to be included for purposes of determining the adjusted income, and spouses of these shall join in the application and shall execute the loan note.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 506*

**Published Electronically:** *June 11, 2008*

**4900.0594 PREFERENCE FOR PERSONS AND FAMILIES OF LOW AND MODERATE INCOME.**

The agency may, in its sole discretion, give preference to persons and families of low and moderate income by:

- A. providing home energy loans to these persons and families at lower rates of interest;
- B. providing allocations of funds specifically for use by these persons and families; and
- C. other methods as the agency deems appropriate.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 506*

**Published Electronically:** *June 11, 2008*

**4900.0601** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.0602** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.0603** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.0604** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.0605** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**HOME IMPROVEMENT GRANTS AND REHABILITATIVE LOANS****4900.0610 SCOPE.**

Rules in parts 4900.0610 to 4900.0700 govern the home improvement grant program authorized by Minnesota Statutes, section 462A.05, subdivision 15, and the rehabilitation loan program authorized by Minnesota Statutes, section 462A.05, subdivision 14a. The agency is authorized to make rehabilitation loans with or without interest or periodic payments. In parts 4900.0610 to 4900.0700 loans made with interest and periodic payments shall be referred to as "revolving loans" and loans made without interest or periodic payments shall be referred to as "deferred loans."

**Statutory Authority:** *MS s 462A.06*

**History:** *13 SR 2153*

**Published Electronically:** *October 2, 2013*

**4900.0620 RESERVATION OF FUNDS.**

Subpart 1. **Request.** For a period of at least 30 days after the agency gives notice that the funds for making rehabilitation grants or loans are available, the agency shall receive requests for reservation of funds from prospective administering entities. Requests for reservation of funds for rehabilitation grants or loans may be made by prospective administering entities to the agency, and shall contain:

- A. a plan setting forth the proposed method of delivery of the rehabilitation grants or loans;
- B. evidence satisfactory to the agency that the administering entity has the capacity effectively and efficiently to carry out the plan;
- C. the specific funding amount requested for a period of not more than 24 months and the administrative allowance, if any, required by the administering entity to defray the expenses of administering the program;
- D. other funding sources available to the administering entity for administration and home improvement; and
- E. a description of the targeting plan, if any, whereby the administering entity will establish priorities for awarding grant and loan funds based on an assessment of need within its jurisdiction, in the event that the number of applications exceeds the number of grants and loans which can be awarded. The targeting plan, if any, shall be subject to approval by the agency and may not have the effect of excluding any otherwise eligible applicant from making an application and being considered eligible for a grant or loan.

Subp. 2. **Allocation of the funds.** The agency shall allocate the funds available at any time among the several regions, based upon data assembled by the agency and accurately reflecting housing needs and related factors.

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *24 SR 1332*

**Published Electronically:** *June 11, 2008*

**4900.0630 ELIGIBLE RECIPIENTS OF REHABILITATION GRANTS AND LOANS.**

Subpart 1. **Requirement on the application.** In addition to all conditions imposed by the act, an application for a rehabilitation grant or loan shall satisfy the following requirements.

Subp. 2. **Principal place of residence.** The recipient(s) must occupy the structure to be improved as the recipient's(s') principal place of residence and individually or in the aggregate have at least a life estate or a one-third interest in the fee title or in the contract for deed with respect to such structure. The agency may waive or modify the ownership and security requirement when necessary to permit rehabilitation grants for structures located on Indian reservations. For mobile homes taxed as personal property or not permanently affixed to real property, recipient(s) must be current in any loan payments on the structure, and individually or in the aggregate have a 100 percent interest in the title to the mobile home.

For the purpose of complying with the ownership requirements, the recipient may aggregate the recipient's interest in such property with the ownership interests of other individuals also occupying the structure to be improved as their principal place of residence. All individuals occupying the structure to be improved as their principal place of residence and having an ownership interest in such structure must join in the application.

Subp. 3. **Person of low and moderate income.** Each recipient must be a person or family of low or moderate income. "Low or moderate income" is defined as income not to exceed 30 percent of median income adjusted for household size for the Minneapolis-St. Paul Metropolitan Statistical Area as determined by the United States Department of Housing and Urban Development.

Subp. 4. **Deferred loan assets.** "Assets" for purposes of deferred loans described in parts 4900.0610 to 4900.0700 is the sum of the following, after deducting any outstanding indebtedness:

- A. cash on hand or in checking or savings accounts;
- B. securities or United States Savings Bonds;
- C. market value of all interests in real estate, exclusive of the structure to be improved and a parcel of real property of not more than two contiguous platted lots or 160 continuous acres on which such structure is located;
- D. cash value of life insurance policies; and
- E. all other property, exclusive of household furnishings, clothing, and one automobile, and real estate, equipment, supplies, and inventory used in a business.

Subp. 5. **Revolving loan assets.** Assets for the purposes of revolving loans is the sum of the following, after deducting any outstanding indebtedness:

- A. cash on hand or in checking or savings accounts;
- B. securities or United States Savings Bonds;
- C. market value of all interests in real estate, exclusive of the structure to be improved and a parcel of real property of not more than two contiguous platted lots or 160 contiguous acres on which such structure is located;
- D. cash value of life insurance policies; and
- E. all other property, exclusive of household furnishings, clothing, one automobile, and real estate, equipment, supplies, and inventory used in a business.

Subp. 6. **Previous revolving loans.** No applicant may receive a revolving loan to improve a property if the combined original principal amounts of revolving loans received by the applicant to improve the property will exceed \$15,000, or if the outstanding balance of revolving loans will exceed the maximum loan amount in part 4900.0640, subpart 2.

Subp. 7. **Other assistance.** Applicants for receipt of revolving loans cannot be eligible for assistance provided under parts 4900.0510 to 4900.0520 and 4900.0590 to 4900.0594; or for local

or federal government housing rehabilitation financing programs which may be available in the area in which the property is located.

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *13 SR 2153; 17 SR 1279; 22 SR 1547; 24 SR 1332; 29 SR 1479; L 2014 c 161 art 3 s 1*

**Published Electronically:** *August 25, 2014*

#### **4900.0640 AMOUNT OF GRANT OR LOAN.**

Subpart 1. **Amount of grant.** The amount of the rehabilitation grant shall not exceed the lesser of \$6,000, the actual cost of the work performed, or that portion of the cost of rehabilitation which the agency determines cannot otherwise be paid by the person or family without spending an unreasonable portion of the income of the person or family thereon.

Subp. 2. **Amount of loan.** The amount of the rehabilitation loan shall not exceed the lesser of the amount allowed under statute, the actual cost of the work performed, or that portion of the cost of rehabilitation that the agency determines cannot otherwise be paid by the person or family without spending an unreasonable portion of the income of the person or family thereon.

Subp. 3. [Repealed, 13 SR 2153]

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *9 SR 2174; 13 SR 2153; 22 SR 1547; 24 SR 1332*

**Published Electronically:** *June 11, 2008*

#### **4900.0650 RESPONSIBILITIES OF ADMINISTERING ENTITY.**

The administering entity shall have the following responsibilities.

The administering entity shall have full responsibility for program implementation including public information, reviewing and screening applicants, choosing recipients, and certifying that the rehabilitation work is satisfactorily completed.

The administering entity shall make on-site inspections of the properties to be improved before such application is approved and after work has been completed.

The administering entity shall not charge an applicant or recipient any application, processing, or other fee.

The administering entity is responsible for all administrative costs, including, but not limited to, salaries and office rental, automobile and telephone expenses, and the costs of counseling or technical assistance. The agency may allocate part of its total funding to defray a portion of the administrative allowance.

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *24 SR 1332*

**Published Electronically:** *June 11, 2008*

**4900.0660 ELIGIBLE PROPERTIES.**

Grant and loan funds shall be used only to improve properties which meet the following criteria:

A. The property shall be located within the state of Minnesota, be used primarily for residential purposes, and contain no more than two dwelling units, one of them owner-occupied.

B. The property to be improved shall conform to applicable zoning ordinances and possess all appropriate use permits.

C. The improvements shall be made upon or in connection with existing structures, including mobile homes. Trailers shall not be eligible.

D. No property shall be eligible for a home improvement grant or deferred loan if it has been improved by such a grant or loan within the five-year period immediately preceding the date on which application for such grant or loan is made. No property is eligible for a revolving loan if it has been improved by a revolving loan within the two-year period immediately preceding the date on which application for the loan is made. These limitations do not apply in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant or to failure of plumbing, heating, or electrical systems, or defects in the roof or foundation systems, as determined by the agency in its sole discretion.

E. The property to be improved with grant or loan funds shall be reasonably efficient with respect to energy consumption. Where the property is not reasonably efficient with respect to energy consumption, rehabilitation funds shall be used to the extent necessary to increase such efficiency. Energy-saving features shall include, but not be limited to, installation or upgrading of ceiling, wall, floor, and duct insulation, storm windows and doors, and caulking and weather stripping. Energy-saving features shall be consistent with the energy standards promulgated as part of the State Building Code but such improvements need not bring the housing into full compliance with such energy standards.

**Statutory Authority:** *MS s 462A.06*

**History:** *13 SR 2153*

**Published Electronically:** *June 11, 2008*

**4900.0670 ELIGIBLE IMPROVEMENTS.**

Subpart 1. **Requirements.** Improvements made with home improvement grant or loan funds shall satisfy the following requirements.

Subp. 2. **Permanent general improvement.** Each improvement shall be a permanent general improvement. Permanent general improvements shall include additions, alterations, renovations, or repairs upon or in connection with existing structures, which correct defects or deficiencies in the property affecting directly the safety, habitability, or energy usage of the property. Permanent general improvements shall be economically viable in terms of a determination that the structure will have a reasonable life expectancy after the improvement is made, and the structure will be reasonably livable, safe, and habitable after the improvement is made.

Permanent general improvements shall not include materials, fixtures, or landscaping of a type or quality exceeding that customarily used in the locality for decent, safe, and sanitary properties of the same general type as the property to be improved.

Subp. 3. **Compliance with housing codes and standards.** Each improvement shall be made in compliance with all applicable health, fire prevention, building, and housing codes and standards; provided, however, that no application for a home improvement grant or loan shall be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

Subp. 4. **Funds not to be used to pay assessments.** Funds provided under parts 4900.0610 to 4900.0700 shall not be used for the payment, wholly or in part, of assessments for public improvements; provided, however, that such funds may be used for that portion of improvements located on the property which will bring an individual water supply system or a sewage disposal system (including septic systems) into compliance with local, state, or federal environmental and sanitary standards.

Subp. 5. **Warranty of construction and materials.** All contracts covering all or any portion of an improvement shall contain an agency-approved warranty of construction and materials.

Subp. 6. **Funds not to be used to refinance or pay off existing indebtedness.** No grant or loan funds shall be used for the purpose of refinancing or paying off existing indebtedness. All such funds shall be used to finance improvements begun after application for such funds has been approved.

Subp. 7. **Mobile homes.** For mobile homes taxed as personal property or not permanently affixed to real property eligible improvements shall be limited to the following:

- A. improvements which bring the property into compliance with current standards for energy efficiency, fire safety, and anchoring systems;
- B. improvements to remedy imminent safety hazards, or accessibility modifications; and
- C. other permanent general improvements, if after completion of all improvements the mobile home will comply with the standards referred to in item A.

Subp. 8. **Improvements for accessibility to a dwelling for persons with disabilities.** Improvements which affect the accessibility of a dwelling for a person with a disability are eligible improvements provided that they are performed in compliance with the following conditions:

- A. the improvement must be an accessibility improvement as defined in part 4900.0710, subpart 1;
- B. the beneficiary of the improvements must occupy or intend to occupy the dwelling unit to be improved as his or her principal residence; and
- C. architectural or engineering costs incurred in the design of accessibility improvements may be funded as eligible improvements.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 1279; L 2005 c 56 s 2*

**Published Electronically:** *June 11, 2008*

#### **4900.0680 REPAYMENT.**

Subpart 1. **Grant.** The recipient of a grant and all individuals who signed the application for such grant shall enter into an agreement with the agency for repayment, which shall provide that in the event the property upon which the improvement is located is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within six years from the date upon which the grant application was approved, then the recipient shall repay, and the agency shall have a lien as security for repayment of, all or a portion of such grant funds in accordance with the following schedule:

Period of Time Within Which Sale, Transfer, Conveyance, or Cessation of Residency Occurs	Percent Repayment
Prior to end of 36th full month	100%
After end of 36th full month until end of 48th full month	75%
After end of 48th full month until end of 60th full month	50%
After end of 60th full month until end of 72nd full month	25%
After end of 72nd full month	No Repayment

If any grant funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the grant.

Subp. 2. **Deferred payment loan.** The recipient of a deferred payment loan and all individuals who signed the application for such loan shall enter into an agreement with the agency for repayment, which shall provide that in the event the property upon which the improvement is located is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence within ten years from the date upon which the grant application was approved, then the recipient shall repay and the agency shall have a lien as security for repayment of all of such loan. If any loan funds are used for purposes other than an eligible improvement upon eligible property or if the recipient's application is found to contain a material misstatement of fact the recipient shall be liable for repayment of the loan.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.0690 HOME OWNER LABOR AGREEMENT.**

An eligible recipient may agree with an administering entity to do some or all of the improvement work without compensation from the proceeds of the grant or loan, if the administering entity is satisfied as to the recipient's skill and ability to perform the work by the scheduled completion date(s). In such circumstances sufficient grant or loan funds to cover the costs of the labor, in the event that paid contractors must be used to complete such improvements, may be withheld. Upon successful completion of the improvement work so funded, the administering entity may make available to the recipient all or part of the withheld funds for further eligible improvements if it is satisfied on the basis of its prior experience with the recipient that there is no need to withhold funds to ensure completion of the new improvement work.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.0700 EMERGENCY HOME IMPROVEMENT FUND.**

The agency may establish a separate fund known as the emergency home improvement fund. The agency may make emergency home improvement grants and loans in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the applicant, failure of plumbing, heating, or electrical systems, or defects in the roof or foundation systems.

Before an application to the emergency home improvement fund is accepted, the administering entity in the region in which the dwelling is located must establish that it has no funds available from its regular grant and loan funds to cover the cost of repairs. Grants and loans from the emergency home improvement fund shall be made to eligible applicants pursuant to the procedures set forth in parts 4900.0610 to 4900.0700, provided, however, that the emergency home improvement fund shall not be subject to the allocation requirements of part 4900.0620, subpart 2.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.0710** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.0720** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.0730** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.0740** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**ACCESSIBILITY DEFERRED LOAN PROGRAM****4900.0750 DEFINITIONS.**

Subpart 1. **Applicability.** For the purposes of parts 4900.0750 to 4900.0780, and except as otherwise provided, the terms defined in this part have the meanings given them.

Subp. 2. **Accessibility improvement.** "Accessibility improvement" means an interior or exterior improvement or modification to a residential dwelling located in Minnesota that is necessary to enable a person with a disability to function in a residential setting.

Subp. 3. **Deferred loan.** "Deferred loan" means a loan made without interest or periodic payments and repaid in accordance with part 4900.0780.

Subp. 4. **Person with a disability.** With respect to rehabilitation grants and loans pursuant to parts 4900.0610 to 4900.0700 and accessibility deferred loans pursuant to parts 4900.0750 to 4900.0780, "person with a disability" means a person who has a permanent physical condition that is not correctable and which substantially reduces the person's ability to function in a residential setting. A person with a physical condition who does not require the use of a device to increase mobility shall be considered to be a person with a disability if a licensed physician certifies in writing that the physical condition substantially limits the person's ability to function in a residential setting.

**Statutory Authority:** *MS s 462A.06*

**History:** *10 SR 1557; L 2005 c 56 s 2*

**Published Electronically:** *August 7, 2013*

**4900.0760 ELIGIBILITY.**

Subpart 1. **General conditions.** The agency may make funds available for the purpose of making accessibility improvements, for technical assistance in the design and construction of such accessibility improvements, and for repairs relating to the installation of the accessibility improvements, under the conditions in subparts 2 to 4.

Subp. 2. **Purpose of loan.** The loan recipient shall (1) be a person with a disability, or have or intend to have in residence in the property to be improved at least one household member who is a person with a disability, (2) occupy or intend to occupy the dwelling unit to be improved as his or her primary residence, and (3) qualify as a person or family of low or moderate income as defined in part 4900.0010, subpart 23, item D, subitem (2).

Subp. 3. **Ownership.** The loan recipient shall comply with the ownership requirements of part 4900.0630, subpart 2.

Subp. 4. **Structure.** The structure to be improved shall be an existing dwelling located within the state of Minnesota, shall be used primarily for residential purposes, and shall contain no more than two dwelling units, one of them occupied by the recipient.

**Statutory Authority:** *MS s 462A.06*

**History:** 10 SR 1557; 12 SR 411; 18 SR 720; L 2005 c 56 s 2

**Published Electronically:** June 11, 2008

#### **4900.0770 DISTRIBUTION OF ACCESSIBILITY DEFERRED LOANS.**

Subpart 1. **Availability.** Accessibility funds shall be provided in the form of deferred loans. A household will be eligible for a loan representing the total of approved expenses, or the maximum assistance available, whichever is less.

Subp. 2. **Combined with other aid.** When an accessibility deferred loan is combined with assistance from other agency loan or grant programs, the requirements of those programs shall be met.

Subp. 3. **Limit on aid.** In no case shall the accessibility deferred loan for accessibility improvements, technical assistance, and related repairs inclusively exceed the lesser of the amount allowed under statute, the actual cost of work performed, or that portion of the cost of rehabilitation that the agency determines cannot otherwise be paid by the person or family without spending an unreasonable portion of the income of the person or family thereon.

Subp. 4. **Ten-year limitation.** No property shall be eligible for an accessibility deferred loan if it has been improved through such assistance within the ten-year period next preceding the date on which the application for such assistance is made, except in extraordinary circumstances relating to damage to the property as a result of events beyond the control of the recipient, or a significant change in the disabled person's physical condition which requires additional accessibility improvements to enable the person with a disability to function in the property.

**Statutory Authority:** MS s 14.05; 462A.06

**History:** 10 SR 1557; 12 SR 411; 16 SR 542; 24 SR 1332; L 2005 c 56 s 2

**Published Electronically:** June 11, 2008

#### **4900.0780 REPAYMENT.**

The recipient of a deferred loan shall enter into an agreement with the agency for repayment of the loan. The recipient shall repay the entire amount of the deferred loan only in the event the property upon which the improvement is located is sold, transferred, or otherwise conveyed, or ceases to be the recipient's principal place of residence, within ten years after the date upon which the application for an accessibility deferred loan was approved. The agreement for the repayment of the loan shall be secured by a lien for the benefit of the agency on the property improved.

Subp. 2. [Repealed, 12 SR 411]

**Statutory Authority:** MS s 14.05; 462A.06

**History:** 10 SR 1557; 12 SR 411; 24 SR 1332

**Published Electronically:** June 11, 2008

**AMERICAN INDIAN HOUSING****4900.0900 SCOPE.**

Parts 4900.0900 to 4900.1080, together with the loan agreement and amendments thereto, hereinafter called the "agreement":

A. govern the housing programs for American Indians of low and moderate income as authorized by Minnesota Statutes, section 462A.07, subdivision 14, hereinafter referred to as the "act";

B. authorize a housing program for Indian families living both on and off reservations within the state of Minnesota; and

C. direct the Minnesota Housing Finance Agency to create such a program to be administered by:

(1) the Minnesota Chippewa Tribe, which for purposes of parts 4900.0900 to 4900.1080 includes any corporation established by the Minnesota Chippewa Tribe to carry out the housing program provided for herein and by the act, hereinafter collectively the "tribe";

(2) the Red Lake Band of Chippewa Indians, which for purposes of parts 4900.0900 to 4900.1080 shall include any corporation established by the Red Lake Band of Chippewa Indians to carry out the housing program provided for herein and by the act, hereinafter collectively the "band"; and

(3) the Sioux Communities, which for purposes of parts 4900.0900 to 4900.1080 shall include any corporation established by the Sioux communities to carry out the housing program provided for herein and by the act, hereinafter collectively the "communities."

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 2715*

**Published Electronically:** *June 11, 2008*

**4900.0910 DEVELOPMENT OF PLAN.**

In developing each such housing program, the tribe, band, and communities shall take into account the housing needs of all American Indians residing both on and off reservations within the state. A plan, hereinafter the "plan," for each such program, which is in accordance with parts 4900.0900 to 4900.1080 and which specifically describes the program content, utilization of funds, administration, and operation and implementation, shall be submitted to the Minnesota Housing Finance Agency, hereinafter "MHFA," for its review and approval prior to the making of eligible loans.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**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 United States Code, title 25, section 450b, or an American Indian family as hereinafter defined, and of low and moderate income as defined by part 4900.0010, subpart 23, item A, subitem (1). However, developers of multifamily 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 adult who is an American Indian as defined by United States Code, title 25, section 450b.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2354; 17 SR 2715*

**Published Electronically:** *June 11, 2008*

**4900.0930 ADJUSTED INCOME.**

Adjusted income shall be computed in accordance with part 4900.0010, subparts 3 and 12. To calculate adjusted income for purposes of parts 4900.0900 to 4900.1080, for all lending programs other than the off reservation demonstration program referred to in Laws of Minnesota 1987, chapter 404, section 28, subdivision 1, and those permanent program components that may evolve from the demonstration program, the applicant's gross annual income for the two years immediately prior to the date of application for the loan, adjusted in accordance with part 4900.0010, subparts 3 and 12, shall be added to the applicant's projected gross annual income for the year next following the date of application, also adjusted in accordance with part 4900.0010, subparts 3 and 12, and the total thus obtained shall be divided by three.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 1564*

**Published Electronically:** *June 11, 2008*

**4900.0940 REFINANCING EXISTING LOANS.**

No loan shall be approved or disbursed for the purpose of refinancing an existing loan. The plan may set funding priorities for the types of housing loans to be made based upon housing need considerations.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.0950 LIMIT ON SALE PRICE OR APPRAISAL VALUE.**

Each plan submitted to MHFA for approval shall provide for a maximum limitation on the sale price or appraised value, whichever is greater, of a structure or structures designed primarily for residential use by not more than four families, or a dwelling in a planned unit development or a condominium. No loan for rehabilitation of any property shall be made in an amount which, when added to all other existing indebtedness secured by the property, would exceed its market value as determined by a qualified appraiser.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.0960 DURATION OF LOAN.**

No loan shall be made for a term in excess of 30 years on a structure or structures designed for occupancy by not more than four families, or a dwelling unit in a planned unit development or a condominium. The maximum term of a rehabilitation loan for an existing structure or structures designed for occupancy by not more than four families or a dwelling unit in a planned unit development or a condominium shall not exceed 15 years. For all other residential structures, the maximum term of any loan including a rehabilitation loan, granted pursuant to the act, plan, and this chapter shall not exceed 40 years.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.0970 SECURITY FOR LOANS.**

Each plan submitted to MHFA for approval shall specify the means by which loans made pursuant to the plan and parts 4900.0900 to 4900.1080 are to be secured.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.0980 RATE OF INTEREST.**

The rate of interest charged by the tribe, band, or communities on housing loans made pursuant to the act, the plan, and parts 4900.0900 to 4900.1080, shall be negotiated between the tribe, band, or communities, and the MHFA. The prime consideration in establishing rates of interest for eligible loans shall be to make the plan self-supporting by generating sufficient interest income to offset the expenses incurred in the development and operation of the plan, with the exception of the first year's expenses which shall be funded from the appropriation provided in the act upon MHFA's approval of a detailed budget for that first year.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 1564*

**Published Electronically:** *June 11, 2008*

**4900.0990 REMUNERATING MHFA.**

The agreement shall provide the circumstances under which MHFA shall provide assistance to the tribe, band, or communities and the amount of remuneration to be received by MHFA from the tribe, band, and communities for its assistance and monitoring.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.1000 REVOLVING HOUSING FUND.**

The tribe, band, and communities shall repay to MHFA, without interest, all funds advanced to it pursuant to the agreement to the extent and in the manner provided in the agreement.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.1010 CREDIT RATING.**

Each plan submitted to MHFA for approval shall contain adequate means for determining that the eligible borrower is an acceptable credit risk.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.1020 AUDIT BY LEGISLATIVE AUDITOR.**

All of the official books and records of the tribe, band, and communities relating to the housing program shall be subject to audit by the legislative auditor in the manner prescribed for agencies of state government as required by the act.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.1030 FINAL DECISION ON LOANS.**

Each final decision on applications for loans to eligible borrowers made by the tribe, band, or communities from the moneys appropriated by the act, or from the revolving loan fund under the jurisdiction of the tribe, band, or communities, shall be made by a representative body of the tribe, band, or communities.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 2715*

**Published Electronically:** *June 11, 2008*

**4900.1040 DUTIES OF ORIGINATOR.**

The tribe, band, and communities shall each provide information on their respective plans to eligible borrowers, receive and process loan applications, provide MHFA with a summary of the applications to be funded on a form provided by MHFA, and establish lending procedures which comply, to the extent applicable, to the Real Estate Settlement Procedures Act, truth-in-lending legislation, and applicable usury and other lending laws. The tribe, band, and communities shall service or cause to be serviced all loans made to them to eligible borrowers. The provisions regarding servicing shall be detailed in the respective plans and shall outline all servicing responsibilities including, but not limited to, composition and retention of loan files, escrow accounts, reporting systems, handling of delinquencies, and default and foreclosure policies and procedures. To the extent that the tribe, band, or communities enter into housing programs with the Department of Housing and Urban Development, hereinafter "HUD," the tribe, band, or communities shall be relieved of the applicable obligations imposed by this part if such obligations are assumed by HUD or otherwise discharged in a manner acceptable to MHFA.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.1050 BUILDING CODE.**

All authorized construction funded by an eligible loan and accomplished pursuant to an approved plan shall conform to the Uniform Building Code of the state of Minnesota and all applicable federal regulations, rules, or codes. Each plan submitted to MHFA for approval shall contain a means of inspection to insure that any such authorized construction conforms to the applicable building code.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.1060 ON AND OFF RESERVATION.**

Each plan shall provide for a reasonable balance in the distribution of funds between American Indians residing on and off reservations within the state, as shown by evidence contained in the plan concerning on- and off-reservation population, percentage of low- and moderate-income American Indians, delivery capabilities, and similar circumstances. The plan may provide that at the option of the tribe, band, or communities, the origination and servicing of loans to eligible recipients residing off the reservation may, by separate agreement, be performed by a party or parties selected by the tribe, band, or communities.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *October 2, 2013*

**4900.1070 FEES AND CHARGES.**

The fees and charges to be paid by an eligible borrower in connection with the making of an eligible loan shall be determined by the tribe, band, or communities and specified in the plan; provided, that if MHFA or its agent originate and service or cause to be serviced eligible loans for

qualified borrowers residing off reservations pursuant to part 4900.1060, MHFA shall determine as to those loans, the reasonable fees and charges to be paid to MHFA and/or its agent, in an amount not to exceed the amount authorized by law.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

#### **4900.1080 RIGHTS OF MHFA.**

MHFA shall have the right to inspect, copy, or abstract, at reasonable times and upon ten days notice, all books, records, papers, or any other documents relating to the plan, or loans made pursuant thereto, or any funds held in a revolving loan fund under the jurisdiction of the tribe, band, or communities for the purpose of making eligible loans.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

**4900.1110** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.1120** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.1130** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.1140** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.1150** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.1160** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.1170** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.1180** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

### **INNOVATIVE HOUSING LOAN PROGRAM**

#### **4900.1200 APPLICATIONS FOR INNOVATIVE HOUSING LOANS.**

To be eligible to be selected for an innovative housing loan, to be made from the fund established pursuant to Minnesota Statutes, sections 462A.05, subdivision 18, and 462A.21, subdivision 9, each applicant must satisfy the following requirements:

- A. The applicant must be a nonprofit or for-profit entity.
- B. The project must be located in Minnesota.
- C. Satisfactory evidence must be presented of the applicant's ability to organize and to complete the project for which the innovative housing loan is requested.
- D. The project may be a limited-unit development or a multiunit development, but must be designed for, and intended for occupancy primarily by, persons and families of low or moderate income.
- E. Satisfactory evidence must be presented that a loan is not otherwise available from private lenders upon reasonable terms and conditions.
- F. Satisfactory evidence must be presented that the applicant has or will have the ability to repay the innovative housing loan and to obtain other financing, if needed, at the expiration of the term of the loan.
- G. The project must be innovative; that is, it must involve the use of equipment or materials or of a method of design, construction, marketing, or financing which is not generally in use in the housing industry or of which the public is not generally aware.

**Statutory Authority:** *MS s 462A.06*

**History:** *8 SR 1402; 10 SR 354*

**Published Electronically:** *October 2, 2013*

#### **4900.1210 SELECTION CRITERIA FOR INNOVATIVE HOUSING LOANS.**

In determining whether or not to accept applications from nonprofit or for-profit entities for innovative housing loans, the members shall examine the following facts and make their determinations thereon:

- A. the extent to which the project will conserve energy, result in a more efficient use of energy, or employ a source of energy not generally utilized by the housing industry;
- B. the extent to which the innovation is likely to be capable of widespread, practical, and economic use;
- C. the geographic location of the proposed project within the state of Minnesota, taking into account other projects theretofore approved for innovative housing loans;
- D. the period of time required to complete the project;
- E. the extent to which the project duplicates, or is in conflict with, other innovations in housing design, methods, or materials;
- F. the extent to which the innovation will be capable of being monitored to demonstrate its efficiency, economy, acceptability, effectiveness, and durability;
- G. the extent to which the innovation will be capable of and available for demonstration;

H. the amount and term of the requested innovative housing loan, as compared to the total resources of the agency available for such loans; and

I. whether the applicable regional development commission has determined that the project is consistent with regional plans and policies.

**Statutory Authority:** *MS s 462A.06*

**History:** *10 SR 354*

**Published Electronically:** *June 11, 2008*

## COOPERATIVE OR RENTAL MULTIFAMILY HOUSING INNOVATIVE LOANS

### 4900.1220 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of parts 4900.1220 to 4900.1260, the following terms have the meanings given them.

Subp. 2. **Applicant.** "Applicant" means one or more persons or entities that apply for a cooperative or rental multifamily housing innovative loan.

Subp. 3. **Borrower.** "Borrower" means an applicant that is granted a cooperative or rental multifamily housing innovative loan, and that is the maker of a note in evidence of such loan.

Subp. 4. **Cooperative or rental multifamily housing innovative loan.** "Cooperative or rental multifamily housing innovative loan" means a loan to be made to a borrower under Minnesota Statutes, section 462A.05, subdivision 18a, and the proceeds of which must come from the money in the fund established by Minnesota Statutes, section 462A.21, subdivision 9a.

Subp. 5. **Democratic resident association.** "Democratic resident association" means an association, incorporated or unincorporated, whose membership is limited to and open to residents of a project, and where each member of the association has an equal vote in the affairs of the association.

Subp. 6. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" means those persons and families whose adjusted income does not exceed the greater of \$16,000 or 550 percent of the gross rental or annual carrying charge for the dwelling unit which they are to occupy; provided, however, that the gross rentals or annual carrying charge for at least 75 percent of the dwelling units in the project do not exceed 120 percent of the fair market rents for the geographical area in which the project is located, as determined and adjusted from time to time by the United States Department of Housing and Urban Development; provided further, that higher gross rentals or annual carrying charges may be allowed for a dwelling unit in a project if the members determine that higher gross rents and annual carrying charges are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or similar factors relating to income available for housing or housing costs.

Subp. 7. **Project.** "Project" means a multifamily housing development for which a cooperative or rental multifamily housing innovative loan is requested.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 296*

**Published Electronically:** *June 11, 2008*

#### **4900.1230 ELIGIBILITY REQUIREMENTS.**

Subpart 1. **For applicants.** To be eligible for selection for a cooperative or rental multifamily housing innovative loan, an applicant shall satisfy the following requirements:

A. The applicant shall be either a cooperative housing corporation or a limited dividend entity.

B. The applicant shall demonstrate the ability to organize and complete the project.

C. The applicant shall demonstrate that it has, or will have, the ability to repay the cooperative or rental multifamily housing innovative loan, and to obtain other financing, if needed, at the expiration of the loan.

D. The applicant shall have developed a training and education program for the residents of the project, and shall include a copy of the program with its application for a loan. The training and education program must include, at a minimum:

(1) details of how the resident association will be organized and operated;

(2) what the legal rights of the residents and the association are, and how the residents will be advised of these rights;

(3) what the financial interests and obligations of the individual residents and the association are, and how the residents will be advised of such obligations; and

(4) how the project will be managed and maintained.

Subp. 2. **For projects.** To be eligible for selection for a cooperative or rental multifamily housing innovative loan, a project must satisfy the following requirements:

A. The project must be located in Minnesota.

B. The project must be in the form of a cooperative or rental multifamily housing development, which is either owned and operated on a nonprofit cooperative basis by the residents or owned by a limited dividend entity and operated by a residents' association.

C. The operation and management of the project must be substantially under the control of a democratic residents' association, which shall include the filling of housing unit vacancies.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 296*

**Published Electronically:** *June 11, 2008*

**4900.1240 OTHER REQUIREMENTS.**

Subpart 1. **Unavailability of financing.** At the time of application for a cooperative or rental multifamily housing innovative loan, conventional financing for the purpose for which the loan is requested must not be available from private lenders upon equivalent terms and conditions.

Subp. 2. **Occupancy.** Initial occupancy in a project that receives a cooperative or rental multifamily housing innovative loan is limited to persons and families of low and moderate income as follows; provided, however, that to the extent necessary to avoid economic loss resulting from an inability to achieve full occupancy, and in order to encourage economic integration, with the prior written approval of the commissioner, up to 25 percent of the units in a project may be occupied by persons and families who are not persons and families of low and moderate income.

Preference for occupancy in a project that receives a cooperative or multifamily housing innovative loan may not be given to persons and families by virtue of their prior residence in the community in which the project is located; except that, with the prior written approval of the commissioner, preference may be given to persons and families displaced by public action or natural disaster or for previous residents of the project.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 296; L 1987 c 186 s 15*

**Published Electronically:** *June 11, 2008*

**4900.1250 SELECTION CRITERIA FOR COOPERATIVE OR RENTAL MULTIFAMILY HOUSING INNOVATIVE LOANS.**

In determining whether or not to approve applications for cooperative or rental multifamily housing innovative loans, the agency shall examine the following facts:

A. the extent to which the project will provide housing to persons and families whose income is 50 percent or less of the statewide median family income, as estimated by the United States Department of Housing and Urban Development;

B. the extent to which the project will provide long-term affordability to persons and families of low and moderate income;

C. the extent to which the resident association has control over the operation and management of the housing and over the filling of housing vacancies;

D. the geographic location of the proposed project within Minnesota, taking into account other projects theretofore approved for cooperative or rental multifamily housing innovative loans;

E. the period of time required to complete the project;

F. the amount and term of the requested cooperative or rental multifamily housing innovative loan, as compared to the total resources of the agency available for these loans; and

G. whether the applicable regional development commission has determined that the project is consistent with regional plans and policies.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 296*

**Published Electronically:** *June 11, 2008*

#### **4900.1260 PROJECT FEASIBILITY LOANS.**

The agency may consider applications for a cooperative or rental multifamily housing innovative loan, the funds from which are to be used to determine the feasibility of a project. These applications need not comply with the requirements in part 4900.1230, subpart 1, item C.

**Statutory Authority:** *MS s 462A.06*

**History:** *9 SR 296*

**Published Electronically:** *June 11, 2008*

### **HOMEOWNERSHIP ASSISTANCE FUND**

#### **4900.1300 SCOPE.**

Parts 4900.1300 to 4900.1390 govern the homeownership assistance fund.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2632*

**Published Electronically:** *June 11, 2008*

#### **4900.1310** [Repealed, 14 SR 2632]

**Published Electronically:** *June 11, 2008*

#### **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. 2a. **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 established by an eligible organization and accepted by the 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. [Repealed, 20 SR 2252(NO. 42)]

Subp. 8. **Purchase price.** "Purchase price" means the 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 homeownership assistance fund loans as described in part 4900.1375, subparts 2 to 8.

Subp. 10. [Repealed, 20 SR 2252(NO. 42)]

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *14 SR 2632; 20 SR 2252(NO. 42); 24 SR 1332*

**Published Electronically:** *June 11, 2008*

**4900.1320** [Repealed, 14 SR 2632]

**Published Electronically:** *June 11, 2008*

**4900.1330** [Repealed, 14 SR 2632]

**Published Electronically:** *June 11, 2008*

#### **4900.1331 HOMEOWNERSHIP ASSISTANCE FUND.**

Subpart 1. **Purpose of program.** The homeownership 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, may provide administrative fees to entities assisting at-risk home buyers in achieving homeownership through the homeownership assistance fund, and may provide additional security for bonds issued by the agency.

Subp. 2. **Use of fund; general.** Homeownership assistance fund money may only be used in conjunction with first mortgage loans made or purchased by the agency, except for special initiatives designed to encourage the development or redevelopment of neighborhoods or communities in cooperation with money from community sources. 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.** The agency must provide for a reasonable likelihood of recapturing the homeownership assistance money for later use except fees as provided for under part 4900.1375,

subpart 11. Homeownership 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 provision.

Subp. 4. **Default.** A homeownership assistance fund loan under part 4900.1375, subparts 2 to 11, 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 homeownership 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 homeownership 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.

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *14 SR 2632; 20 SR 2252(NO. 42); 24 SR 1332*

**Published Electronically:** *June 11, 2008*

**4900.1340** [Repealed, 14 SR 2632]

**Published Electronically:** *June 11, 2008*

#### **4900.1345 RECIPIENTS HOMEOWNERSHIP ASSISTANCE FUND.**

Subpart 1. [Repealed, 20 SR 2252(NO. 42)]

Subp. 2. **Income limits.** The total unadjusted household income of recipients of homeownership assistance fund money must not exceed 115 percent of state or area median income as determined from time to time by the United States Department of Housing and Urban Development.

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *14 SR 2632; 20 SR 2252(NO. 42); 24 SR 1332*

**Published Electronically:** *June 11, 2008*

**4900.1350** [Repealed, 14 SR 2632]

**Published Electronically:** *June 11, 2008*

#### **4900.1359 ELIGIBLE PROPERTY.**

To qualify as an eligible property, the property being purchased with the assistance of a homeownership 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.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2632*

**Published Electronically:** *June 11, 2008*

**4900.1360** [Repealed, 14 SR 2632]

**Published Electronically:** *June 11, 2008*

**4900.1361** [Repealed, 14 SR 2632]

**Published Electronically:** *June 11, 2008*

**4900.1362** [Repealed, 14 SR 2632]

**Published Electronically:** *June 11, 2008*

#### **4900.1375 USE OF HOMEOWNERSHIP ASSISTANCE FUND.**

Subpart 1. **Scope.** The homeownership 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 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) \$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. **Buy-down 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 buy-down 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.

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 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.

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 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.

Subp. 11. **Administrative fees.** The agency may provide administrative fees to entities assisting homebuyers as part of a larger program to help at-risk homebuyers achieve homeownership in conjunction with other types of homeownership assistance fund assistance, as listed in this part. The fee must not exceed \$50,000 per year per administrative entity.

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** 14 SR 2632; 20 SR 2252(NO. 42); 24 SR 1332

**Published Electronically:** June 11, 2008

#### **4900.1390 LIMITS ON HOMEOWNERSHIP ASSISTANCE.**

The agency may further limit the amount of homeownership 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 homeownership 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 homeownership assistance fund, the resources available under the homeownership assistance fund, and general housing and construction costs in the state.

**Statutory Authority:** *MS s 462A.06*

**History:** 14 SR 2632

**Published Electronically:** June 11, 2008

### **WARRANTY CLAIM PROGRAM**

#### **4900.1400 DEFECTS COVERED BY WARRANTY CLAIM PROGRAM.**

The agency may make payments to correct defects in construction or rehabilitation of residential housing financed by agency mortgage loans for limited-unit developments or home improvement loans, if the defects:

A. result in actual damage to load-bearing portions of the dwelling including damage due to subsidence, expansion, or lateral movement of the soil, to the extent that their load-bearing function is affected and the use of the dwelling for residential purposes is vitally affected or is imminently likely to be vitally affected; or

B. create an emergency condition under which the safety or the residential use and livability of the dwelling is so substantially impaired or is imminently likely to be so substantially impaired that an average reasonable person would not, economic considerations aside, remain in the dwelling; or

C. create an imminent hazard for a person with a disability.

**Statutory Authority:** *MS s 462A.06*

**History:** *L 2005 c 56 s 2*

**Published Electronically:** June 11, 2008

#### **4900.1410 ELIGIBLE RECIPIENTS FOR WARRANTY CLAIM PAYMENTS.**

Subpart 1. **Requirements.** To qualify for a payment the applicant must satisfy the following requirements.

Subp. 2. **Person or family of low or moderate income.** The applicant must be a person or family of low or moderate income as defined in part 4900.0010, subpart 23, item A at the time of the application for the payment.

Subp. 3. **Loan.** The applicant must either: have received an agency mortgage loan for a limited-unit development or an agency home improvement loan for the construction or rehabilitation of the dwelling containing the defect; or have purchased, from a recipient of an agency mortgage loan for a limited-unit development or an agency home improvement loan, a residential dwelling constructed or rehabilitated through the proceeds of such a loan.

Subp. 4. **Interest in the property.** The applicant must be an individual fee owner or, in the case of an agency home improvement loan, possess, individually or in the aggregate, at least a one-third interest in a fee, a contract for deed, or a life estate in the dwelling containing the defect, and must occupy the dwelling as the applicant's principal place of residence.

Subp. 5. **Maintaining of warranties.** The applicant must have taken all steps necessary to maintain the agency-approved warranties and all other applicable warranties in full force and effect.

Subp. 6. **Right of subrogation.** The applicant must agree to cooperate with the agency in any action to recover from the person responsible for the defect, execute all documents necessary to secure the agency's right of subrogation to the applicant's claim, and assist the agency in the prosecution of any legal action for breach of warranty that the agency may deem appropriate.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

#### **4900.1420 ELIGIBLE APPLICATIONS; REHABILITATION.**

An application for agency payment under parts 4900.1400 to 4900.1440 which is based upon rehabilitation financed by an agency home improvement loan must demonstrate that the defects:

A. if caused by faulty construction or defective materials due to noncompliance with building standards, arose within one year after completion of the rehabilitation work; or

B. if caused by faulty installation of plumbing, electrical, heating, or cooling systems, or if affecting the load-bearing portions of the dwelling, arose within two years after completion of the rehabilitation work.

In no event may an application be made to the agency more than two years after the issuance of the home improvement loan, or after any applicable statute of limitations has expired.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 1279*

**Published Electronically:** *June 11, 2008*

**4900.1430 ELIGIBLE APPLICATIONS; LIMITED-UNIT MORTGAGE LOANS.**

An application for agency payment under parts 4900.1400 to 4900.1440 which is based upon new construction financed by an agency mortgage loan for a limited-unit development must show that the defects:

A. if caused by faulty construction or defective materials due to noncompliance with building standards, arose within one year after the date of initial occupancy of the dwelling by the loan recipient;

B. if caused by faulty installation of plumbing, electrical, heating, or cooling systems, arose within two years after the date of initial occupancy of the dwelling by the loan recipient; or

C. if affecting the load-bearing portions of the dwelling, arose within four years after the date of initial occupancy of the dwelling.

In no event may an application be made to the agency more than four years after the issuance of the mortgage loan, or after any applicable statute of limitations has expired.

**Statutory Authority:** *MS s 462A.06*

**History:** *17 SR 1279*

**Published Electronically:** *June 11, 2008*

**4900.1440 EXCLUSIONS.**

Agency payments under parts 4900.1400 to 4900.1440 will not extend to the following:

A. loss caused by defects in design, installation, or materials which the loan recipient or subsequent purchaser supplied, installed, or had installed under his/her direction;

B. secondary loss including personal injury or property damage, other than damage to the dwelling itself, caused by the defect or omission; incidental loss such as the cost of alternate shelter during repair of the dwelling; and consequential loss such as the diminution in the value of the dwelling caused by the defect or omission;

C. loss from normal wear and tear;

D. loss from normal shrinkage caused by drying of the dwelling within tolerances of building standards;

E. loss from dampness and condensation due to insufficient ventilation after occupancy;

F. loss from negligence, improper maintenance, or alteration of the dwelling by parties other than the contractor;

G. loss from changes in grading of the ground around the dwelling by parties other than the contractor;

H. landscaping or insect loss;

I. loss from failure to maintain the dwelling in good repair;

J. loss which the loan recipient or purchaser has not taken timely action, whenever feasible, to minimize;

K. accidental loss usually described as acts of God, including, but not limited to: fire, explosion, smoke, water escape, windstorm, hail or lightning, falling trees, aircraft, vehicles, flood, and earthquake, except when the loss is caused by defects in construction or rehabilitation financed by agency loans;

L. loss from soil movement which is compensated by legislation or covered by insurance;  
or

M. loss due to soil conditions where construction is done upon land which is owned by the loan recipient or subsequent purchaser and which was obtained by him/her from a source independent of the contractor.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *June 11, 2008*

### URBAN INDIAN HOUSING LOAN PROGRAM

#### 4900.1500 SCOPE OF RULES.

The rules provided in parts 4900.1500 to 4900.1586 shall govern the implementation of the urban Indian housing loan program established in Minnesota Statutes, section 462A.07, subdivision 15.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 2215*

**Published Electronically:** *June 11, 2008*

#### 4900.1510 DEFINITION OF ADMINISTRATOR.

"Administrator" means a nonprofit entity or local community as defined by part 4900.0010 or Indian tribal organization eligible pursuant to parts 4900.0900 to 4900.1080 which carries out a loan program of housing for low- and moderate-income American Indians using urban Indian housing loan program funds.

**Statutory Authority:** *MS s 462A.06*

**Published Electronically:** *October 2, 2013*

#### 4900.1520 THE URBAN INDIAN HOUSING LOAN PROGRAM.

The urban Indian housing loan program provides loans for housing for American Indian persons and families residing in urban areas of the state. The program is implemented in whole or in part directly by the agency or through administrators selected by the agency. The eligible areas within the state of Minnesota are the metropolitan area as defined in Minnesota Statutes, section 473.121,

subdivision 2, and any city with a population greater than 50,000 persons. To the extent practicable, the agency shall allocate urban Indian loan program funds equitably among eligible areas, based upon American Indian population estimates. However, the agency may also set aside a portion of program funds for alternative program components as described in part 4900.1580 without regard to a prescribed allocation formula. The agency maintains the authority to reallocate funds at its discretion based on varying loan demand.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 2215; 14 SR 2354*

**Published Electronically:** *June 11, 2008*

**4900.1530** [Repealed, 13 SR 932]

**Published Electronically:** *June 11, 2008*

**4900.1531** [Repealed, 13 SR 932]

**Published Electronically:** *June 11, 2008*

**4900.1532** [Repealed, 13 SR 932]

**Published Electronically:** *June 11, 2008*

**4900.1533** [Repealed, 13 SR 932]

**Published Electronically:** *June 11, 2008*

#### **4900.1540 RECIPIENTS OF LOANS.**

Each program must provide for loans for the construction, purchase, or rehabilitation of residential housing. Except as otherwise provided herein and by part 4900.0340, each person or family initially occupying a dwelling unit financed pursuant to the act, program, and parts 4900.1500 to 4900.1586 shall be an American Indian as defined by United States Code, title 25, section 450b, or an American Indian family as defined by part 4900.0920, and of low and moderate income, as defined by part 4900.1574. Developers of multifamily housing developments need not be American Indians of low and moderate income. In obtaining assistance under this program, Indian persons and families shall not be discriminated against on the basis of tribal affiliation or tribal enrollment.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 2215; 17 SR 2105*

**Published Electronically:** *June 11, 2008*

**4900.1550** [Repealed, 13 SR 932]

**Published Electronically:** *June 11, 2008*

**4900.1560** [Repealed, 13 SR 932]

**Published Electronically:** *June 11, 2008*

**4900.1570** [Repealed, 13 SR 932]

**Published Electronically:** *June 11, 2008*

**4900.1572 HOMEOWNERSHIP MORTGAGE PARTICIPATION COMPONENT.**

The agency may arrange to leverage urban Indian housing loan program funds, interest free, with other funds from the agency or another private or public source in order to reduce the interest rate on individual mortgage loans to affordable levels. A maximum of 30 percent of the total financing provided for each individual mortgage may be provided from urban Indian housing loan program funds. The mortgage note or coupon rate is established for each individual mortgage loan in the following manner:

$Y_s$  = Interest rate for the independent funding source

$S$  = Funding source's percentage of total mortgage loan

$I$  = Urban Indian program's percentage of total mortgage loan

$S/F$  = Servicing fee

$(Y_s \times S) + (I \times S/F) = \text{note or coupon rate}$

Examples of sources of funds that may be leveraged with urban Indian program funds include, but are not limited to, proceeds from agency mortgage revenue bond sales, proceeds from municipal or county mortgage revenue bond sales, mortgage commitments from private mortgage lenders or secondary mortgage market organizations, or mortgage commitments from nonprofit, public, or governmental sources. In cases in which mortgage revenue bond proceeds are used, all requirements or restrictions imposed on the use by the bond issuer, except as may be specifically modified by the issuer to facilitate the purpose of the urban Indian housing program, must be in full force and effect and complied with. In cases in which sources of funds are provided from other than mortgage revenue bond proceeds, the following requirements or restrictions are also imposed unless specifically waived by the commissioner or agency.

A. Recipients may not have had an ownership interest in a principal residence for three years directly before the date of mortgage loan closing as provided in Internal Revenue Code, section 103A.

B. Recipients must intend to occupy the property as a principal residence within 60 days of loan closing.

C. Both recipients and properties to be mortgaged must meet mortgage industry underwriting standards pertaining to the type of mortgage being provided, for example, FHA, VA, or conventional mortgage.

The agency shall establish a maximum purchase price limitation for homes to be financed under this part that in no instance may exceed the amount provided under the agency's mortgage revenue bond programs.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 2215*

**Published Electronically:** *June 11, 2008*

**4900.1574 LOW AND MODERATE INCOME UNDER URBAN INDIAN HOUSING LOAN PROGRAM.**

For the purpose of the urban Indian housing loan program, "persons and families of low and moderate income" means recipients or beneficiaries of a mortgage loan whose income does not exceed 80 percent of the greater of the state or area median income as determined and adjusted from time to time by the United States Department of Housing and Urban Development.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 2215; 14 SR 2354*

**Published Electronically:** *June 11, 2008*

**4900.1576 HOMEOWNERSHIP ASSISTANCE FUND; URBAN INDIAN HOUSING LOAN PROGRAM.**

Under the homeownership mortgage participation component of the urban Indian housing loan program, recipients are eligible for homeownership assistance fund loans as described in parts 4900.1315 to 4900.1359, except as modified by parts 4900.1500 to 4900.1586. All loan recipients are eligible for downpayment assistance under part 4900.1300. Recipients are eligible for monthly assistance under part 4900.1331 only in the event that the first mortgage note or coupon rate exceeds an interest rate of eight percent per annum.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 2215; 18 SR 2277*

**Published Electronically:** *June 11, 2008*

**4900.1578 ADMINISTRATION OF HOMEOWNERSHIP MORTGAGE PARTICIPATION COMPONENT.**

The agency shall affirmatively attempt to market and distribute urban Indian program funds through the homeownership mortgage participation component. The agency may enter into contracts and agreements with mortgage lenders and other entities to facilitate distribution and marketing of the homeownership mortgage participation component of the urban Indian housing program, and may pay for the services with urban Indian housing loan program funds. The agency may also reimburse itself for expenses incurred in administration of the program.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 2215*

**Published Electronically:** *June 11, 2008*

**4900.1580 ALTERNATIVE PROGRAM COMPONENTS.**

The agency may consider alternative program components to provide unique housing opportunities under the program given the availability of additional resources with which to leverage urban Indian housing loan program funds. The agency may directly administer the components, or may select an alternate administrator. An alternate administrator must be a nonprofit entity or local

community as defined by part 4900.0010 or an Indian tribal organization eligible under parts 4900.0900 to 4900.1080. It is anticipated that the alternative program component will deal primarily with rental and rehabilitation of housing. An alternative program component may deal with a limited geographical area.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 2215; 14 SR 2354*

**Published Electronically:** *June 11, 2008*

#### **4900.1582 SUBMISSION OF ALTERNATIVE PROGRAM COMPONENTS.**

Subpart 1. **Submission by agency.** In the event that an alternative program component is developed by the agency, it shall prepare materials in accordance with subpart 2, item B, and submit the materials to the advisory council on urban Indians for review and written comment, and shall consider the conclusions of the advisory council before implementing the alternative program component.

Subp. 2. **Submission by alternate administrator.** In the event that an alternative program component is developed by an alternate administrator as described in part 4900.1580, a proposal must be submitted by the alternate administrator to the agency pertaining to the program. The agency may prescribe a specific form upon which the proposal must be submitted. At a minimum, each proposal for an alternative program component shall contain:

A. Evidence that the organization submitting the proposal is a nonprofit entity, local community, or Indian tribal organization and evidence that the organization has the capacity to successfully carry out the program.

B. A proposed program that describes, in adequate detail as determined by the agency:

- (1) the communities or portions of the communities to be served;
- (2) the housing needs of American Indians residing in the areas to be served and the manner in which the proposed program assists in meeting those needs;
- (3) a financial description of the program, including the dollar amount of program funds requested, types of loans to be made, the terms of the loans and the costs of program administration, and the manner in which these costs will be paid;
- (4) a description of the manner in which the program will be implemented and operated, including the duration of the program method of outreach and selection of loan recipients, and procedures for servicing loans over the life of the program; and
- (5) the source of any funds other than the urban Indian housing loan program to be included in the program of the applicant, and evidence that these funds will be available.

C. Any additional information that the agency in its reasonable discretion considers necessary after initial review of the proposal to evaluate the merits of the program. The agency may meet

with representatives of the organizations submitting proposals to review proposals and request additional information.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 2215*

**Published Electronically:** *June 11, 2008*

#### **4900.1584 SELECTION OF PROPOSAL; ALTERNATE ADMINISTRATOR.**

The agency may approve an alternative program component of an alternate administrator in whole or in part, and may approve a program for a limited geographic area. In determining whether or not to approve applications to administer programs under the urban Indian program, the members shall examine the following facts and make their determinations:

A. Any written comments received by the agency from the advisory council regarding the applications for the proposed programs. The agency shall consider the conclusions of the advisory council on urban Indians and the reasons given in support of the conclusions, including the council's evaluation of the applications under the criteria in items B and C.

B. The extent to which the program will assist in serving the housing needs of the urban Indian community. Factors to be considered include:

(1) the extent to which the program duplicates or is in conflict with other programs that provide housing for urban Indians and the extent to which the program will demonstrate the feasibility of alternative methods for providing housing for urban Indians;

(2) the geographic location of the proposed program and the percentage of the Minnesota urban Indian community residing in the geographic area or areas to be served, as determined by the agency according to population data;

(3) the method and cost of program administration, the time required to implement the program, and the capacity of the administrator to carry out the program; and

(4) the extent to which American Indians are involved in the administration of the program, and in the ownership, management, and labor force of any contractors and subcontractors intended to be employed in the program.

C. The extent to which the use of appropriated funds reduces housing costs to American Indian persons or families and the extent to which the program combines the proceeds of appropriated funds with proceeds of bonds of the agency, or of other issues of bonds, or otherwise uses available money to leverage the appropriated funds.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 2215*

**Published Electronically:** *June 11, 2008*

**4900.1586 ADVISORY COUNCIL ON URBAN INDIANS.**

The agency shall report to the advisory council on urban Indians on a periodic basis, but annually at a minimum, pertaining to the operation of the homeownership mortgage participation component of the urban Indian housing loan program. The agency shall consider the advice and concerns expressed by the advisory council in its operation of the program.

In the event that the agency develops or receives a proposal for an alternative program component, the agency shall provide a copy of the proposal to the advisory council on urban Indians. The advisory council on urban Indians shall review all proposals. Upon request of the advisory council, the organization submitting the proposal shall present the proposal before the advisory council.

**Statutory Authority:** *MS s 462A.06*

**History:** *12 SR 2215*

**Published Electronically:** *June 11, 2008*

**4900.1600** [Repealed, 24 SR 1332]

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**4900.1610** [Repealed, 24 SR 1332]

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**4900.1620** [Repealed, 24 SR 1332]

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**4900.1640** [Repealed, 24 SR 1332]

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**4900.1650** [Repealed, 24 SR 1332]

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**TEMPORARY HOUSING PROGRAM****4900.1700 SCOPE.**

Parts 4900.1700 to 4900.1703 govern temporary housing program grants for the construction, acquisition, or rehabilitation of residential housing for occupancy by persons of low and moderate income in immediate need of temporary housing.

**Statutory Authority:** *MS s 462A.06*

**History:** *10 SR 353*

**Published Electronically:** *June 11, 2008*

**4900.1701 DEFINITIONS.**

Subpart 1. **Scope.** The terms used in parts 4900.1700 to 4900.1703 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 for a temporary housing program grant.

Subp. 4. **Application.** "Application" means a submittal requesting a temporary housing program grant to pay the cost of the acquisition, construction, or rehabilitation of a structure to provide temporary housing for low- and moderate-income persons.

Subp. 5. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" means, with respect to temporary housing program grants, those persons and families whose income does not exceed 50 percent of the statewide median household income as estimated by the United States Department of Housing and Urban Development.

Subp. 6. **Structure.** "Structure" means a building to be constructed, acquired, or rehabilitated for use as temporary housing.

Subp. 7. **Support services.** "Support services" means a service that identifies the needs of individuals for independent living, develops an individualized plan to achieve independent living, and arranges or provides for the appropriate educational, social, legal, advocacy, child care, employment, financial, or information and referral services to meet these needs.

Subp. 8. **Temporary housing.** "Temporary housing" means housing provided for a limited duration not exceeding 24 months and available for occupancy on a continuous 24-hour basis.

Subp. 9. **Temporary housing program grant or grant.** "Temporary housing program grant" or "grant" means an appropriation of money to an eligible applicant under the authority granted in Minnesota Statutes, section 462A.05, subdivision 20.

**Statutory Authority:** *MS s 462A.06*

**History:** *10 SR 353; 15 SR 1226*

**Published Electronically:** *October 2, 2013*

**4900.1702 ELIGIBILITY.**

Subpart 1. **For applicants.** To be eligible for selection for a grant, an applicant shall satisfy the following requirements:

A. The applicant must be a nonprofit entity as defined in part 4900.0010, subpart 21.

B. The applicant must provide a comprehensive plan for meeting the existing need for temporary housing and for the placement of persons in independent housing. At a minimum this plan must include:

(1) documentation of a need for temporary housing by the population to be served by the structure;

(2) a description of the applicant's goals and objectives for meeting the special needs of the population to be served;

(3) documentation of an ability to provide support services to assist persons in moving into independent or appropriate supportive living situations; and

(4) a detailed budget for the first year and projected budgets for future years.

C. The applicant shall document fiscal responsibility and the ability to complete the construction, acquisition, or modification of the structure and to maintain the structure in accordance with its funded use for a specific period of time.

Subp. 2. **For structures.** To be eligible for selection for a grant, a proposed temporary housing structure must satisfy the following requirements:

A. The structure must provide temporary housing for persons and families of low and moderate income.

B. The structure must provide a physical environment that is responsive to the needs of the population to be served.

C. The structure must comply with applicable state and local codes, zoning ordinances, land use provisions, and laws.

D. The structure must be located in Minnesota.

**Statutory Authority:** *MS s 462A.06*

**History:** *10 SR 353*

**Published Electronically:** *June 11, 2008*

#### **4900.1703 SELECTION CRITERIA FOR GRANTS.**

The agency shall take the following criteria into consideration when determining which applications will be funded:

A. the extent to which the grant is combined with funds or in kind contributions from other public and private sources;

B. the availability and source of funds to pay the cost of acquisition, construction, or rehabilitation of the structure not funded by the grant;

C. the availability and source of funds to pay the ongoing costs of the support services;

D. the distribution of funds to service a variety of populations, including but not limited to, families with children, couples, single persons, and persons leaving a shelter for family abuse;

E. the geographic distribution of the funded applications within the state;

F. the immediacy of the need documented for temporary housing in the area in which the structure is located;

G. the capacity of the applicant to proceed promptly with the acquisition, construction, or rehabilitation of the structure;

H. the amount of the grant requested as compared to the total resources available for these grants;

I. the extent to which the application receives the support and participation of the local community;

J. the geographic location of the structure in relation to support services, recreational facilities, medical facilities, and transportation;

K. the reasonableness of the acquisition, construction, or rehabilitation cost with preference given to applications that minimize the cost per temporary housing units produced;

L. the extent to which the application uses innovative cost-effective support services that are appropriate to the needs of the population served; and

M. the experience of the applicant in developing or managing housing, providing support services, and servicing the specific target population of homeless persons.

**Statutory Authority:** *MS s 462A.06*

**History:** *10 SR 353*

**Published Electronically:** *June 11, 2008*

**4900.1800** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.1801** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.1802** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.1803** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.1804** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.1805** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.1806** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.1807** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.1808** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.1900** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.1905** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.1910** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.1915** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.1920** [Repealed, 26 SR 1511]

**Published Electronically:** *June 11, 2008*

**4900.1921** [Repealed, 26 SR 1511]

**Published Electronically:** *June 11, 2008*

**4900.1922** [Repealed, 26 SR 1511]

**Published Electronically:** *June 11, 2008*

**4900.1923** [Repealed, 26 SR 1511]

**Published Electronically:** *June 11, 2008*

**4900.1924** [Repealed, 26 SR 1511]

**Published Electronically:** *June 11, 2008*

## **CAPACITY BUILDING REVOLVING LOAN PROGRAM**

### **4900.1925 SCOPE.**

Parts 4900.1925 to 4900.1930 govern the implementation of the capacity building revolving loan program.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

### **4900.1926 DEFINITIONS.**

Subpart 1. **Scope.** The terms used in parts 4900.1925 to 4900.1930 have the meanings given them in this part.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, sections 462A.01 to 462A.24.

Subp. 3. **Application.** "Application" means a submittal requesting a loan from the capacity building revolving loan program.

Subp. 4. **Applicant.** "Applicant" means one or more entities that submit an application to the agency for a loan under the capacity building revolving loan program.

Subp. 5. **Capacity building loan or loan.** "Capacity building loan" or "loan" means a disbursement of funds to an eligible applicant under the capacity building revolving loan program.

Subp. 6. **Program.** "Program" means the capacity building revolving loan program as authorized by Minnesota Statutes, section 462A.21, subdivision 3a.

Subp. 7. **Project.** "Project" means the housing to be developed by the applicant as described in the program application.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.1927 ELIGIBLE APPLICANTS.**

To be eligible for selection as a recipient of a loan under this program, an applicant must be either:

A. a Minnesota nonprofit entity as defined in part 4900.0010, subpart 21, including, but not limited to, a housing and redevelopment authority established under Minnesota Statutes, sections 469.001 to 469.047, or a regional development commission established under Minnesota Statutes, section 462.387; or

B. a town or home rule charter or statutory city in the state of Minnesota.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.1928 ELIGIBLE APPLICATIONS.**

The applicant must provide an application in the form prescribed by the agency. At a minimum, the application shall include the following:

A. a complete description of the project including:

- (1) a statement of the applicant's goals and objectives for the project;
- (2) a description of the site;
- (3) a description of the construction or rehabilitation to be completed; and

- (4) a description of the population for which the housing is being developed;
- B. a proposed budget for the project including:
  - (1) a budget for the development of the project showing all development costs;
  - (2) a budget for the operation of the project showing all anticipated operating costs, the proposed rents, and other sources of income; and
  - (3) sources of funding sought or secured for the project;
- C. a proposed budget for the use of loan funds received from the capacity building revolving loan program; and
- D. a proposed timetable for the project, including a schedule for repayment of loan funds.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.1929 ELIGIBLE USES OF LOAN FUNDS.**

All expenses must be reimbursable under the sources of financing proposed for the project. The following are eligible uses of loan funds:

- A. architectural, engineering, or related professional services required in the preparation of construction or rehabilitation plans, drawings, or write-ups;
- B. costs of processing and closing the financing for a project such as lender origination fees, credit reports, fees for title insurance, fees for recording and filing legal documents, attorney's fees, and appraisal fees;
- C. costs of contracting with a consultant and in-house staff costs related to the planning, processing, or preparation of a project proposal. Costs must be documentable, directly related to a specific project, and tied to a recoverable source of funds at closing;
- D. studies and analyses of housing needs related to a particular housing project, including market feasibility studies;
- E. earnest money or option deposits on land and buildings;
- F. other activities necessary to finance, design, or plan a specific housing project for low- and moderate-income residents prior to the construction or rehabilitation of the project;
- G. development costs including acquiring land or buildings; and
- H. other activities permitted by statute.

**Statutory Authority:** *MS s 462A.06*

**History:** 15 SR 12; 29 SR 1479

**Published Electronically:** June 11, 2008

#### **4900.1930 SELECTION CRITERIA.**

The agency shall take the following criteria into consideration when determining whether an application and an applicant will be selected for a loan under the program:

A. the likelihood of repayment of the loan funds, as determined by standard underwriting procedures of the agency;

B. the ability of the applicant to proceed expeditiously with the project;

C. the cost and quality of the proposed housing;

D. the extent to which the proposed project meets the housing needs of the community;

E. the extent to which the project will build the organization's capacity to provide housing and housing related services; and

F. the geographic distribution of loan funds, to the extent that loan funds can be used to assist projects throughout the state.

**Statutory Authority:** *MS s 462A.06*

**History:** 15 SR 12

**Published Electronically:** June 11, 2008

### **CAPACITY BUILDING GRANT PROGRAM**

#### **4900.1931 SCOPE.**

Parts 4900.1931 to 4900.1937 govern the implementation of the capacity building grant program.

**Statutory Authority:** *MS s 462A.06*

**History:** 15 SR 12

**Published Electronically:** June 11, 2008

#### **4900.1932 DEFINITIONS.**

Subpart 1. **Scope.** The terms used in parts 4900.1931 to 4900.1937 have the meanings given to them in this part.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, sections 462A.01 to 462A.24.

Subp. 3. **Application.** "Application" means a submittal requesting a grant from the capacity building grant program.

Subp. 4. **Applicant.** "Applicant" means one or more entities that submit an application to the agency for a grant under the capacity building grant program.

Subp. 5. **Capacity building grant or grant.** "Capacity building grant" or "grant" means a disbursement of funds to an eligible applicant under the capacity building grant program.

Subp. 6. **Program.** "Program" means the capacity building grant program authorized by Minnesota Statutes, section 462A.21, subdivision 3b.

Subp. 7. **Project.** "Project" means the proposed use of grant funds as described by the applicant in the program application.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.1933 ELIGIBLE APPLICANTS.**

To be eligible for selection as a recipient of a grant under this program, an applicant must be either:

A. a Minnesota nonprofit entity as defined in part 4900.0010, subpart 21, including, but not limited to, a housing and redevelopment authority established under Minnesota Statutes, sections 469.001 to 469.047, or a regional development commission established under Minnesota Statutes, section 462.387;

B. a town or home rule charter or statutory city in Minnesota; or

C. an Indian tribe, band, or community or Indian tribal organization as defined in part 4900.0900.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.1934 ELIGIBLE APPLICATIONS.**

The applicant must provide an application in the form prescribed by the agency. At minimum, this application shall include the following:

A. documentation of the need for the project;

B. a description of the applicant's goals and objectives for the project;

C. a description of how the project will expand the applicant's capacity to provide housing and housing-related services;

D. a complete description of the project including:

(1) a proposed budget for the project including how grant funds will be used and the other sources of funding sought or secured for the project; and

(2) a timetable for completion of the project; and

E. a description of the applicant's organization including the organization's past experience in providing housing-related services, the types of services provided, and the composition of the organization's membership.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.1935 ELIGIBLE USES OF GRANT FUNDS.**

Grants may be awarded to fund the following activities:

A. staff training;

B. studies and analyses of housing needs within the applicant's service area and the development of plans to meet those needs;

C. legal and other professional services associated with the establishment or incorporation of an organization as a provider of housing and housing-related services; and

D. other activities that expand the capacity of the organization to meet housing needs in the applicant's service area.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.1936 SELECTION CRITERIA.**

The agency shall take the following criteria into consideration when determining whether an application and applicant will be selected for a grant under the program:

A. the need for the project as documented by the applicant;

B. the geographic area to be served, to the extent that a distribution of grant funds throughout the state can be achieved;

C. the extent to which the project will expand the applicant's ability to provide affordable housing and housing-related services;

D. the extent to which grant funds are combined with other sources of funding, particularly funds from local resources;

E. the amount of the grant request as a proportion of the total amount of grant funds available, to the extent that funds can be used to support several different projects;

- F. the ability of the applicant to proceed expeditiously with the project;
- G. the prior experience of the applicant in providing housing and housing-related services to low-income people; and
- H. the extent to which the organization has low-income persons in its membership.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.1937 FUNDING PRIORITY.**

Funding priority shall be given to those applicants:

- A. that include low-income persons in their membership;
- B. have provided housing-related services to low-income persons; and
- C. demonstrate a local commitment of local resources, which may include in kind contributions.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

### **REHABILITATION MORTGAGE LOANS**

#### **4900.2000 DEFINITIONS.**

Subpart 1. **Scope.** For the purpose of part 4900.2005, the following terms have the meanings given them.

Subp. 2. **Purchase and rehabilitation mortgage loan.** "Purchase and rehabilitation mortgage loan" means a financing mechanism through which an eligible borrower may simultaneously purchase an existing home and provide for its eligible rehabilitation through execution of a single set of mortgage documents.

Subp. 3. **Refinance and rehabilitation mortgage loan.** "Refinance and rehabilitation mortgage loan" means a financing mechanism through which an eligible borrower may simultaneously refinance the mortgage debt that is secured by an existing home that the borrower currently owns and provide for its eligible rehabilitation through execution of a single set of mortgage documents.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 1214*

**Published Electronically:** *June 11, 2008*

**4900.2005 PURCHASE AND REHABILITATION OR REFINANCE AND REHABILITATION MORTGAGE LOANS.**

Subpart 1. **Eligible property.** The property to be purchased or refinanced with a purchase and rehabilitation or refinance and rehabilitation mortgage loan must be an existing one-to-four family residential dwelling located in Minnesota. Mobile homes and trailers are not eligible for purchase and rehabilitation or refinance and rehabilitation mortgage loans.

Subp. 2. **Minimum rehabilitation.** Each property financed with a purchase and rehabilitation mortgage loan or a refinance and rehabilitation loan must require and receive rehabilitation in a dollar amount greater than or equal to the amounts in items A and B.

A. If the property to be financed is located in Anoka, Benton, Carver, Chisago, Clay, Dakota, Hennepin, Isanti, Olmsted, Ramsey, Scott, Sherburne, Stearns, Washington, or Wright county, the minimum required rehabilitation is \$5,000.

B. For properties located in all other counties, the minimum rehabilitation requirement is the lesser of \$5,000 or 15 percent of the value of the property before rehabilitation.

Subp. 3. **Eligible rehabilitation.** All rehabilitation work that is paid for out of the proceeds of a purchase and rehabilitation or refinance and rehabilitation mortgage loan must satisfy the following requirements:

A. Rehabilitation improvements must 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 person with a disability; make the property more energy efficient; or convert the property to or from a one-family residence from or to a two-to-four family residence.

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 application for a purchase and rehabilitation or refinance and rehabilitation mortgage loan for a property may be denied solely because the improvements will not bring such property into full compliance with all such codes and standards.

Subp. 4. [Repealed, 17 SR 2105]

Subp. 5. **Borrower eligibility.** Each borrower shall meet the following requirements:

A. Each borrower shall be a person or family, including nonrelated individual adults, whose adjusted income does not exceed 115 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; provided, however, that the maximum adjusted income for targeted neighborhoods may not exceed 150 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. Targeted neighborhoods are specific geographic areas specified by local governments or housing and redevelopment authorities as neighborhoods to receive special emphasis in terms of rehabilitation or preservation of the housing stock.

B. Each borrower shall occupy the residence upon completion of the rehabilitation work as the borrower's primary, year-round residence.

C. Each borrower shall be a reasonable credit risk with the ability to pay the loan obligation in accordance with underwriting standards of the mortgage industry for the type of mortgage loan being provided.

Subp. 6. **Maximum mortgage amount.** The maximum mortgage amount for any purchase and rehabilitation or refinance and rehabilitation mortgage loan must not exceed the maximum mortgage amount for the Minneapolis/St. Paul Metropolitan Statistical Area for mortgage loans to be insured by the Federal Housing Administration as determined and adjusted from time to time by the United States Department of Housing and Urban Development.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 1214; 17 SR 2105; 19 SR 157; L 2005 c 56 s 2*

**Published Electronically:** *June 11, 2008*

## HOME EQUITY CONVERSION COUNSELING PROGRAM

### 4900.2020 SCOPE.

Parts 4900.2020 to 4900.2070 govern the implementation of the home equity conversion counseling program.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2192*

**Published Electronically:** *June 11, 2008*

### 4900.2030 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of parts 4900.2020 to 4900.2070, the following terms have the meanings given them.

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 home equity conversion counseling program.

Subp. 4. **Application.** "Application" means a submittal requesting a grant to pay the cost of providing counseling services regarding home equity conversion for senior homeowners.

Subp. 5. **Client.** "Client" means senior homeowners who receive home equity conversion counseling services.

Subp. 6. **Home equity conversion.** "Home equity conversion" means plans where homeowners convert equity in their homes into spendable funds while still retaining title to the homes. The funds do not have an obligation of immediate repayment.

Subp. 7. **Program.** "Program" means the home equity conversion counseling program.

Subp. 8. **Senior homeowners.** "Senior homeowners" means homeowners of whom at least one is 62 years of age, or homeowners as may be defined in home equity conversion programs sponsored or supported by local, state, or federal government and primarily designed for use by senior or elderly homeowners.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2192*

**Published Electronically:** *June 11, 2008*

#### **4900.2040 HOME EQUITY CONVERSION COUNSELING.**

Home equity conversion loan counseling shall be provided under the program for senior homeowners as described in items A and B.

A. The applicant selected to administer the program must, at a minimum, perform the following services:

(1) Conduct a review of home equity conversion programs with the client, and explain the advantage, disadvantage, and alternatives of the programs.

(2) Explain the effects of home equity conversion on the client's estate and public benefits available to the client.

(3) Explain the home equity conversion lending process with the client.

(4) Discuss the client's supplemental income needs and financial alternatives for meeting such needs.

(5) Maintain adequate records pertaining to each client counseled under the program.

(6) Provide the client with adequate documentation of counseling so that the client may meet counseling requirements imposed under various home equity conversion loan programs.

(7) Provide such services and outreach on a statewide basis.

B. The applicant selected to administer the program may charge a reasonable fee to provide counseling services for clients, but the applicant may not deny a client counseling services due to inability to pay the fee.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2192*

**Published Electronically:** *June 11, 2008*

#### **4900.2050 APPLICANT ELIGIBILITY.**

To be eligible for selection as a recipient of a grant under the program, an applicant must satisfy the following requirements:

A. The applicant must be a nonprofit entity as defined in part 4900.0010, subpart 21, and must have as its primary purpose assisting elderly persons in obtaining and maintaining affordable housing.

B. The applicant may not be a part of or affiliated with a lender or a vendor of home equity conversion loans or products.

C. The applicant must provide an application in a form prescribed by the agency that will document the applicant's ability to establish or maintain a home equity conversion counseling program for the period of time specified by the agency. At a minimum, this application shall include:

(1) documentation that the applicant meets the eligibility requirements prescribed in items A and B;

(2) a description of the applicant's organization that demonstrates that the applicant:

(a) is knowledgeable about home equity conversion, including reverse mortgage programs;

(b) has experience in counseling older persons on housing, including knowledge of alternative living arrangements for older persons; and

(c) has knowledge of existing public benefit programs and other appropriate financial and legal resources for older persons;

(3) a detailed description of how the proposed program would be administered, including qualifications of staff and proposed means of record keeping;

(4) a detailed budget for the specified period showing all sources and uses of funds, including grant funds; and

(5) a description of the means that the applicant plans to use to provide outreach and counseling on a statewide basis.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2192*

**Published Electronically:** *June 11, 2008*

**4900.2060 SELECTION 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 a home equity conversion counseling program.

B. The documented familiarity of the applicant regarding home equity conversion and alternative financial resources and other services that may be available to assist senior homeowners.

C. The reasonableness of the proposed budget in meeting the objective of the program.

D. The documented ability of the applicant to provide home equity conversion counseling on a statewide basis as well as the location of the applicant in an area of anticipated demand for counseling services.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2192*

**Published Electronically:** *June 11, 2008*

**4900.2070 RECORD KEEPING AND REPORTING.**

The applicant selected for the program shall be required to keep adequate records as to each client counseled under the program in a format and fashion mutually agreed to between the applicant and the agency, and the agency may review the records upon adequate prior written notice to the applicant by the agency. The selected applicant must also provide a written report in a prescribed format regarding activity under the program to the agency at intervals prescribed by the agency, but in no instance more often than quarterly.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2192*

**Published Electronically:** *June 11, 2008*

**4900.2200** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.2210** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.2220** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.2230** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.2240** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

- 4900.2250** [Repealed, 24 SR 1332]  
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- 4900.2260** [Repealed, 24 SR 1332]  
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- 4900.2270** [Repealed, 24 SR 1332]  
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- 4900.2300** [Repealed, 24 SR 1332]  
**Published Electronically:** *June 11, 2008*
- 4900.2310** [Repealed, 24 SR 1332]  
**Published Electronically:** *June 11, 2008*
- 4900.2320** [Repealed, 24 SR 1332]  
**Published Electronically:** *June 11, 2008*
- 4900.2330** [Repealed, 24 SR 1332]  
**Published Electronically:** *June 11, 2008*
- 4900.2340** [Repealed, 24 SR 1332]  
**Published Electronically:** *June 11, 2008*

#### **URBAN AND RURAL HOMESTEADING PROGRAM**

##### **4900.2400 SCOPE.**

Parts 4900.2400 to 4900.2620 govern the implementation of the urban and rural homesteading program under Minnesota Statutes, section 462A.057.

**Statutory Authority:** *MS s 462A.057; 462A.06*

**History:** *14 SR 2632; 22 SR 1402; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

##### **4900.2420 DEFINITIONS.**

Subpart 1. **Scope.** The terms used in parts 4900.2400 to 4900.2620 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 urban and rural homesteading program.

Subp. 4. **Application.** "Application" means a submittal requesting a grant of funds under the urban and rural 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 and rehabilitation, or acquisition, demolition and construction, and sale of eligible properties may take place under the program.

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

Subp. 8. **Eligible property.** "Eligible property" means a single-family residential property, located within a designated area, that is vacant, condemned, abandoned, or identified as desirable for purchase and rehabilitation or for purchase, demolition, and construction by the eligible organization for appropriate reasons cited by the eligible organization which, if rehabilitated or demolished and constructed, 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. 9a. **Gross income.** "Gross income" means total income received by all household members from all sources.

Subp. 10. **Initial acquisition cost.** "Initial acquisition cost" means the actual costs incurred in acquiring and rehabilitating an eligible property or acquiring and demolishing an eligible property and constructing a new single-family residence under the program and includes back taxes, closing costs, and appropriate developer fees.

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 4900.2620.

Subp. 12. **Program.** "Program" means the urban and rural homesteading program administered under parts 4900.2400 to 4900.2620.

Subp. 13. [Repealed, 26 SR 863]

**Statutory Authority:** *MS s 462A.057; 462A.06*

**History:** *14 SR 2632; 22 SR 1402; 26 SR 863; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **4900.2440 URBAN AND RURAL HOMESTEADING PROGRAM.**

Subpart 1. **Purpose of program.** The urban and rural homesteading program provides grants to eligible organizations to acquire and rehabilitate existing single-family residences, or to acquire and demolish eligible properties and construct new single-family 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 grants must be used by eligible organizations to buy eligible properties and pay for the cost of acquiring and rehabilitating those properties, or acquiring and demolishing those properties and constructing new single-family homes. The agency may establish an allocation plan for the program to provide for the greater likelihood of awarding such grants among urban and rural properties. The agency may establish a priority that new construction is only permitted on a case-by-case review, as described in part 4900.2520, subpart 4. The agency may also establish requirements pertaining to maximum allowable administrative costs under the program, but in no instance may the administrative costs exceed ten percent of the amount awarded per eligible organization from funds appropriated for the program during the period of acquisition, rehabilitation, or as permitted, demolition and construction, and sale.

**Statutory Authority:** *MS s 462A.057; 462A.06*

**History:** *14 SR 2632; 22 SR 1402; 26 SR 863; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **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 4900.0010, 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 4900.2620. 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 4900.2620;

(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.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2632; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **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, or as permitted, demolished and constructed, within the designated area identified by the applicant in the application.

D. The feasibility 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, or as permitted, purchase, demolition, and construction, and sale of properties under the program, or both.

F. The feasibility 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.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2632; 26 SR 863; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **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. 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.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2632; 26 SR 863*

**Published Electronically:** *June 11, 2008*

#### **4900.2520 ELIGIBLE PROPERTIES.**

Subpart 1. **General.** Eligible properties are to be acquired by the eligible organization for rehabilitation, or for demolition and construction, and sale to at-risk homebuyers with the input of

the local neighborhood advisory board for the designated area. The eligible organization may initially 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 in planned unit developments, 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 person with a disability; 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. 2a. **New construction standards.** Newly constructed properties shall comply with the building code standards enforced in the jurisdiction where the property is located. As requested, administrators shall provide the agency with a description of the standards to be followed.

Subp. 3. **Appraisal.** Eligible properties must be appraised after the completion of rehabilitation work or construction 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 purchase price for the eligible or newly constructed 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 or construction.

Subp. 4. **Acquisition and rehabilitation or acquisition, demolition, and construction costs.** The total cost of the acquisition, rehabilitation, and closing costs must be no greater than an amount equal to 90 percent of the home sale price limitation established for the agency's home mortgage programs for limited unit developments. Acquisition, demolition, and construction projects

must comply with these limits; in addition, acquisition, demolition, and construction of a property is only permitted on a case-by-case basis where the demolition and construction is less expensive than acquisition and rehabilitation of the property would be. The maximum may be exceeded if the excess costs are attributed to rehabilitation or improvements to make the property disability accessible.

**Statutory Authority:** *MS s 462A.057; 462A.06*

**History:** *14 SR 2632; 22 SR 1402; 26 SR 863; 29 SR 1479; L 2005 c 56 s 2*

**Published Electronically:** *June 11, 2008*

#### **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 gross 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 80 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;

D. agree to apply 25 percent of gross monthly household income to the debt incurred under the contract for deed; and

E. 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.

**Statutory Authority:** *MS s 462A.057; 462A.06*

**History:** *14 SR 2632; 22 SR 1402; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **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 or newly constructed 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 4900.2620 pertaining to the program, and specific requirements of the program as implemented by the eligible organization.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2632; 26 SR 863; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **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, or as permitted, demolish and construct, 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.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2632; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **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.

**Statutory Authority:** *MS s 462A.06*

**History:** *14 SR 2632*

**Published Electronically:** *June 11, 2008*

#### **4900.2620 FEDERAL REGULATION PRIORITY.**

Grants in whole or in part may be made to eligible organizations using Home Investment Partnership Program (HOME) funds allocated to the agency by the United States Department of Housing and Urban Development. Should current or future HOME regulations conflict with parts 4900.2400 to 4900.2620 in implementing the program, federal requirements shall be followed.

**Statutory Authority:** *MS s 462A.06*

**History:** 29 SR 1479

**Published Electronically:** June 11, 2008

## FAMILY RENTAL HOUSING LOAN PROGRAM

### 4900.2700 SCOPE.

Parts 4900.2700 to 4900.2707 govern the implementation of family rental housing loan programs authorized under Minnesota Statutes, section 462A.21, subdivision 8b.

**Statutory Authority:** *MS s 462A.06*

**History:** 15 SR 12

**Published Electronically:** June 11, 2008

### 4900.2701 DEFINITIONS.

Subpart 1. **Scope.** The terms used in parts 4900.2700 to 4900.2707 have the meanings given them in this part.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, sections 462A.01 to 462A.24.

Subp. 3. **Applicant.** "Applicant" means one or more entities that submit an application to the agency for a loan under a family rental housing program.

Subp. 4. **Application.** "Application" means a submittal requesting a loan from the agency for a family rental housing program.

Subp. 5. **Development.** "Development" means the housing to be constructed or rehabilitated by the applicant as described in the application.

Subp. 6. **Family rental housing.** "Family rental housing" means rental housing consisting of units with two or more bedrooms.

Subp. 7. **Family rental housing program.** "Family rental housing program" means a loan program authorized by Minnesota Statutes, section 462A.21, subdivision 8b, for the acquisition, rehabilitation, or new construction of family rental housing.

Subp. 8. **Loan.** "Loan" means a disbursement of funds to an eligible applicant under a family rental housing program.

**Statutory Authority:** *MS s 462A.06*

**History:** 15 SR 12

**Published Electronically:** June 11, 2008

**4900.2702 ELIGIBLE APPLICANTS.**

Subpart 1. **Property interest.** An applicant for a family rental housing program loan must, at the time of application, possess one of the following interests in the property:

- A. a fee title;
- B. a fee title subject to a mortgage or other lien securing a debt capable of prepayment or, at the option of the agency, subordination; or
- C. a mutually binding contract or option for the purchase of fee title.

Subp. 2. **Applicant eligibility.** To be eligible for selection as a recipient of a loan from a family rental housing program, an applicant must be:

- A. a Minnesota nonprofit entity as defined in part 4900.0010, subpart 21; including, but not limited to, a housing and redevelopment authority established under Minnesota Statutes, sections 469.001 to 469.047;
- B. a town or home rule charter or statutory city in Minnesota;
- C. a cooperative housing corporation as defined in part 4900.0010, subpart 8;
- D. a limited dividend entity as defined in part 4900.0010, subpart 14;
- E. a for profit entity to the extent authorized under Minnesota Statutes, section 462A.21, subdivision 8b.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

**4900.2703 ELIGIBLE APPLICATIONS.**

The applicant must provide an application in the form prescribed by the agency. At minimum, the application shall include the following:

- A. information describing the site of the proposed development including the location, present use and zoning, surrounding land uses, and physical characteristics of the site that might affect construction;
- B. a description of the proposed housing development including the building type, the size and number of dwelling units, and the characteristics of the development that make it appropriate for residency by families;
- C. information with respect to the market for the proposed development including reports of market surveys or analyses, documentation of need for the development, and a proposed marketing plan;

D. a description of the construction or rehabilitation to be completed including a schedule of the proposed uses of any requested loan funds and the amounts proposed to be allocated to each use;

E. a detailed budget for the development showing all development costs, operating costs, sources of financing sought or secured, proposed rent schedule, and any other sources of income; and

F. a timetable for completion of the development.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.2704 REQUIRED OCCUPANCY.**

The dwelling units developed with loans from a family rental housing program must be occupied by families whose adjusted income at the time of initial occupancy does not exceed 60 percent of the area median income, with the area median income defined as follows: the greater of the county median income or the Minnesota nonmetro median average as either is defined by the United States Department of Housing and Urban Development.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.2705 ELIGIBLE UNITS.**

In new construction developments, at least 80 percent of the dwelling units constructed with loan funds from a family rental housing program must have three or more bedrooms.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.2706 SELECTION CRITERIA.**

The agency shall take the following criteria into consideration when determining whether an application and applicant will be selected for a loan from a family rental housing program:

- A. the documented need for the residential housing in the proposed geographic area;
- B. the ability of the applicant to proceed expeditiously with the development;
- C. the applicant's prior experience in developing, owning, and operating residential housing;
- D. the cost and quality of the proposed housing;

E. the geographic distribution of loan funds, to the extent that loan funds can be used to assist projects throughout the state;

F. the relationship of the proposed development to public facilities, sources of employment, and services, including public transportation, health, education, and recreation facilities;

G. the appropriateness of the development for occupancy by families; and

H. the extent to which the loan funds are combined with other sources of funding to make the development economically feasible and rents affordable for low-income families.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.2707 FUNDING PRIORITY.**

The agency shall give funding priority to developments in which units are made affordable for families earning less than 50 percent of the area median, where the funds used to achieve lower rents are from sources other than the agency.

Preference must be given to families with children when selecting tenants for family rental housing.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

### **RENTAL HOUSING FOR INDIVIDUALS**

#### **4900.2800 SCOPE.**

Parts 4900.2800 to 4900.2805 govern the implementation of rental housing loan programs for individuals authorized under Minnesota Statutes, section 462A.21, subdivision 8c.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.2801 DEFINITIONS.**

Subpart 1. **Scope.** The terms used in parts 4900.2800 to 4900.2805 have the meanings given them in this part.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, sections 462A.01 to 462A.24.

Subp. 3. **Applicant.** "Applicant" means one or more entities that submit an application to the agency for a loan under a rental housing program for individuals.

Subp. 4. **Application.** "Application" means a submittal requesting a loan from a rental housing program for individuals.

Subp. 5. **Development.** "Development" means the housing to be constructed or rehabilitated by the applicant as described in the program application.

Subp. 6. **Loan.** "Loan" means a disbursement of funds to an eligible applicant under a rental housing program for individuals.

Subp. 7. **Rental housing for individuals.** "Rental housing for individuals" means rental housing consisting of single rooms, efficiency units, or one bedroom units.

Subp. 8. **Rental housing program for individuals.** "Rental housing program for individuals" means a loan program authorized by Minnesota Statutes, section 462A.21, subdivision 8c, for the acquisition or rehabilitation of rental housing for individuals.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.2802 ELIGIBLE APPLICANTS.**

Subpart 1. **Property interest.** An applicant for a rental housing program loan for individuals must, at the time of application, possess one of the following interests in the property:

- A. a fee title;
- B. a fee title subject to a mortgage or other lien securing a debt capable of prepayment or, at the option of the agency, subordination; or
- C. a mutually binding contract or option for the purchase of fee title.

Subp. 2. **Applicant eligibility.** To be eligible for selection as a recipient of a loan from a rental housing program for individuals, an applicant must be:

- A. a Minnesota nonprofit entity as defined in part 4900.0010, subpart 21, including, but not limited to, a housing and redevelopment authority established under Minnesota Statutes, sections 469.001 to 469.047;
- B. a town or home rule charter or statutory city in Minnesota;
- C. a cooperative housing corporation as defined in part 4900.0010, subpart 8;
- D. a limited dividend entity as defined in part 4900.0010, subpart 14; or
- E. a for-profit entity to the extent authorized under Minnesota Statutes, section 462A.21, subdivision 8c.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.2803 ELIGIBLE APPLICATIONS.**

The applicant must provide an application in the form prescribed by the agency. At a minimum, the application shall include the following:

A. information describing the site of the proposed development including the location, present use and zoning, surrounding land uses, and distance to transportation, commercial, and social services;

B. a description of the proposed housing development including the building type, the size and number of dwelling units, and the characteristics of the development that make it appropriate for residency by individuals;

C. information with respect to the market for the proposed development including reports of market surveys or analyses, documentation of need for the development, and a proposed marketing and tenant selection plan;

D. a description of the construction or rehabilitation to be completed including a schedule of the proposed uses of any requested loan funds and the amounts proposed to be allocated to each use;

E. detailed budget for the development showing all development costs, operating costs, sources of financing sought and secured, proposed rent schedule, and any other sources of income; and

F. a timetable for completion of the development.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

#### **4900.2804 REQUIRED OCCUPANCY.**

The dwelling units developed with loan funds from a rental housing program for individuals must be occupied by individuals whose adjusted income at the time of the initial occupancy does not exceed 30 percent of the area median income, with the area median income defined as: the greater of the county median income or the Minnesota nonmetro median average as either is defined by the United States Department of Housing and Urban Development.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

**4900.2805 SELECTION CRITERIA.**

The agency shall take the following criteria into consideration when determining whether an application and applicant will be selected for a loan under the program:

- A. the documented need for the residential housing in the proposed geographic area;
- B. the ability of the applicant to proceed expeditiously with the development;
- C. the applicant's prior experience in developing, owning, and operating residential housing;
- D. the cost and quality of the proposed housing;
- E. geographic distribution of loan funds, to the extent that loan funds can be used to assist projects throughout the state;
- F. the relationship of the proposed development to public facilities, sources of employment, and services, including public transportation, health, education, and recreation facilities;
- G. the appropriateness of the development for occupancy by individuals; and
- H. the extent to which the loan funds are combined with other sources of funding to make the development economically feasible and rents affordable for low-income individuals.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 12*

**Published Electronically:** *June 11, 2008*

**RECEIVERSHIP REVOLVING LOAN FUND****4900.2900 SCOPE.**

Parts 4900.2900 to 4900.2907 govern the implementation of the receivership revolving loan fund authorized under Minnesota Statutes, section 504B.451.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 376; L 1999 c 199 art 2 s 35*

**Published Electronically:** *June 11, 2008*

**4900.2901 DEFINITIONS.**

Subpart 1. **Scope.** For the purposes of parts 4900.2900 to 4900.2907, the following terms have the meanings given.

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

Subp. 3. **Receiver.** "Receiver" means a person appointed by the court under Minnesota Statutes, section 504B.445, to receive and preserve the property referred to in part 4900.2902, subpart 3, according to the powers contained in Minnesota Statutes, section 504B.445.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 376; L 1999 c 199 art 2 s 35*

**Published Electronically:** *June 11, 2008*

#### **4900.2902 ELIGIBILITY REQUIREMENTS.**

Subpart 1. **Receiver.** A receiver is eligible for a loan under the receivership revolving loan fund if the receiver meets the prequalification requirements for the specific project under this part and presents a certified copy of a court order in an action under Minnesota Statutes, section 504B.425 or 504B.385. The order must state that the prequalified receiver has been appointed to act in the case and must contain a finding that the appointment of a receiver with the power to collect funds is consistent with the statutory factors relating to the long-term economic viability of the dwelling as provided in Minnesota Statutes, section 504B.445.

Subp. 2. **Low and moderate income.** In the property subject to the order, at least 50 percent of the occupied rental units must be occupied by persons and families of low and moderate income as defined in part 4900.0010, subpart 23, item H.

Subp. 3. **Prequalification requirements.** A person or entity seeking prequalification status under this part must submit an application on a form prescribed by the agency. The agency shall review the application applying the standards in parts 4900.2901 to 4900.2907 and shall promptly notify the applicant of a decision on the application. Prequalification approval shall be for a maximum of two years. A rejection of the application must set forth the reasons for the denial. The applicant may qualify for any one or more of the following categories:

- A. single family or duplex dwelling;
- B. fewer than ten housing units;
- C. ten to 24 housing units; or
- D. 24 or more housing units.

Subp. 4. **Qualification requirements.** For an applicant to qualify as a receiver, the applicant must:

- A. have at least two years experience or demonstrated proficiency in residential property management;
- B. be able to obtain a fidelity and forgery bond or insurance coverage in an amount at least equal to two months' gross potential income of the property;
- C. comply with Minnesota real estate licensing statutes and rules;
- D. have adequate financial controls;
- E. have a history of managing properties according to applicable federal, state, and local laws, statutes, ordinances, rules, and regulations;

F. complete the forms and enter into agreements as the agency may reasonably require;

G. demonstrate the ability to obtain liability insurance; and

H. have experience or demonstrated proficiency in managing properties which have undergone significant repairs and improvements.

Subp. 5. **Properties.** Receivers shall be awarded receivership revolving loans subject to the property considerations in items A to D:

A. probability of loan repayment;

B. availability of funding for necessary repairs, alterations, improvements, and operation;

C. probable success of retention as low-income housing; and

D. if items A to C have been considered, then an additional consideration may be other neighborhood revitalization factors.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 376; L 1999 c 199 art 2 s 35*

**Published Electronically:** *June 11, 2008*

#### **4900.2903 APPLICATION PROCESS.**

Subpart 1. **With prequalification.** Applicants who intend to apply as prequalified receivers must follow the procedures in items A to E:

A. become prequalified as an eligible receiver according to the selection criteria in part 4900.2902, subparts 3 and 4, for a specified line of credit amount subject to fund availability and court appointment;

B. submit to the agency a project approval application that includes information on scope of work, estimate of funds needed, and evidence that funding needed for repairs has been secured;

C. the project must be approved by the agency according to the selection criteria under part 4900.2902, subpart 3;

D. submit a court order; and

E. complete and submit a loan commitment agreement to the agency.

Subp. 2. **Without prequalification.** Applicants who do not intend to apply as prequalified receivers must follow the procedures in items A to E:

A. submit a loan application;

B. submit to the agency a project approval application that includes information on scope of work, estimate of funds needed, and evidence that funding needed for repairs has been secured;

C. the project and receiver must be approved by the agency according to the selection criteria under part 4900.2902;

D. submit a court order; and

E. complete and submit a loan commitment agreement to the agency.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 376*

**Published Electronically:** *June 11, 2008*

#### **4900.2904 FEES.**

Subpart 1. **Property management fees.** Property management fees may be disbursed at the greater of \$150 per building or a rate of:

A. \$40 per unit per month for buildings containing ten or fewer units;

B. \$30 per unit per month for buildings containing 11 to 20 units; or

C. \$25 per unit per month for buildings containing 21 or more units.

Subp. 2. **Supplemental management fees.** Supplemental management fees for coordination of repairs and bids may be disbursed in an amount equal to the greater of \$1,000 or:

A. ten percent of repairs totaling \$50,000 or less; plus

B. eight percent of repairs over \$50,000 and up to \$100,000; plus

C. six percent of repairs over \$100,000 and up to \$250,000; plus

D. four percent of repairs over \$250,000.

The schedule in items A to D reflects maximum loan amounts. Administrators are not precluded from expending additional fees from rent, other loans, or revenues from the property.

In the event there is no progress in the court-ordered repairs, improvements, or alterations for any six-month period, the agency may, in its sole option and discretion, terminate any future disbursements of any and all remaining undisbursed loan proceeds.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 376*

**Published Electronically:** *June 11, 2008*

#### **4900.2905 ADMINISTRATIVE EXPENSES.**

Administrative expenses that are eligible for payment under parts 4900.2901 to 4900.2907 include both property management and repair coordination expenses. Property management expenses are the cost of operating the premises including, but not limited to, personnel, rent collection, ongoing tenant management, court costs, and transportation.

Repair coordination expenses funded by a supplemental management fee include, but are not limited to, personnel and costs of posting bonds, legal fees, financial record keeping, operating statement, audits, construction consultants' fees, transportation, and permits.

In addition, eligible administrative expenses include such other expenses as are approved by the court supervising the tenant remedy action.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 376*

**Published Electronically:** *June 11, 2008*

#### **4900.2906 DISBURSEMENT OF FUNDS.**

The agency shall disburse loan proceeds monthly within 14 days of submission of invoices consistent with the approved application.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 376*

**Published Electronically:** *June 11, 2008*

#### **4900.2907 REPAYMENT.**

The loan shall be a personal obligation of the property owners and a loan repayment agreement with terms acceptable to the agency for a maximum term of ten years must be executed before the termination of the receivership; or, an assignment of rents shall be executed in an amount sufficient to repay the debt within a maximum term of ten years; or, a lien shall be placed against the property. Any one or a combination of the above may be used at the request of the agency to secure repayment of the loan.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 376*

**Published Electronically:** *June 11, 2008*

### **RENTAL HOUSING PROGRAM FOR PERSONS WITH MENTAL ILLNESS**

#### **4900.3000 SCOPE.**

Parts 4900.3000 to 4900.3050 govern the implementation of the rental housing program for persons with mental illness.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225*

**Published Electronically:** *June 11, 2008*

**4900.3010 DEFINITIONS.**

Subpart 1. **Scope.** The terms used in parts 4900.3000 to 4900.3050 have the meanings given to them in this part.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, sections 462A.01 to 462A.24.

Subp. 3. **Application.** "Application" means a submittal requesting a grant from the program.

Subp. 4. **Applicant.** "Applicant" means one or more entities that submit an application to the agency for a grant under the program.

Subp. 5. **Grant.** "Grant" means a disbursement of funds to an eligible applicant under the program.

Subp. 6. **Mental illness.** "Mental illness" has the meaning given in Minnesota Statutes, section 245.462, subdivision 20.

Subp. 7. **Program.** "Program" means the rental housing program for persons with mental illness as authorized by Minnesota Statutes, section 462A.21, subdivision 8c.

Subp. 8. **Project.** "Project" means the proposed use of grant funds as described by the applicant in the program application.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225; 18 SR 2277*

**Published Electronically:** *June 11, 2008*

**4900.3020 ELIGIBLE RECIPIENTS.**

To be eligible for selection as a recipient of a grant under this program, an applicant must be either:

A. a nonprofit social service provider that provides community-based support services to persons with mental illness and living independently; or

B. a local unit of government that provides supportive services to persons with mental illness living independently.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225*

**Published Electronically:** *June 11, 2008*

**4900.3030 ELIGIBLE APPLICATIONS.**

The applicant must provide an application in the form prescribed by the agency. At a minimum, this application shall include the following:

A. a description of the proposed use of the funds;

- B. a description of appropriate supportive services available to the recipient;
- C. a description of the intended target group;
- D. a proposed administrative structure to efficiently provide the funds to the landlord on behalf of an individual recipient; and
- E. a description of the applicant's organization including the organization's past experience in providing housing or support services to persons with mental illness, the structure of the organization, and the types of services provided.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225*

**Published Electronically:** *June 11, 2008*

#### **4900.3040 ELIGIBLE USES OF GRANT FUNDS.**

Grants may be awarded to fund direct rental subsidies for housing. Funds shall be advanced by the agency to the provider who will provide the subsidy to the landlord on behalf of the individual recipient.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225*

**Published Electronically:** *June 11, 2008*

#### **4900.3050 SELECTION CRITERIA.**

The agency shall take the following criteria into consideration when determining which applications will be selected for a grant under the program:

- A. the applicant's prior experience in working with persons with mental illness and prior experience providing supportive services;
- B. the applicant's prior experience in providing housing assistance to persons with mental illness;
- C. the extent to which grant funds are combined with other sources of funds or services in kind;
- D. the amount of community and constituency support for the proposal;
- E. the demonstration value or innovation of the proposal to the extent a successful project could be replicated across the state; and
- F. how realistic the proposal is in terms of budget, staff time, and administrative structure.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225*

**Published Electronically:** *June 11, 2008*

**PUBLICLY OWNED TRANSITIONAL OR BATTERED  
WOMEN OR OTHER CRIME VICTIMS HOUSING PROGRAM**

**4900.3100 SCOPE.**

Parts 4900.3100 to 4900.3130 govern the implementation of the publicly owned transitional or battered women or other crime victims housing program.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225; 17 SR 1712*

**Published Electronically:** *June 11, 2008*

**4900.3110 DEFINITIONS.**

Subpart 1. **Scope.** The terms used in parts 4900.3100 to 4900.3130 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 for housing program financial assistance.

Subp. 4. **Application.** "Application" means a submittal requesting housing program financial assistance to pay the cost of the acquisition, improvement, construction, or rehabilitation of a structure to provide housing for low- and moderate-income persons.

Subp. 4a. **Financial assistance.** "Financial assistance" means a loan for purposes of the publicly owned transitional housing program or a grant for purposes of the publicly owned battered women or other crime victims housing program.

Subp. 4b. **Housing program.** "Housing program" means the publicly owned transitional or battered women or other crime victims housing program.

Subp. 5. **Local government unit.** "Local government unit" means a city as defined in Minnesota Statutes, section 462C.02, subdivision 6.

Subp. 6. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" means those persons and families whose income does not exceed 50 percent of the greater of the statewide or area median household income as estimated by the United States Department of Housing and Urban Development adjusted for families of five or more.

Subp. 7. **Resolution Trust Corporation.** "Resolution Trust Corporation" means the corporation created pursuant to United States Code, title 12, section 1811 et seq., or its subsidiaries or assignees.

Subp. 7a. **Shelter or facility.** "Shelter" or "facility" means transitional housing or a facility that houses services in conjunction with housing for battered women or other crime victims.

Subp. 8. **Structure.** "Structure" means a building to be acquired, improved, constructed, or rehabilitated for use as transitional or battered women or other crime victims housing.

Subp. 9. **Support services.** "Support services" means services that identify the needs of individuals for independent living, develop individualized plans to achieve independent living, and arrange or provide for appropriate educational, social, legal, advocacy, child care, employment, financial, or information and referral services to meet these needs.

Subp. 10. **Transitional housing.** "Transitional housing" means housing provided for a limited duration not exceeding 24 months and available for occupancy on a continuous 24-hour basis.

Subp. 11. [Repealed, 17 SR 1712]

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225; 17 SR 1712*

**Published Electronically:** *June 11, 2008*

#### **4900.3120 ELIGIBILITY.**

Subpart 1. **Applicants.** To be eligible for selection for financial assistance, an applicant shall satisfy the requirements in items A to E.

A. The applicant must be a local government unit.

B. The applicant must provide a comprehensive plan for meeting the existing need for the proposed housing and for the placement of persons in independent housing. At a minimum, this plan must include:

(1) documentation of the need for the proposed housing by the population to be served by the structure;

(2) a description of the applicant's goals and objectives for meeting the special needs of the population to be served;

(3) documentation of an ability to provide support services to assist persons in moving into independent or appropriate supportive living situations;

(4) a detailed budget for the operation of the housing program for the first year and projected budgets for future years; and

(5) a detailed budget for the construction or acquisition and rehabilitation of the structure.

C. The applicant shall document fiscal responsibility and the ability to complete the construction, acquisition, or modification of the structure and to maintain the structure in accordance with its funded use for a specific period of time.

D. The applicant shall own and operate the property as housing for 20 years, at which time all restrictions regarding the ownership and operation of the property shall cease, and the transitional housing loan shall be deemed paid in full or the battered women or other crime victims housing grant terms shall be fully satisfied. The property may be sold prior to the expiration of the 20-year period provided the sale repays the lesser of the net proceeds of the sale or the amount of the financial assistance. The applicant may contract with a nonprofit organization to manage the property,

including the improvement or rehabilitation of the property, and to operate a housing program on the property on behalf of the applicant.

E. Where the applicant intends to contract with a nonprofit organization to develop or manage the property or to operate the housing program, the nonprofit organization may provide any or all of the information required under items B and C.

Subp. 2. **Structures.** To be eligible for selection for financial assistance, the proposed housing structure must satisfy the requirements in items A to D.

A. The structure must provide housing for persons and families of low and moderate income.

B. The structure must provide a physical environment that is responsive to the needs of the population to be served.

C. The structure must comply with applicable state and local codes, zoning ordinances, land use provisions, and laws.

D. The structure must be located in Minnesota.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225; 17 SR 1712*

**Published Electronically:** *August 7, 2013*

#### **4900.3130 SELECTION CRITERIA FOR FINANCIAL ASSISTANCE.**

Preference shall be given to local units of government that propose to acquire properties being sold by the Resolution Trust Corporation or the Department of Housing and Urban Development.

In addition, the agency shall take the following criteria into consideration when determining which applications will be funded:

A. the extent to which the requested funds are combined with funds or in-kind contributions from other public and private sources;

B. the availability and source of funds to pay the cost of acquisition, construction, or rehabilitation of the structure not funded by the financial assistance;

C. the availability and source of funds to pay the ongoing costs of the support services;

D. the distribution of funds to service a variety of populations including, but not limited to, families with children, couples, single persons, and persons leaving a shelter for family abuse;

E. the geographic distribution of the funded applications within the state;

F. the immediacy of the need documented for temporary housing in the area in which the structure is located;

G. if the applicant requests funding for a structure in which a housing program is currently operating;

(1) the need for an additional housing program in the area and the extent to which additional housing will be produced if the application is funded; or

(2) the extent to which funding for ongoing operating costs is declining and government ownership of the structure will ensure continued operation of the program;

H. if the applicant requests funding for shelters or facilities for other crime victims, priority shall be given to applicants who serve victims of crimes against the person;

I. the capacity of the applicant to proceed promptly with the acquisition, improvement, construction, or rehabilitation of the structure;

J. the amount of the financial assistance requested as compared to the total resources available from the program;

K. the extent to which the application receives the support and participation of the local community including the extent to which, if the applicant proposes to contract with or lease the property to a nonprofit organization, the governing board of the nonprofit organization represents the cultural diversity of the community;

L. the geographic location of the structure in relation to support services, retail facilities, recreational facilities, medical facilities, and transportation;

M. the reasonableness of the acquisition, improvement, construction, or rehabilitation cost with preference given to applications that minimize the cost per housing units produced; and

N. the experience of the applicant, or if the applicant proposes to contract with a nonprofit organization, then the experience of the nonprofit organization in developing or managing housing, providing support services, and servicing the specific target population.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 1225; 17 SR 1712*

**Published Electronically:** *June 11, 2008*

## SINGLE-FAMILY MORTGAGE REVENUE BONDS

### 4900.3200 SCOPE.

Parts 4900.3200 to 4900.3290 govern the allocation from the housing pool for single-family housing programs submitted by cities to the agency as authorized by Minnesota Statutes, section 474A.061, subdivision 2a.

**Statutory Authority:** *MS s 462A.06*

**History:** *15 SR 2043*

**Published Electronically:** *June 11, 2008*

**4900.3210 DEFINITIONS.**

Subpart 1. **Scope.** For the purposes of parts 4900.3200 to 4900.3290 the following terms have the meanings given them.

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

Subp. 3. **Applicant.** "Applicant" means a city applying for mortgage revenue bond authority under parts 4900.3200 to 4900.3290.

Subp. 4. **Application.** "Application" means a submittal requesting mortgage revenue bond authority according to parts 4900.3200 to 4900.3290 as described in part 4900.3230.

Subp. 5. **City.** "City" means a city as defined in Minnesota Statutes, section 462C.02, subdivision 6.

Subp. 6. [Repealed, 24 SR 1332]

Subp. 7. **Housing pool.** "Housing pool" means the amount of the annual volume cap allocated under Minnesota Statutes, section 474A.061, which is available for the issuance of residential rental project bonds or mortgage bonds.

Subp. 8. **Metropolitan area.** "Metropolitan area" means the metropolitan area as defined in Minnesota Statutes, section 473.121, subdivision 2.

Subp. 9. **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. 10. [Repealed, 24 SR 1332]

Subp. 11. **Origination period.** "Origination period" means the period that loans financed with the proceeds of mortgage revenue bonds are available for the purchase of single-family housing. The origination period begins when financing actually becomes available to the borrowers for loans.

Subp. 12. **Program.** "Program" means program under part 4900.3220, subparts 1 to 7.

Subp. 13. [Repealed, 24 SR 1332]

Subp. 14. [Repealed, 24 SR 1332]

Subp. 15. **Single-family housing.** "Single-family housing" means one to four family dwelling units eligible to be financed from the proceeds of mortgage revenue bonds under federal law.

Subp. 16. [Repealed, 24 SR 1332]

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *15 SR 2043; 16 SR 1913; 24 SR 1332*

**Published Electronically:** *June 11, 2008*

**4900.3220 ELIGIBLE PROGRAMS.**

Subpart 1. **General program eligibility.** All applications for single-family housing programs under Minnesota Statutes, section 474A.061, subdivision 2a, must be made by a city and must meet the requirements of this part.

Subp. 2. **Borrower income limits.** In addition to the borrower income limits in Minnesota Statutes, section 474A.061, subdivision 2a, paragraph (b), clause (2), the program's borrower income limits must not exceed the maximum allowed for mortgage bonds under federal tax law, including section 143(e) of the Internal Revenue Code of 1986.

If Minnesota Statutes provide for agency income limits and those limits are lowered during the origination period, cities may use the income limits in effect at the time the bonds were issued for the duration of the origination period. If the agency's income limits are raised during the origination period, cities may use the higher income limits for the duration of the origination period.

Subp. 3. **House price limits.** In addition to the house price limits in Minnesota Statutes, section 474A.061, subdivision 2a, paragraph (b), clause (3), the program's house price limits must not exceed the maximum allowed for mortgage bonds under federal tax law, including section 143(e) of the Internal Revenue Code of 1986.

If Minnesota Statutes provides for agency house price limits, house price limits may exceed the agency house price limits only if a subsidy is used to reduce the effective purchase price of the property to the above levels.

If Minnesota Statutes provides for agency house price limits and those limits are lowered during the origination period, cities may use the house price limits in effect at the time the bonds were issued for the duration of the origination period. If the agency's house price limits are raised during the origination period, cities may use the higher house price limits for the duration of the origination period.

Subp. 4. **Limits on new construction.** New construction is limited by Minnesota Statutes, section 462A.073, and any related rules.

Subp. 5. [Repealed, 24 SR 1332]

Subp. 6. [Repealed, 24 SR 1332]

Subp. 7. [Repealed, 24 SR 1332]

Subp. 8. [Repealed, 24 SR 1332]

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *15 SR 2043; 16 SR 1913; 24 SR 1332*

**Published Electronically:** *June 11, 2008*

**4900.3230 APPLICATION FOR MORTGAGE REVENUE BOND AUTHORITY.**

Subpart 1. **General.** Cities may apply to the agency for mortgage revenue bond authority from the housing pool as provided in subparts 2 and 3.

Subp. 2. **Application period.** In the event that bonding authority is available in the housing pool on the dates prescribed, cities may submit applications to the agency for single-family mortgage revenue bond authority for eligible programs.

Subp. 3. **Application requirements.** Cities that wish to apply for single-family mortgage revenue bond authority must submit:

A. an application on a form developed by the agency that establishes that the program meets the requirements of part 4900.3220, subparts 2 to 4, and Minnesota Statutes, section 474A.061, subdivision 2a;

B. an application deposit by check payable to the Department of Management and Budget equal to one percent of the requested allocation from the housing pool; and

C. an application fee as described in Minnesota Statutes, section 474A.03, subdivision 4.

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *15 SR 2043; 16 SR 1913; 24 SR 1332; L 2009 c 101 art 2 s 109*

**Published Electronically:** *August 7, 2009*

**4900.3250 APPLICANT SELECTION.**

Subpart 1. **Agency developed list.** Within a reasonable period after the application periods specified in Minnesota Statutes, section 474A.061, subdivision 2a, but in no circumstances later than 30 days after the end of an application period, the agency shall develop a list specifying the amounts allotted to each application according to Minnesota Statutes, section 474A.061, subdivision 2a, paragraph (b), clause (4).

Subp. 2. **Notification.** The agency shall forward a copy of the list to the commissioner of management and budget. A copy of the list forwarded to the commissioner of management and budget shall be sent to each applicant.

Subp. 3. **Designation of issuance.** Upon the establishment of the list in subpart 1, the city must designate within 15 days of the date of the list whether it plans to issue mortgage revenue bonds on its own behalf or through a joint powers agreement, or whether it plans to ask the agency to issue mortgage revenue bonds on its behalf.

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *15 SR 2043; 16 SR 1913; 24 SR 1332; L 2009 c 101 art 2 s 109*

**Published Electronically:** *August 7, 2009*

**4900.3270 AGENCY ISSUANCE ON BEHALF OF CITIES.**

Subpart 1. [Repealed, 24 SR 1332]

Subp. 2. **Program administration.** The agency may develop agreements which govern administrative procedures pertaining to programs funded with mortgage revenue bonds sold on behalf of cities. The agreements may govern matters including, but not limited to, local lender participation, mortgage servicing and servicers, mortgage processing and underwriting, and the period of time that funds may remain exclusively available to participating cities. In developing the agreements, the agency shall attempt to facilitate city programs while prudently addressing agency credit risk.

Subp. 3. **Homeownership assistance fund.** The agency may make the homeownership assistance fund as described in parts 4900.1300 to 4900.1390 available to cities participating under this part.

Subp. 4. **Application deposit refund.** Any application deposits returned to the agency pursuant to Minnesota Statutes, section 474A.061, subdivision 4, or 474A.131, subdivision 1, shall be forwarded by the agency to the appropriate city.

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *15 SR 2043; 16 SR 1913; 24 SR 1332*

**Published Electronically:** *June 11, 2008*

**4900.3290** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**NEW HOUSING MORTGAGE REVENUE BONDS****4900.3300 SCOPE.**

Parts 4900.3300 to 4900.3320 govern the financing of new housing under the agency's mortgage revenue bond programs to finance the purchase of single-family housing as required by Minnesota Statutes, section 462A.073.

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *15 SR 2043; 24 SR 1332*

**Published Electronically:** *June 11, 2008*

**4900.3310 DEFINITIONS.**

Subpart 1. **Scope.** For the purposes of parts 4900.3300 to 4900.3320, the following terms have the meanings given them. Except as defined otherwise in this part, terms defined in Minnesota Statutes, section 462A.073, subdivision 1, have the meanings given them in Minnesota Statutes, section 462A.073.

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

Subp. 3. **City.** "City" means a city as defined in Minnesota Statutes, section 462C.02, subdivision 6.

Subp. 4. [Repealed, 24 SR 1332]

Subp. 5. [Repealed, 24 SR 1332]

Subp. 6. **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. 7. [Repealed, 24 SR 1332]

Subp. 8. [Repealed, 24 SR 1332]

Subp. 9. **Program.** "Program" means a program under parts 4900.3320 to 4900.3360.

Subp. 10. [Repealed, 24 SR 1332]

Subp. 11. **Single-family housing.** "Single-family housing" means one to four family dwelling units eligible to be financed from the proceeds of mortgage revenue bonds under federal law.

Subp. 12. [Repealed, 24 SR 1332]

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *15 SR 2043; 16 SR 1913; 24 SR 1332*

**Published Electronically:** *June 11, 2008*

#### **4900.3320 LIMITATIONS ON NEW CONSTRUCTION; METROPOLITAN AREA.**

Minnesota Statutes, section 462A.073, limits new construction in the seven-county Twin Cities metropolitan area. The statute allows new housing that is part of a housing affordability initiative that meets one or more of the criteria in items A to F.

A. The program is accepted or designated under the United States Department of Housing and Urban Development (HUD) Affordable Housing Program or any successor program sponsored by HUD to encourage affordable new housing.

B. The program provides that financial resources other than those necessary to complete the mortgage revenue bond sale are applied to reduce the cost of the housing or improve the terms of the mortgage loans provided through the sale. A contribution greater than or equal to five percent of the purchase price of each newly constructed home to be financed with mortgage revenue bond proceeds must be provided to meet this criterion. The contribution may be provided either in whole or in part from federal, state, or local government resources or programs, private foundations, or the Federal Housing Finance Board.

C. The program provides that the applicable local government authority in the jurisdiction in which the new housing is to be constructed takes affirmative steps to relax regulation to result

in greater housing affordability. The steps must demonstrably reduce the cost of the housing by at least five percent.

D. The program supports the efforts of housing groups that support self-help or owner built housing initiatives in which at least 15 percent of the labor or materials or both needed to complete the new housing is acquired or donated through the efforts of such groups.

E. The program provides that the new housing is constructed by a nonprofit entity as defined in part 4900.0010, subpart 21, that has as a primary purpose the provision or development of affordable housing to low- and moderate-income homebuyers.

F. The new housing is located on a parcel purchased by the city or conveyed to the city under Minnesota Statutes, section 282.01, subdivision 1.

**Statutory Authority:** *MS s 14.05; 462A.06*

**History:** *15 SR 2043; 16 SR 1913; 24 SR 1332*

**Published Electronically:** *June 11, 2008*

**4900.3330** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.3340** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.3350** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.3360** [Repealed, 24 SR 1332]

**Published Electronically:** *June 11, 2008*

**4900.3370** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.3371** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.3372** [Repealed, L 2014 c 161 art 3 s 1]

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**4900.3373** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.3374** [Repealed, L 2014 c 161 art 3 s 1]

**Published Electronically:** *August 5, 2014*

**4900.3375** [Repealed, L 2014 c 161 art 3 s 1]

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**4900.3376** [Repealed, L 2014 c 161 art 3 s 1]

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- 4900.3377** [Repealed, L 2014 c 161 art 3 s 1]  
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- 4900.3378** [Repealed, L 2014 c 161 art 3 s 1]  
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- 4900.3379** [Repealed, L 2014 c 161 art 3 s 1]  
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- 4900.3380** [Repealed, L 2014 c 161 art 3 s 1]  
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- 4900.3400** [Repealed, L 2014 c 161 art 3 s 1]  
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- 4900.3403** [Repealed, L 2014 c 161 art 3 s 1]  
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- 4900.3404** [Repealed, L 2014 c 161 art 3 s 1]  
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- 4900.3410** [Repealed, L 2014 c 161 art 3 s 1]  
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- 4900.3411** [Repealed, L 2014 c 161 art 3 s 1]  
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- 4900.3412** [Repealed, L 2014 c 161 art 3 s 1]  
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- 4900.3413** [Repealed, L 2014 c 161 art 3 s 1]  
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### NEIGHBORHOOD LAND TRUST PROGRAM

#### 4900.3430 SCOPE.

Parts 4900.3430 to 4900.3434 govern the implementation of the publicly owned neighborhood land trust program authorized by Minnesota Statutes, section 462A.202, subdivision 6. The program provides funding to acquire, construct, and rehabilitate housing, including land and buildings, by the use of a land trust.

Under this program, a city will retain ownership of the land in perpetuity, but provide a long-term lease, generally 99 years, for the use of the land and buildings to either persons and families of low and moderate income or qualified nonprofit corporations.

These activities are financed with proceeds from state general obligation bonds.

**Statutory Authority:** *MS s 462A.06*

**History:** *18 SR 390*

**Published Electronically:** *June 11, 2008*

#### 4900.3431 DEFINITIONS.

Subpart 1. **Agency.** "Agency" means the Minnesota Housing Finance Agency.

Subp. 2. **Applicant.** "Applicant" means a city that submits an application for financial assistance.

Subp. 3. **Application.** "Application" means a submittal requesting financial assistance to pay the cost of the acquisition, improvement, construction, or rehabilitation of property to provide housing for persons and families of low and moderate income.

Subp. 4. **Building.** "Building" means a structure that is physically attached in some manner to a parcel of land, and is carried on the property tax rolls of the locality as real property.

Subp. 5. **City.** "City" means a city as defined in Minnesota Statutes, section 462C.02, subdivision 6, that by resolution has determined to act with the powers and duties described in Minnesota Statutes, section 462A.31, subdivisions 1 to 5.

Subp. 6. **Eligible nonprofit organization.** "Eligible nonprofit organization" means a nonprofit corporation organized under Minnesota Statutes, chapter 317A, that complies with Minnesota Statutes, sections 462A.30 and 462A.31, and that qualifies for tax exempt status under United States Code, title 26, section 501(c)(3).

Subp. 7. **Financial assistance.** "Financial assistance" means a loan from the agency.

Subp. 8. **Land trust activities.** "Land trust activities" means activities that are in compliance with parts 4900.3430 to 4900.3434, the publicly owned neighborhood land trust program, and Minnesota Statutes, section 462A.202, subdivisions 6 and 7.

Subp. 9. **Persons and families of low and moderate income.** "Persons and families of low and moderate income" means persons or families whose income does not exceed 80 percent of the greater of statewide or area median income as determined from time to time by the United States Department of Housing and Urban Development.

Subp. 10. **Program.** "Program" means the publicly owned neighborhood land trust program.

Subp. 11. **Property.** "Property" means land or buildings subject to the financial assistance requested in the application.

**Statutory Authority:** *MS s 462A.06*

**History:** *18 SR 390*

**Published Electronically:** *June 11, 2008*

#### **4900.3432 ELIGIBILITY.**

Subpart 1. **Eligible applicants.** Only a city may be an eligible applicant.

Subp. 2. **Eligible uses of financial assistance.** A city may use the proceeds of the financial assistance for capital costs identified in the application.

Subp. 3. **Eligible applications.** The application for financial assistance shall, at a minimum, contain:

A. evidence that the applicant is an eligible applicant;

B. a comprehensive plan for the use of the financial assistance, including:

(1) documentation of the need for the type of proposed activity, including information on the extent to which persons and families of low and moderate income will benefit;

(2) a detailed description of all other financial resources available to the applicant to complete the activity, including those from other public or private sources; and

(3) a timetable for the completion of the proposed activity;

C. documentation of the applicant's ability to complete and maintain the property in accordance with its funded use for the period of time identified in the application;

D. documentation sufficient to establish that the cost and quality of the proposed activity is reasonable;

E. evidence of the intended use of a ground lease which meets the requirements of Minnesota Statutes, section 462A.31; and

F. if the applicant intends to contract with an eligible nonprofit organization to develop or manage the property, a copy of the contract and evidence of the nonprofit organization's abilities and capacities to fulfill program requirements.

**Statutory Authority:** *MS s 462A.06*

**History:** *18 SR 390*

**Published Electronically:** *June 11, 2008*

**4900.3433 TERMS AND CONDITIONS OF FINANCIAL ASSISTANCE, USE OF PROPERTY, AND REPAYMENT REQUIREMENTS.**

Subpart 1. **Interest rate.** The agency shall not charge interest on the financial assistance.

Subp. 2. **Ownership and use requirements.** The financial assistance is subject to the terms and conditions in items A to F pertaining to ownership and use of the property.

A. The applicant must intend to own and use the property for the purposes identified in the application.

B. The applicant may contract with an eligible nonprofit organization for the management of the property.

C. The applicant may use the property for purposes other than those identified in the application only after it has repaid the amount of the original financial assistance to the agency.

D. If the applicant uses the financial assistance to purchase land only, or purchases land and buildings and later demolishes the buildings, the applicant may lease the vacant land to an eligible nonprofit organization for a term of up to 99 years at a nominal annual rental amount.

E. If the applicant uses the financial assistance to purchase property consisting of land and buildings, the applicant may sell any buildings situated on the land to an eligible nonprofit organization, provided that:

- (1) the applicant retains ownership of the land;
- (2) the applicant sells the buildings for fair market value;
- (3) the applicant complies with the repayment requirements provided in subpart 3; and
- (4) the applicant annually determines that the buildings are owned by an eligible nonprofit organization and are being used for land trust activities.

F. The applicant may lease buildings situated on the land which received the financial assistance to an eligible nonprofit organization for a nominal annual rental amount, provided that:

- (1) the lease does not exceed ten years;
- (2) the applicant has the absolute and unconditional option to cancel the lease at the end of any three-year period; and

(3) the applicant is required to annually determine that the property is being used for land trust activities, and is benefiting persons and families of low and moderate income.

For those applications not containing evidence of the conditions cited in item F, the annual rental amount must at least equal the total amount of financial assistance attributable to the cost of buildings divided by the number of years of the useful life of the buildings.

**Subp. 3. Repayment requirements.** The financial assistance is subject to the repayment requirements in items A and B.

A. If the applicant sells all of the property, the sale must be at fair market value and the applicant must repay the lesser of either the net proceeds of the sale or the amount owing to the agency at the time of the sale. The amount repaid shall be considered to be payment in full of the entire outstanding balance of the financial assistance owed the agency.

If the applicant sells part of the property, the sale must be at fair market value and the applicant must repay the lesser of either the net proceeds of the sale or the amount owing to the agency at the time of the sale. The amount repaid shall be credited against the outstanding balance of the financial assistance owed the agency.

B. If the applicant owns and uses the property for the purposes identified in the application for a period of 20 years from the date the financial assistance is first supplied to the applicant, the outstanding balance of the financial assistance owed to the agency shall be considered to have been paid in full.

**Statutory Authority:** *MS s 462A.06*

**History:** *18 SR 390*

**Published Electronically:** *June 11, 2008*

#### **4900.3434 SELECTION CRITERIA FOR LOANS.**

From time to time, the agency may request applications for financial assistance. The agency shall select applications for financial assistance based on the following criteria:

A. the need for the type of housing which will be created by the eligible activities described in the application;

B. the extent to which other resources are or will be allocated to address the stated need;

C. the extent to which the land trust loan funds are combined with other funds from private or public sources;

D. the geographic distribution of the applications, to the extent that funds can be used for land trust activities throughout the state;

E. the extent to which persons or families of low and moderate income will benefit from the eligible activities;

F. the extent to which displacement of residents will be minimized;

- G. the extent to which the eligible activities are more innovative than other proposals;
- H. the extent to which the application receives the support and participation of the local community;
- I. the reasonableness of the cost and quality of the eligible activities;
- J. the experience and capacity of the applicant to perform land trust activities and provide administrative support services for an extended period of time; and
- K. if applicable, the experience and capacity of the nonprofit organization to which the applicant proposes to either contract with or lease any part of the property.

**Statutory Authority:** *MS s 462A.06*

**History:** *18 SR 390*

**Published Electronically:** *June 11, 2008*

### **AFFORDABLE RENTAL INVESTMENT FUND PROGRAM**

#### **4900.3500 SCOPE.**

Parts 4900.3500 to 4900.3550 govern the implementation of the affordable rental investment fund program authorized under Minnesota Statutes, section 462A.21, subdivision 8b.

**Statutory Authority:** *MS s 462A.06*

**History:** *19 SR 1150*

**Published Electronically:** *June 11, 2008*

#### **4900.3510 DEFINITIONS.**

Subpart 1. **Application.** The definitions in this part apply in parts 4900.3500 to 4900.3550.

Subp. 2. **Agency.** "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, chapter 462A.

Subp. 3. **Affordable rental housing.** "Affordable rental housing" means a development that includes at least four assisted units.

Subp. 4. **Affordable rental investment fund program.** "Affordable rental investment fund program" means a loan program authorized by Minnesota Statutes, section 462A.21, subdivision 8b, to acquire, rehabilitate, or newly construct affordable rental housing.

Subp. 5. **Area median income.** "Area median income" means the greater of the county median income or the Minnesota nonmetropolitan median income as each is provided annually to the agency by a notice from the United States Department of Housing and Urban Development.

Subp. 6. **Assisted unit.** "Assisted unit" means a unit of rental housing affordable to low-income households, as provided in part 4900.3540, in a development for which a loan has been made from the affordable rental investment fund program.

Subp. 7. **Development.** "Development" means the affordable rental housing to be acquired, rehabilitated, or newly constructed by the applicant as described in the application.

**Statutory Authority:** *MS s 462A.06*

**History:** *19 SR 1150*

**Published Electronically:** *June 11, 2008*

#### **4900.3520 ELIGIBLE APPLICANTS.**

Subpart 1. **Property interest.** An applicant for the affordable rental investment fund program loan must, at the time of application, possess one of the following interests in the real property that is the site of the development:

- A. a fee title;
- B. a fee title subject to a mortgage or other lien securing a debt capable of prepayment or, at the option of the agency, subordination; or
- C. a mutually binding contract or option for the purchase of fee title.

Subp. 2. **Eligible entities.** To be eligible to receive a loan from the affordable rental investment fund program, an applicant must be:

- A. a Minnesota nonprofit entity as defined in part 4900.0010, subpart 21, including, but not limited to, a housing and redevelopment authority established under Minnesota Statutes, sections 469.001 to 469.047;
- B. a town, or a home rule charter or statutory city, in Minnesota;
- C. a cooperative housing corporation as defined in part 4900.0010, subpart 8;
- D. a limited dividend entity as defined in part 4900.0010, subpart 14; or
- E. a for profit entity, but only for the purposes set out in Minnesota Statutes, section 462A.21, subdivision 8b.

**Statutory Authority:** *MS s 462A.06*

**History:** *19 SR 1150*

**Published Electronically:** *June 11, 2008*

#### **4900.3530 ELIGIBLE APPLICATIONS.**

The applicant must submit an application in the form and at the time prescribed by the agency. At a minimum, the application must include pertinent details on the following:

- A. information describing the site of development, including the location, present use and zoning, surrounding land uses, and physical characteristics of the site that might affect construction;

B. a description of the development, including the building type, the size and number of dwelling units, and the characteristics of the development that make it appropriate for residency by households;

C. information with respect to the market for the development, including reports of market surveys or analyses and documentation of need for the development;

D. a description of the acquisition, rehabilitation, or new construction to be completed, including a schedule of the proposed uses of any requested loan funds and the amounts proposed to be allocated to each use;

E. a budget for the development showing all development costs, operating costs, sources of financing sought or secured, proposed rent schedule, and any other sources of income; and

F. a timetable for completion of the development.

**Statutory Authority:** *MS s 462A.06*

**History:** *19 SR 1150*

**Published Electronically:** *June 11, 2008*

#### **4900.3540 REQUIRED OCCUPANCY.**

The assisted units in the development funded in whole or part with loans from the affordable rental investment fund program must be occupied by households whose adjusted income at the time of initial occupancy does not exceed 60 percent of the area median income. The household income ceiling for assisted units may be less than 60 percent of area median income to the extent required by other nonagency funding sources used in conjunction with this program, such as foundations and federal agencies.

**Statutory Authority:** *MS s 462A.06*

**History:** *19 SR 1150*

**Published Electronically:** *June 11, 2008*

#### **4900.3550 SELECTION CRITERIA.**

The agency shall use the criteria in this part to determine whether an applicant will get a loan from the affordable rental investment fund program:

A. the need, documented by the applicant, for the development in the proposed geographic area;

B. the ability and capacity of the applicant to proceed expeditiously with the development;

C. the applicant's prior experience in developing, owning, and operating similar development;

D. the cost-reasonableness and quality of the development;

E. the geographic distribution of loan funds, to the extent that loan funds can be used to assist developments throughout the state;

F. the relationship of the proposed development to public facilities, sources of employment, and services, including public transportation, health, education, and recreation facilities;

G. the extent to which other programs are available to assist the development;

H. the extent to which the loan funds are combined with other sources of funding to make the development economically feasible and rents affordable for low-income families and individuals;

I. the extent to which existing units of rental housing are available to low-income households; and

J. the extent to which the development encourages or maintains economic integration.

**Statutory Authority:** *MS s 462A.06*

**History:** *19 SR 1150*

**Published Electronically:** *June 11, 2008*

#### **4900.3600 SCOPE.**

Parts 4900.3600 to 4900.3652 govern the implementation of the economic development and housing challenge program authorized by Minnesota Statutes, section 462A.33.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1510*

**Published Electronically:** *June 11, 2008*

#### **4900.3610 DEFINITIONS.**

Subpart 1. **Scope.** The terms used in parts 4900.3600 to 4900.3652 have the meanings given them in this part.

Subp. 2. **Affordable to the local work force.** "Affordable to the local work force" means that the amount of rent or housing payments made by the occupants of housing funded under the challenge program is affordable based on the wages of the jobs being created or retained in the local area, the fastest growing jobs in the local area, the jobs with the most openings in the local area, or the wages of the work force employed by organizations making contributions under the challenge program. Rent or housing payments are affordable if they do not exceed 30 percent of the wages being paid in the local area as the wages are described in the application for challenge program funding.

Subp. 3. **Agency.** "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, chapter 462A.

Subp. 4. **Application guide.** "Application guide" means the informational materials developed by the agency for the purposes of soliciting applications for and releasing funds under the challenge program.

Subp. 5. **Challenge program.** "Challenge program" means the economic development and housing challenge program authorized by Minnesota Statutes, section 462A.33.

Subp. 6. **Continuum of care plan.** "Continuum of care plan" means a community plan prescribed by HUD to organize and deliver housing and services to meet the specific needs of people who are homeless as they move to stable housing and maximum self-sufficiency and includes action steps to end homelessness and prevent a return to homelessness.

Subp. 7. **Cooperatively developed plan.** "Cooperatively developed plan" means a plan that encompasses multiple affordable housing and related service initiatives in a geographically defined area that is developed through the cooperation and input of a city or county, or instrumentality thereof, or a regional unit of government and one or more of the following entities:

- A. a neighborhood group or community group;
- B. housing providers; and
- C. housing funders.

Subp. 8. **Deferred loan.** "Deferred loan" means a non- or low-interest-bearing loan made without periodic payments and repaid in full at the end of the loan term or upon the occurrence of a specified event.

Subp. 9. [Repealed, 29 SR 1479]

Subp. 10. [Repealed, 29 SR 1479]

Subp. 11. **Eligible homebuyer.** "Eligible homebuyer" means a household that satisfies the income limits provided in Minnesota Statutes, section 462A.33, subdivision 5, with respect to homeownership projects.

Subp. 12. **Household at risk of becoming homeless.** "Household at risk of becoming homeless" means a household that is faced with a situation or set of circumstances that is likely to cause the household to become homeless in the future, including living in substandard housing, living in housing that is inadequate for the size of the household, living in housing with a person who engages in domestic violence, paying more than 50 percent of household income for rent, or having insufficient household resources to pay for current housing and meet other basic needs.

Subp. 13. **Interim loan.** "Interim loan" means a short-term non- or low-interest-bearing loan made to a successful applicant to assist with acquiring, demolishing, rehabilitating, or constructing owner-occupied housing.

Subp. 14. **Local area.** "Local area" means the geographic area in Minnesota that the agency uses to determine what constitutes the local work force and to compute average hourly or annual wages.

Subp. 15. **Member-adopted plan for affordable housing.** "Member-adopted plan for affordable housing" means the affordable housing plan adopted by the members that the agency uses to project the resources that will be available to the agency to invest in housing programs during each biennium and to plan for how the resources are invested.

Subp. 16. **Owner-occupied housing.** "Owner-occupied housing" means housing that is the principal place of residence for the owner and the owner's household. Housing that is primarily intended to be used in a trade or business, as an investment property, or as a recreational home is not owner-occupied housing; however, a property that contains rental housing units qualifies as owner-occupied housing so long as the property includes no more than four housing units, at least one of which is occupied by the property's owner.

Subp. 17. **Private developer.** "Private developer" means an individual or a for-profit nongovernmental entity, including a cooperative housing corporation as defined in part 4900.0010, subpart 8, and a limited dividend entity as defined in part 4900.0010, subpart 14.

Subp. 18. **Public housing agency.** "Public housing agency" means any state, county, municipality, or other governmental entity or public body, or agency thereof, that is authorized to engage or assist in the development or operation of low-income housing.

Subp. 19. **Rental housing.** "Rental housing" means housing with a minimum of four units that is used to provide living accommodations to persons or families on a rental basis. Rental housing does not include owner-occupied housing or a unit in a hotel, motel, inn, or other establishment where units are used on a transient basis.

Subp. 20. **Tenant-based rental assistance.** "Tenant-based rental assistance" means a rental subsidy provided for an individual household that chooses its own housing unit.

Subp. 21. **Underserved populations.** "Underserved populations" means individuals and households of color, single female heads of households with minor children, and disabled individuals.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1510; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **4900.3620 ALLOCATION OF FUNDS.**

The agency shall apportion challenge program funds among the permitted uses authorized by Minnesota Statutes, section 462A.33, according to the member-adopted plan for affordable housing. The agency shall issue an application guide prior to each round of funding under the challenge program.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1510*

**Published Electronically:** *June 11, 2008*

#### **4900.3630 TYPES OF FUNDING AVAILABLE.**

Funds awarded to successful applicants from the challenge program must take the form of loans or grants as described in parts 4900.3632 and 4900.3634.

**Statutory Authority:** *MS s 462A.06*

**History:** 26 SR 1510

**Published Electronically:** June 11, 2008

#### **4900.3632 RENTAL HOUSING.**

Subpart 1. **Generally.** For rental housing, the agency shall provide challenge program funds in the form of a deferred loan. The agency shall provide challenge program funds in the form of a grant if:

A. the applicant provides documentation confirming that another funding source requires the agency's funds to be provided in the form of a grant; and

B. the other funding source is providing a greater amount of funding than the agency is providing.

#### **Subp. 2. Loans for rental housing.**

A. The agency shall award challenge program loans in the form of a deferred loan unless an amortizing loan is requested by the borrower and deemed financially feasible by the agency. The agency shall base its determination of financial feasibility on whether the rental housing shall generate enough cash flow to support the amortizing loan. In making this determination, the agency shall consider the rental housing's projected income less its projected expenses. The term of the loan is 30 years from the date of the loan closing; however, the agency may adjust the loan term based on any of the following factors:

(1) requirements and conditions of other funding sources related to loan term;

(2) the existence of a leasehold mortgage on the property benefited by the loan; or

(3) economic analysis by agency staff demonstrating that the housing will not have sufficient value at the end of the loan term to allow the borrower to repay the loan.

B. Challenge program loans bear interest at a rate of zero percent unless a higher interest rate is necessary to allow challenge program funds to be used with other funding sources. Principal and interest, if any, is due and payable at the end of the 30-year term.

#### **Subp. 3. Grants for rental housing.**

A. The term of challenge program grants is 30 years from the date of the grant award; however, the agency may adjust the grant term based on requirements and conditions of other funding sources related to the grant term or the existence of a leasehold mortgage on the property benefited by the grant.

B. Challenge program grants must be repaid in full to the agency if the grant recipient does not comply with the conditions of the grant agreement with the agency. Challenge program grants must be forgiven in full at the end of the 30-year term if the grant recipient remains in compliance with the grant agreement throughout the grant term.

Subp. 4. **Repayment processing fee.** The agency shall charge borrowers a repayment processing fee when a challenge program loan or grant is repaid in full, as provided in the loan or grant agreement between the borrower or grant recipient and the agency. The amount of the processing fee is equal to the approximate administrative costs incurred by the agency in processing the repayment.

Subp. 5. **Sale of housing or assumption of loan.** The agency shall approve the sale of rental housing financed, or the assumption of a loan or grant made, under this part if the entity purchasing the rental housing or assuming the loan meets the agency's current mortgage credit and underwriting standards. The agency shall charge the original borrower or grant recipient an assumption fee in an amount equal to the approximate administrative costs incurred by the agency in processing the sale or assumption, as provided in the loan or grant agreement between the borrower or grant recipient and the agency.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1510*

**Published Electronically:** *June 11, 2008*

#### **4900.3634 OWNER-OCCUPIED HOUSING.**

Subpart 1. **Generally.** To determine whether to award challenge program funds for owner-occupied housing in the form of an interim loan or a deferred loan, the agency shall consider the type of activity for which the applicant seeks funding and the needs described in the application. The agency shall provide funding to a successful applicant in the form of a loan unless the applicant provides documentation satisfying the conditions in subpart 3.

Subp. 2. **Loans for owner-occupied housing.** Challenge program funds provided in the form of a loan may be interim loans or deferred loans.

A. The agency may provide challenge program funds in the form of an interim loan to acquire, rehabilitate, demolish, or construct owner-occupied housing. Interim loans bear interest at a rate of two percent unless the interest rate would adversely affect the affordability of the housing for the eligible homebuyers that the applicant is proposing to serve, in which case the interim loan is interest free.

The term of an interim loan is 20 months; however, the agency may adjust the loan term based on requirements and conditions of other funding sources related to the loan term or economic analysis by agency staff of the financial feasibility of the owner-occupied housing. The determination of financial feasibility shall be based on whether all sources of funding are available and sufficient to cover the total development costs of the housing. Principal and interest, if any, is due and payable at the end of the 20-month term. Interim loans shall not be transferred to eligible homebuyers.

B. The agency may also provide challenge program funds in the form of an interest-free deferred loan for purposes of interim or permanent financing. A deferred loan is used to help bridge funding gaps not covered by a first mortgage or other sources of funding for owner-occupied housing. A deferred loan must be repaid:

- (1) when the owner-occupied housing constructed, acquired, or improved with the proceeds of the deferred loan is sold, transferred, or otherwise conveyed by the eligible homebuyer;
- (2) when the eligible homebuyer ceases to use owner-occupied housing constructed, acquired, or improved with the proceeds of the deferred loan as owner-occupied housing; or
- (3) on the date that is 30 years from the date of the loan closing;

whichever occurs first.

Subp. 3. **Grants.** Challenge program funds may be provided in the form of a grant if the funds will be used to finance:

A. the gap that exists between the sale price of the owner-occupied housing and the construction costs of the housing; or

B. other eligible activities for which the agency could not recoup loans without increasing housing costs beyond that which the eligible homebuyer could afford. In deciding to award grant funds, the agency shall also consider administrative ease and whether the award would expand and preserve affordable housing opportunities for a longer period of time.

Subp. 4. **Loan repayment.**

A. A successful applicant shall repay to the agency all challenge program funds awarded to it in the form of a loan if the successful applicant ceases to use the funds as stated in its application to the agency and in the manner provided in any agreement between the successful applicant and the agency governing the use of the challenge program funds.

B. The successful applicant may retain the proceeds of the challenge program loan and revolve the funds under either of the following two conditions:

(1) Condition one:

(a) the successful applicant uses the challenge program funds for the same purpose for which the agency originally awarded the funds within two years of the original award; and

(b) the location of the owner-occupied housing to be acquired, rehabilitated, or constructed with the funds is identified in the application.

The successful applicant's authority to revolve the funds beyond the initial two years may be renewed upon application to and approval by the agency.

(2) Condition two:

(a) the successful applicant uses the challenge program funds to finance the difference between the cost of the owner-occupied housing and the amount that the eligible homebuyers targeted by the successful applicant can afford for housing, based on industry standards and practices; and

(b) the successful applicant uses the challenge program funds for the same purpose for which the agency originally awarded the funds within two years of repayment of the funds to the successful applicant.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1510*

**Published Electronically:** *June 11, 2008*

#### **4900.3640 ELIGIBLE APPLICANTS.**

To be eligible to apply for funds under the challenge program, an applicant must be:

- A. a nonprofit organization, as defined in Minnesota Statutes, section 462A.03, subdivision 22;
- B. a city, as defined in Minnesota Statutes, section 462A.03, subdivision 21;
- C. a joint powers board established by two or more cities that owns or will own the housing;
- D. a public housing agency that owns or will own the housing;
- E. an Indian tribe or tribal housing corporation that owns or will own the housing;
- F. a natural person who owns or will own the housing; or
- G. a private developer.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1510*

**Published Electronically:** *June 11, 2008*

#### **4900.3642 ELIGIBLE APPLICATIONS.**

The applicant shall provide an application in the form prescribed by the agency. The application must include:

- A. a description of the applicant's goals and objectives in meeting the area's need for the type of housing proposed;
- B. a detailed description of how the housing will be developed and managed, including a description of the proposed site for the housing and preliminary architectural plans or proposed work scope for the housing when applicable;
- C. the development staff's qualifications and, for rental housing, the management staff's qualifications;
- D. a detailed budget for the development of the housing showing all development costs and the sources of funds to pay for them;

E. a detailed budget for the operation of the housing showing all anticipated operating costs and the proposed rents and other income;

F. a detailed description of whether the proposal involves temporary or permanent displacement or relocation of persons living in affected housing. If the proposal involves temporary or permanent displacement or relocation of persons living in affected housing, the applicant shall develop and submit a plan for minimizing relocation and displacement of the affected persons;

G. specific documentation that allows the agency to evaluate whether the housing is affordable to the local work force, including, but not limited to:

(1) for all proposals, a description of the local area and a justification as to why the applicant is defining the local area in terms of a city, county, or region. The justification must include, but not be limited to, an analysis of data related to the local area's economy and work force, typical commuting modes and distances, and transportation options;

(2) for all proposals, average hourly or annual wage data from the Minnesota Department of Employment and Economic Development or its successor, or another form of documentation acceptable to the agency, related to jobs being created or retained in the local area, the fastest growing jobs in the local area, the jobs with the most openings in the local area, and the wages of the work force employed by organizations making contributions under the challenge program;

(3) for proposals that include rental housing, the most recent data related to average or median rent in the local area or fair market rent as determined by HUD for the local area; and

(4) for proposals that include owner-occupied housing, the most recent data from the county assessor related to the average or median home sales price in the local area and proposed purchase prices of the housing in the application;

H. for proposals that include rental housing, a description of the proposed development, management, and operation of any common or commercial space;

I. for proposals that include owner-occupied housing, a description of the pool of eligible homebuyers that the applicant proposes to serve and a marketing plan to sell the owner-occupied housing to those homebuyers;

J. for proposals that include owner-occupied housing, if the applicant wants to revolve recaptured proceeds and challenge program funds at the local level according to part 4900.3634, subpart 4, item B, documentation to justify the need for the funds to revolve and a plan for reinvestment of the funds for eligible activities; and

K. specific documentation, as requested by the agency, that will allow the agency to evaluate the ability of the proposal to meet the selection standards in part 4900.3648 and the funding priorities in part 4900.3650.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1510; L 2005 c 112 art 2 s 41*

**Published Electronically:** *June 11, 2008*

**4900.3644 ELIGIBLE USES OF FUNDS.**

Subpart 1. **Generally.** The agency shall award loans or grants under the challenge program for the purposes specified in Minnesota Statutes, section 462A.33, subdivision 1.

Subp. 2. **Permitted uses.** Challenge program funds may be used for the following purposes:

- A. acquisition of land or existing structures;
- B. construction of housing;
- C. rehabilitation of housing;
- D. conversion to housing from another use;
- E. demolition or removal of existing structures according to Minnesota Statutes, section 462A.33, subdivision 1, paragraph (c);
- F. provision of interim financing for owner-occupied housing;
- G. provision of construction financing for rental housing;
- H. provision of permanent financing;
- I. reduction of interest rates for owner-occupied housing;
- J. refinancing of existing loans; or
- K. provision of financing to fill a funding gap, as provided in Minnesota Statutes, section 462A.33, subdivision 1, paragraph (a).

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1510*

**Published Electronically:** *June 11, 2008*

**4900.3646 HOUSING REQUIREMENTS.**

Subpart 1. **Requirements for owner-occupied housing.** To be eligible for challenge program funds, owner-occupied housing must be:

- A. attached or detached, residential in nature, and able to be used profitably for a minimum of ten years after the end of the loan term;
- B. occupied by an eligible homebuyer;
- C. affordable to the local work force; and
- D. able to be completed no later than the date that is 20 months after the date on which the successful applicant receives a written loan or grant agreement from the agency.

Subp. 2. **Requirements for rental housing.** To be eligible for challenge program funds, rental housing must satisfy the following requirements:

- A. the rental housing must be residential in nature, and each rental housing unit must contain a kitchen and a bathroom;
- B. the rental housing must be permanent housing for which the term of tenancy may be extended indefinitely beyond the initial lease term;
- C. the rental housing units must be occupied by households that satisfy the income limits provided in Minnesota Statutes, section 462A.33, subdivision 5, with respect to rental housing projects;
- D. the rent charged for the rental housing units must be affordable to the local work force;
- E. if the rental housing includes single-family or duplex properties, these properties must be located in the same city or county and contain a minimum of four units total; and
- F. the use restrictions in this subpart must remain in effect until the later of:
  - (1) the date on which the loan is repaid or the grant agreement is terminated; or
  - (2) the date that is 15 years from the closing date of the loan or grant.

**Subp. 3. Eligible contributions.**

A. An in-kind contribution satisfies the requirements of Minnesota Statutes, section 462A.33, subdivision 3, clause (1), if it is a quantifiable noncash contribution in support of housing funded from the challenge program. A waiver of fees by a unit of local government constitutes an in-kind contribution.

B. A premium paid for federal housing tax credits by an area employer satisfies the requirements of Minnesota Statutes, section 462A.33, subdivision 3, if the applicant provides evidence to the agency that the price to be paid for the tax credits is higher than the market price for tax credits.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1510*

**Published Electronically:** *June 11, 2008*

**4900.3648 SELECTION STANDARDS.**

Subpart 1. **Generally.** To be considered for funding under the challenge program, applicants must comply with the requirements in Minnesota Statutes, section 462A.33, parts 4900.3640 to 4900.3646, and satisfy the threshold criteria in this part.

Subp. 2. **Overall project feasibility.** The agency shall consider the following factors in determining whether an applicant has demonstrated overall project feasibility:

- A. the nature of the proposed site;
- B. whether the proposed housing is needed in the market that is intended to be served, based upon the population, job growth, and low housing vacancy rates; and

C. whether costs of developing the housing are reasonable and the housing is economically viable.

Subp. 3. **Organizational capacity.** The agency shall consider the following factors in determining whether an applicant has demonstrated sufficient organizational capacity:

A. the applicant's purpose and mission;

B. the applicant's related housing experience;

C. whether the applicant has successfully completed similar projects or is partnering with other organizations that have successfully completed similar projects; and

D. whether the applicant has the strong current and expected ongoing capacity to complete the proposed housing as well as other proposals being developed by the organization and the expected ongoing capacity to maintain the rental housing long term.

Subp. 4. **Other considerations.** For proposals for housing for homeless or households at risk of becoming homeless persons, the agency shall consider whether the application is consistent with priorities stated in the applicable continuum of care plan.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1510; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **4900.3650 FUNDING PRIORITY.**

The agency shall give priority in awarding loans or grants under the challenge program to those proposals that best address the greatest number of the following priorities:

A. the extent to which the proposal includes contributions that comply with Minnesota Statutes, section 462A.33, subdivision 3, and whether the proposal includes contributions from a unit of local government; an area employer; and a private philanthropic, religious, or charitable organization;

B. the extent to which the proposal addresses the housing needs of underserved populations;

C. the extent to which the proposal contains clearly identified goals relating to the housing element of a cooperatively developed plan consistent with the mission of the agency;

D. the extent to which the proposed housing is located near jobs; transportation, including regional and interregional transportation corridors and transitways; recreation; retail services; social and other services; and schools;

E. the extent to which the proposed housing is part of the infrastructure necessary to sustain economic vitality;

F. the extent to which the proposed housing maximizes the adaptive reuse of existing buildings and the use of existing infrastructure. If the proposal includes new housing, the agency

shall consider the extent to which the efficient use of land and infrastructure is maximized and the loss of agricultural land and green space is minimized;

G. the extent to which private investment is included as a funding source;

H. the projected long-term affordability of the proposed housing;

I. the extent to which the proposed housing provides or maintains housing opportunities for households with a wide range of incomes and housing needs within a community or provides housing opportunities for a wide range of incomes within the proposed housing;

J. the extent to which the cost per unit is held as low as possible while not compromising the quality and sustainability of the proposed housing;

K. the extent to which the proposal identifies and includes identifiable cost avoidance or cost reductions from regulatory changes, incentives, or waivers by the local governing body, including, but not limited to:

(1) density bonuses;

(2) reduced setbacks and parking requirements;

(3) decreased road widths;

(4) flexibility in site development standards and zoning code requirements and waiver of permit or impact fees;

(5) fast-track permitting and approvals; and

(6) other regulatory incentives that will result in cost avoidance or reductions.

If a proposal identifies and includes cost savings, the application must provide a quantified breakdown of the cost savings due to regulatory incentives or innovative building techniques or materials;

L. the extent to which the site and design of the proposed housing is suitable for the housing needs of the proposed tenant and homebuyer populations;

M. the extent to which the applicant has the capacity to complete the proposed housing in a timely fashion and, if the proposal includes rental housing, maintain the rental housing after completion; and

N. temporary priorities, as established by the members or the legislature, that reflect unexpected short-term changes in the demand for housing. An example of an unexpected short-term change is the need to direct resources to respond to a natural disaster, such as a flood or tornado. Temporary priorities are described in the application guide.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1510*

**Published Electronically:** *June 11, 2008*

**4900.3652 MANAGEMENT AND OPERATION.**

Subpart 1. **Generally.** Applicants that are awarded challenge program funds for proposals that include rental housing shall comply with the management and operation requirements in this part.

Subp. 2. **Rent increases.** All rent increases must be approved by the agency and rent must remain affordable to the local work force.

Subp. 3. **Prohibition against discrimination.** The rental housing owner and the management agent shall not violate any federal, state, or local law or regulation prohibiting discrimination in the provision of housing and shall not refuse to rent to a household solely on the basis of the household's status as a recipient of tenant-based rental assistance.

Subp. 4. **Screening and affirmative marketing.** The rental housing owner or the management agent shall provide the agency with the screening criteria and the affirmative marketing fair housing plan to be used in managing the rental housing.

Subp. 5. **Utilization of units.** The rental housing owner or the management agent shall rent housing units to households in sizes appropriate to the unit size, with a ratio of at least one person per bedroom. If the household size changes during the course of tenancy, the household may request in writing to the owner or management agent to transfer to another unit or be placed on a waiting list for a transfer. The owner or management agent may also establish transfer criteria in house rules.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1510*

**Published Electronically:** *June 11, 2008*

**HOUSING TRUST FUND PROGRAM****4900.3700 SCOPE.**

Parts 4900.3700 to 4900.3769 govern the implementation of the housing trust fund program authorized by Minnesota Statutes, section 462A.201.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511*

**Published Electronically:** *June 11, 2008*

**4900.3705 DEFINITIONS.**

Subpart 1. **Scope.** The terms used in parts 4900.3700 to 4900.3769 have the meanings given them in this part.

Subp. 2. **Administrator.** "Administrator" means an entity that has applied for and has been awarded funds from the housing trust fund program for rental assistance.

Subp. 3. **Agency.** "Agency" means the Minnesota Housing Finance Agency created by Minnesota Statutes, chapter 462A.

Subp. 4. **Application guide.** "Application guide" means the informational materials developed by the agency for the purposes of soliciting applications for and releasing funds under the housing trust fund program.

Subp. 5. **Assisted unit.** "Assisted unit" means a unit of housing that complies with part 4900.3727 in a housing development for which the agency has made a loan or grant under the housing trust fund program.

Subp. 6. **Continuum of care plan.** "Continuum of care plan" means a community plan prescribed by HUD to organize and deliver housing and services to meet the specific needs of people who are homeless as they move to stable housing and maximum self-sufficiency and includes action steps to end homelessness and prevent a return to homelessness.

Subp. 7. **Cooperatively developed plan.** "Cooperatively developed plan" means a plan that encompasses multiple affordable housing and related service initiatives in a geographically defined area that is developed through the cooperation and input of a city or county, or agency thereof, or a regional unit of government and one or more of the following entities:

- A. a neighborhood group or community group;
- B. housing providers; and
- C. housing funders.

Subp. 8. **Deferred loan.** "Deferred loan" means a non- or low-interest-bearing loan made without periodic payments and repaid in full at the end of the loan term.

Subp. 8a. **Gross income.** "Gross income" means total annual household income received by members age 18 and older from all sources, including, but not limited to wages, salaries, tips, interest, dividends, and self-employment, and subject to exclusions as approved by agency board members and available to applicants in writing.

Subp. 9. **Gross rent.** "Gross rent" means the sum of the rent paid to the owner or management agent, plus the utilities for which the tenant is responsible.

Subp. 9a. **Homeless.** "Homeless" means a household lacking a permanent place to live.

Subp. 10. **Household at risk of becoming homeless.** "Household at risk of becoming homeless" means a household that is faced with a situation or set of circumstances that is likely to cause the household to become homeless in the future, including living in substandard housing, living in housing that is inadequate for the size of the household, living in housing with a person who engages in domestic violence, paying more than 50 percent of household income for rent, or having insufficient household resources to pay for current housing and meet other basic needs.

Subp. 10a. **Households experiencing long-term homelessness.** "Households experiencing long-term homelessness" means persons, including individuals, unaccompanied youth, and families

with children, lacking a permanent place to live continuously for one year or more or at least four times in the past three years. Any period of institutionalization or incarceration shall be excluded when determining the length of time a household has been homeless.

Subp. 11. **Metropolitan area.** "Metropolitan area" means the area defined in Minnesota Statutes, section 462A.03, subdivision 23.

Subp. 12. **Permanent rental housing.** "Permanent rental housing" means housing for which the term of tenancy may be extended indefinitely beyond the initial lease term and consists, at minimum, of a private room having sleeping accommodations.

Subp. 13. **Permanent supportive housing.** "Permanent supportive housing" means permanent rental housing affordable to the population served where support services are available to residents. Permanent supportive housing is available to individuals and families with multiple barriers to obtaining and maintaining housing, including those who are formerly homeless or at risk of homelessness and those with mental illness, substance abuse disorders, HIV/AIDS, or a combination of these conditions.

Subp. 14. **Project-based rental assistance.** "Project-based rental assistance" means a rental subsidy provided for an individual household that resides in a specific housing development owned by the administrator of the project-based rental assistance.

Subp. 15. **Public housing agency.** "Public housing agency" means any state, county, municipality, or other governmental entity or public body, or agency thereof, that is authorized to engage or assist in the development or operation of low-income housing.

Subp. 16. **Rental housing.** "Rental housing" means housing that is used to provide living accommodations to persons or families on a rental basis. This definition does not include owner-occupied housing.

Subp. 17. **Rental subsidy.** "Rental subsidy" means that portion of the gross rent paid to an owner or management agent on behalf of a tenant.

Subp. 18. **Sponsor-based rental assistance.** "Sponsor-based rental assistance" means a rental subsidy provided for an individual household through a sponsor organization that owns or leases rental housing units in various locations and that has contracts with property owners or management agents to make the rental housing units available to eligible households.

Subp. 19. **Super request for proposals (RFP) round.** "Super request for proposals (RFP) round" means the agency's multifamily request for proposals as authorized by the agency board members.

Subp. 20. **Tenant-based rental assistance.** "Tenant-based rental assistance" means a rental subsidy provided for an individual household that chooses its own rental housing unit.

Subp. 21. **Underserved populations.** "Underserved populations" means individuals or households of color, single female heads of households with minor children, and disabled individuals.

Subp. 22. **Utilities for which the tenant is responsible.** "Utilities for which the tenant is responsible" means one or more of the following utilities, as specifically provided for in the lease agreement between an owner or management agent and a tenant:

- A. water;
- B. sewer;
- C. gas; and
- D. electric.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **4900.3710 ALLOCATION AND AVAILABILITY OF FUNDS.**

Subpart 1. **Permitted activities.** The agency may use funds from the housing trust fund program to fund the following activities:

- A. capital financing;
- B. operating subsidies for unique costs and revenue shortfall; and
- C. rental assistance.

The agency shall issue an application guide prior to each round of funding under the housing trust fund program.

Subp. 2. **Allocation of funds among activities.** Each biennium, the agency shall determine how the funds will be allocated among the activities permitted under the housing trust fund program. The agency shall take into consideration the following factors when determining the allocation of funds among the activities:

- A. past allocation of agency resources among activities;
- B. market conditions such as vacancy rates, rent levels, utilization of Section 8 vouchers, and Section 8 waiting lists;
- C. unanticipated events such as natural disasters;
- D. other agency resources that are available to meet the need for housing trust fund program activities; and
- E. other nonagency resources that are available to meet the need for housing trust fund program activities.

The agency shall review the allocation of funds between capital financing, operating subsidy, and rental assistance activities periodically and no less frequently than during each super request for proposals round. The agency may make adjustments to this allocation based on the factors listed

in items A to E, the number of applications received in each funding round, and the quality of applications received in each funding round.

Subp. 3. **Availability of funds.** The agency shall accept applications for housing trust fund program funding in every super request for proposals round in which funding is available. The agency may set aside funds and accept applications for housing trust fund program funding outside the super request for proposals rounds under the following circumstances:

A. unanticipated changes in market conditions such as vacancy rates, rent levels, utilization of Section 8 vouchers, and Section 8 waiting lists;

B. unanticipated events such as natural disasters;

C. changes in nonagency resources that are available to meet the need for housing trust fund program activities;

D. to fund applications requiring immediate repairs, or where committed financing or unique housing opportunities would be lost if consideration were delayed; and

E. to modify existing awards and contracts of previously selected proposals according to policies established by agency board members, and in a manner not detrimental to a project's financing.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

## CAPITAL FUNDING

### 4900.3720 CAPITAL FUNDING.

The agency shall provide construction and permanent financing for rental housing from the housing trust fund program in the form of a deferred loan. The agency shall provide housing trust fund program funds in the form of a grant if:

A. the applicant provides documentation confirming that another funding source requires the agency's funds to be provided in the form of a grant; and

B. the other funding source is providing a greater amount of funding than the agency is providing.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

**4900.3721 LOANS.**

Subpart 1. **Loan type and term.** The agency shall award housing trust fund program loans in the form of a deferred loan unless an amortizing loan is requested by the borrower and deemed financially feasible by the agency. The agency will base its determination of financial feasibility on whether the rental housing will generate enough cash flow to support the amortizing loan. In making this determination, the agency will consider the rental housing's projected income less its projected expenses. The term of the loan is 30 years from the date of the loan closing; however, the agency may adjust the loan term based on any of the following factors:

- A. requirements and conditions of other funding sources related to loan term;
- B. the existence of a leasehold mortgage on the property benefited by the loan; or
- C. economic analysis by agency staff demonstrating that the housing will not have sufficient value at the end of the loan term to allow the borrower to repay the loan.

Subp. 2. **Interest rate and repayment.** Housing trust fund program loans bear interest at a rate of zero percent unless a higher interest rate is necessary to allow housing trust fund program funds to be used with other funding sources. Principal and interest, if any, are due and payable at the end of the 30-year term.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511*

**Published Electronically:** *June 11, 2008*

**4900.3722 GRANTS.**

Subpart 1. **Term.** The term of housing trust fund program grants is 30 years from the date of the grant award; however, the agency may adjust the grant term based on requirements and conditions of other funding sources related to the grant term or the existence of a leasehold mortgage on the property benefited by the grant.

Subp. 2. **Repayment.** Housing trust fund program grants must be repaid in full to the agency if the grant recipient does not comply with the conditions of its grant agreement with the agency and shall be forgiven in full at the end of the 30-year term if the grant recipient complies with the grant agreement throughout the grant term.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511*

**Published Electronically:** *June 11, 2008*

**4900.3723 REPAYMENT PROCESSING FEE.**

The agency shall charge borrowers a repayment processing fee when a housing trust fund program loan or grant is repaid in full, as provided in the loan or grant agreement between the

borrower or grant recipient and the agency. The amount of the processing fee is equal to the approximate administrative costs incurred by the agency in processing the repayment.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511*

**Published Electronically:** *June 11, 2008*

#### **4900.3724 SALE OF HOUSING OR ASSUMPTION OF LOAN.**

The agency shall approve the sale of rental housing financed, or the assumption of a loan or grant made, under this part if the entity purchasing the rental housing or assuming the loan satisfies the eligibility requirements of part 4900.3725 and the organizational capacity standards in part 4900.3729, subpart 3, items A to D. The agency shall charge the original borrower or grant recipient an assumption fee in an amount equal to the approximate administrative costs incurred by the agency in processing the sale or assumption, as provided in the loan or grant agreement between the borrower or grant recipient and the agency.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511*

**Published Electronically:** *June 11, 2008*

#### **4900.3725 ELIGIBLE APPLICANTS.**

To be eligible to apply for capital funding under the housing trust fund program, an applicant must be:

- A. a nonprofit organization, as defined in Minnesota Statutes, section 462A.03, subdivision 22;
- B. a for-profit organization;
- C. a limited dividend entity, as defined in part 4900.0010, subpart 14;
- D. a cooperative housing corporation, as defined in part 4900.0010, subpart 8;
- E. a city, as defined in Minnesota Statutes, section 462A.03, subdivision 21;
- F. a joint powers board established by two or more cities;
- G. a public housing agency;
- H. an Indian tribe or tribal housing corporation; or
- I. a natural person.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511*

**Published Electronically:** *June 11, 2008*

**4900.3726 ELIGIBLE APPLICATIONS.**

The applicant shall provide an application in the form prescribed by the agency. The application for capital funding must include:

A. a description of the applicants' goals and objectives in meeting the area's need for the type of housing proposed;

B. a detailed description of how the housing will be developed and managed, including a description of the proposed site for the housing and preliminary architectural plans or proposed work scope for the housing;

C. a description of the development and management staffs' qualifications;

D. a detailed budget for the development of the housing showing all development costs and the sources of funds to pay for them;

E. a detailed budget for the operation of the housing showing all anticipated operating costs and the proposed rents and other income;

F. a description of the proposed development, management, and operation of any common or commercial space;

G. a detailed description of whether the proposal involves temporary or permanent displacement or relocation of persons living in affected housing. If the proposal involves temporary or permanent displacement or relocation of persons living in affected housing, the applicant shall develop and submit a plan for minimizing relocation and displacement of the affected persons;

H. for housing developments where tenants will need social and related services in order to establish or maintain residency, a plan for how the service needs of tenants will be met, including, as appropriate, a detailed budget showing the costs of the services and proposed funding sources for the services;

I. specific documentation, as requested by the agency, that will allow the agency to evaluate the ability of the proposal to meet the selection standards in part 4900.3729 and the funding priorities in part 4900.3730; and

J. a proposed tenant selection plan.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

**4900.3727 ELIGIBLE USES OF FUNDS.**

To be eligible for capital funding under the housing trust fund program, rental housing must satisfy the following requirements.

A. The proposed housing development must consist of living accommodations for persons and families. Nursing homes, board and care facilities, and supervised living facilities licensed by the Department of Health or a delegated local department of health are not eligible housing developments, nor are properties where all residents require an individual 24-hour plan for supervision, medical, or health care.

B. The assisted units in the proposed housing development must provide rental housing for persons and families whose gross incomes, at the time of initial occupancy, do not exceed 60 percent of median income as determined by HUD for the metropolitan area. This median income may be adjusted for family size for families with five or more people. A household with Section 8 project-based or voucher assistance is deemed to meet the income requirements of this item.

C. The proposed housing developments must consist of a minimum of four rental housing units.

D. The use restrictions in this part must remain in effect until the later of:

(1) the date on which the loan is repaid or the grant agreement is terminated; or

(2) the date that is 15 years from the closing date of the loan or grant.

E. At least 75 percent of funds in the housing trust fund program must be used for the benefit of persons and families whose gross incomes, at the time of initial occupancy, do not exceed 30 percent of the median family income for the metropolitan area. This median income may be adjusted for family size for families with five or more people. A household with Section 8 project-based or voucher assistance is deemed to meet the income requirements of this item.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **4900.3728 HOUSING-RELATED SPACE.**

The proposed housing development may include housing-related space such as community, administrative, or program space. The agency shall consider the following factors when determining the amount of housing-related space that will be funded:

A. the extent to which the proposed use of the space fits with the service needs of the tenants of the proposed housing development and does not expose the tenants to security risks or the development to financial risk;

B. the ease with which the space is convertible to residential space;

C. the capacity of the applicant or any partner organization to operate and manage the space;

D. whether similar services or facilities that are appropriate for the tenants of the proposed housing development are located nearby;

E. whether the space will be used exclusively by the tenants of the proposed housing development; and

F. the availability of other funding for the space.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511*

**Published Electronically:** *June 11, 2008*

#### **4900.3729 SELECTION STANDARDS.**

Subpart 1. **Generally.** To be considered for capital funding under the housing trust fund program, applicants must comply with the requirements in Minnesota Statutes, section 462A.201, parts 4900.3725 to 4900.3728, and satisfy the threshold criteria in subparts 2 and 3.

Subp. 2. **Overall project feasibility.** The agency shall consider the following factors in determining whether an applicant has demonstrated overall project feasibility:

A. the nature of the proposed site;

B. whether the proposed housing is needed in the market that is intended to be served, based upon the population, job growth, and very low housing vacancy rates;

C. whether costs of developing the housing are reasonable and whether the housing is economically viable; and

D. for permanent supportive housing, whether the applicant has secured long-term funding for the support services that address the special needs of proposed tenants.

Subp. 3. **Organizational capacity.** The agency shall consider the following factors in determining whether an applicant has demonstrated sufficient organizational capacity:

A. the applicant's purpose and mission;

B. the applicant's related housing experience;

C. whether the applicant has successfully completed similar projects or is partnering with other organizations that have successfully completed similar projects; and

D. whether the applicant has the strong current and expected ongoing capacity to complete the proposed housing as well as other proposals being developed by the organization and the expected ongoing capacity to maintain the rental housing long term.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511*

**Published Electronically:** *June 11, 2008*

**4900.3730 FUNDING PRIORITIES.**

Among proposals that satisfy the selection standards in part 4900.3729, the agency shall give priority in awarding loans or grants for capital funding under the housing trust fund program to those proposals that best address the greatest number of the following priorities:

A. the extent to which the proposed housing will serve persons and families whose gross incomes, at the time of initial occupancy, do not exceed 30 percent of the median family income for the metropolitan area. This median income may be adjusted for family size for families with five or more people;

B. the extent to which the amount of rent to be paid by tenants of the proposed housing does not exceed 30 percent of 30 percent of the area median income as determined by HUD. This median income may be adjusted for family size for families with five or more people;

C. the extent to which the proposal addresses the housing needs of underserved populations;

D. the extent to which the proposal contains clearly identified goals relating to the housing element of a cooperatively developed plan consistent with the mission of the agency;

E. the extent to which the proposed housing is located near jobs; transportation, including regional and interregional transportation corridors and transitways; recreation; retail services; social and other services; and schools;

F. the extent to which the proposed housing is part of the infrastructure necessary to sustain economic vitality;

G. the extent to which the proposed housing maximizes the adaptive reuse of existing buildings and the use of existing infrastructure. If the proposal includes new housing, the agency shall consider the extent to which the efficient use of land and infrastructure is maximized and the loss of agricultural land and green space is minimized;

H. the extent to which private investment or investment of local units of government is included as a funding source;

I. the projected long-term affordability of the proposed housing;

J. the extent to which the proposed housing provides or maintains housing opportunities for households with a wide range of incomes and housing needs within a community or provides housing opportunities for a wide range of incomes within the proposed housing;

K. the extent to which the cost per unit is held as low as possible while not compromising the quality and sustainability of the proposed housing;

L. the extent to which the proposal identifies and includes identifiable cost avoidance or cost reductions from regulatory changes, incentives, or waivers by the local governing body, including, but not limited to:

(1) density bonuses;

- (2) reduced setbacks and parking requirements;
- (3) decreased road widths;
- (4) flexibility in site development standards and zoning code requirements and waiver of permit or impact fees;
- (5) fast-track permitting and approvals; and
- (6) other regulatory incentives that will result in cost avoidance or reductions.

If a proposal identifies and includes cost savings, the application must provide a quantified breakdown of the cost savings due to regulatory incentives;

M. the extent to which the proposal reflects locally determined priorities described in the continuum of care plan;

N. the extent to which the site and design of the proposed housing development is suitable for the housing needs of the proposed tenant population;

O. the extent to which the applicant has the capacity to complete the proposed housing development in a timely fashion and maintain the housing development after completion;

P. temporary priorities, as established by the agency board members or the legislature, that reflect unexpected short-term changes in the demand for housing. An example of an unexpected short-term change is the need to direct resources to respond to a natural disaster, such as a flood or tornado. Temporary priorities are described in the application guide;

Q. the extent to which an application would develop housing for households experiencing long-term homelessness;

R. the extent to which an application that would develop housing for households experiencing long-term homelessness has a commitment of project-based rental assistance or operating subsidy from other sources; and

S. the extent to which an application would develop permanent supportive housing.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **4900.3731 MANAGEMENT AND OPERATION.**

Subpart 1. **Generally.** Applicants that are awarded housing trust fund program funds must comply with the management and operations requirements in this part.

Subp. 2. **Rent increases.** All rent increases must be approved by the agency and must comply with the terms of any lease and applicable law.

Subp. 3. **Prohibition against discrimination.** The housing development owner or its management agent shall not violate any federal, state, or local law or regulation prohibiting discrimination in the provision of housing and shall not refuse to rent to a household solely on the basis of the household's status as a recipient of tenant-based rental assistance.

Subp. 4. **Screening and affirmative marketing.** The housing development owner or its management agent shall provide the agency with the screening criteria and the affirmative fair housing marketing plan to be used in managing the housing development.

Subp. 5. **Utilization of units.** The housing development owner or its management agent shall rent housing units to households in sizes appropriate to the unit size, with a ratio of at least one person per bedroom. If the household size changes during the course of tenancy, the household may request in writing to the owner or management agent to transfer to another unit or be placed on a waiting list for a transfer. In the event of a decrease in household size, the household shall be required to move to the next available suitably sized smaller unit if a smaller unit is available in the housing development. If the decrease in household size is not expected to last for six months beyond the month of departure of a household member, the household shall not be required to move. The owner or management agent may also establish transfer criteria in house rules.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

## OPERATING SUBSIDIES

### 4900.3740 OPERATING SUBSIDY.

The agency may provide an operating subsidy from the housing trust fund program for rental housing for which the agency has provided capital funding. The operating subsidy is available in two forms: (1) operating subsidy-unique costs, for those costs of operating rental housing that are unique to the operation of low-income rental or supportive housing; or (2) operating subsidy-revenue shortfall. The agency shall award the operating subsidy in the form of a grant.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

### 4900.3741 ELIGIBLE APPLICANTS.

To be eligible to apply for an operating subsidy under the housing trust fund program, an applicant must be:

A. the owner of a housing development that is funded with a loan or a grant from the agency;  
or

B. an applicant for a loan or grant from the agency to fund the acquisition, construction, or rehabilitation of rental housing.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511*

**Published Electronically:** *June 11, 2008*

#### **4900.3742 ELIGIBLE APPLICATIONS.**

The applicant shall provide an application in the form prescribed by the agency. The application for an operating subsidy must include:

A. for existing housing developments, the most recent budget for the operation of the housing development showing all operating costs and rents and other income;

B. a ten-year projected budget for the operation of the housing development showing all operating costs and the rents and other income;

C. a description of the applicant's goals and objectives in meeting the area's need for the type of housing proposed;

D. a detailed description of how the housing will be developed and managed, including:

(1) the qualifications of the development and management staff;

(2) a proposed tenant selection plan;

(3) a description of the existing or proposed development, management, and operation of any community, administrative, or program space; and

(4) a description of the existing or proposed development, management, and operation of any commercial space;

E. for housing developments where tenants will need social and related services in order to establish or maintain residency, a plan for how the service needs of tenants will be met, including, as appropriate, a detailed budget showing the costs of the services and proposed funding sources for the services; and

F. specific documentation, as requested by the agency, that will allow the agency to evaluate the ability of the proposal to meet the selection standards in part 4900.3744 and the funding priorities in part 4900.3745.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **4900.3743 ELIGIBLE USES OF FUNDS.**

Subpart 1. **Generally.** At least 75 percent of funds in the housing trust fund program must be used for the benefit of persons and families whose gross incomes, at the time of the initial occupancy, do not exceed 30 percent of the median family income for the metropolitan area. This median income may be adjusted for family size for families with five or more people. A household with

Section 8 project-based or voucher assistance is deemed to meet the income requirements of this subpart.

Subp. 2. **Operating subsidy-unique costs.** The agency may fund those costs of operating rental housing that are unique to the operation of low-income rental housing and supportive housing. To be eligible for operating subsidy-unique costs funding under the housing trust fund program, applicants must satisfy the requirements in items A and B.

A. The proposed operating costs must be critical both to the economic viability of the housing development and to serving the population for whom the housing is designed. Examples of operating costs that are eligible for funding under this subpart include front desk operation, costs of operating service-related space, security, tenant coordinator, and interpretative services.

B. The housing trust fund program funds must be used to provide an operating subsidy for a housing development in which the assisted units provide housing for persons and families whose gross incomes at the time of initial occupancy do not exceed 60 percent of median income as determined by HUD for the metropolitan area. This median income may be adjusted for family size for families with five or more people. A household with Section 8 project-based or voucher assistance is deemed to meet the income requirements of this item.

Subp. 3. **Operating subsidy-revenue shortfall.** The agency may provide an operating subsidy to cover a housing development's revenue shortfall. To be eligible for operating subsidy-revenue shortfall funding under the housing trust fund program, applicants must satisfy the requirements in items A and B.

A. The operating subsidy funds must be used to reduce the difference between the costs of operating the housing development and the rents that the tenants expected to reside in the assisted units can afford to pay. The operating subsidy funds may not be used to pay an asset management fee to the owner of the housing development.

B. The housing trust fund program funds must be used to provide an operating subsidy for a housing development in which the assisted units provide housing for persons and families whose gross incomes, at the time of initial occupancy, do not exceed 60 percent of median income as determined by HUD for the metropolitan area. This median income may be adjusted for family size for families with five or more people. A household with Section 8 project-based or voucher assistance is deemed to meet the income requirements of this item.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **4900.3744 SELECTION STANDARDS.**

To be considered for operating subsidy funding under the housing trust fund program, applicants must comply with the requirements in Minnesota Statutes, section 462A.201, parts 4900.3741 to 4900.3743, and satisfy the threshold criteria in this part. To determine whether an applicant will be selected for operating subsidy funding, the agency shall consider:

- A. whether the proposed operating subsidy is needed in the market to be served;
- B. the financial feasibility of the housing development without the proposed operating subsidy;
- C. the likelihood that the applicant or its partner organization will be able to implement and operate the proposed operating subsidy;
- D. the availability of funds from private or public sources to assist in making the housing development economically feasible; and
- E. for permanent supportive housing, the extent to which long-term funding is secured for the support services that address the special needs of proposed tenants.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511*

**Published Electronically:** *June 11, 2008*

#### **4900.3745 FUNDING PRIORITIES.**

Among proposals that satisfy the selection standards in part 4900.3744, the agency shall give priority in awarding operating subsidies under the housing trust fund program to those proposals that best address the greatest number of the following priorities:

- A. the extent to which the proposed housing will serve persons and families whose gross incomes at the time of initial occupancy do not exceed 30 percent of the median family income for the metropolitan area. This median income may be adjusted for family size for families with five or more people;
- B. the extent to which the amount of rent to be paid by tenants of the proposed housing does not exceed 30 percent of 30 percent of the area median income as determined by HUD. This median income may be adjusted for family size for families with five or more people;
- C. the extent to which the proposal addresses the housing needs of underserved populations;
- D. the extent to which the proposal contains clearly identified goals relating to the housing element of a cooperatively developed plan consistent with the mission of the agency;
- E. the extent to which the proposed housing is located near jobs; transportation, including regional and interregional transportation corridors and transitways; recreation; retail services; social and other services; and schools;
- F. the extent to which the proposed housing is part of the infrastructure necessary to sustain economic vitality;
- G. the extent to which private investment or investment of local units of government is included as a funding source;
- H. the projected long-term affordability of the proposed housing;

I. the extent to which the proposed housing provides or maintains housing opportunities for households with a wide range of incomes and housing needs within a community or provides housing opportunities for a wide range of incomes within the proposed housing;

J. the extent to which the operating subsidy is held as low as possible while not compromising the economic viability of the proposed housing;

K. a priority for permanent supportive housing developments;

L. a priority for the creation of newly assisted housing units;

M. the extent to which the proposal reflects locally determined priorities described in the continuum of care plan;

N. for operating subsidies-unique costs, whether the proposed housing development includes creative approaches to the provision of affordable housing that can be replicated and serve as a model for other providers of affordable housing;

O. temporary priorities, as established by the agency board members or the legislature, that reflect unexpected short-term changes in the demand for housing. An example of an unexpected short-term change is the need to direct resources to respond to a natural disaster, such as a flood or tornado. Temporary priorities are described in the application guide; and

P. the extent to which an application assists households experiencing long-term homelessness.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **4900.3746 ADMINISTRATION OF OPERATING SUBSIDY.**

##### **Subpart 1. Unique costs.**

A. The agency shall provide operating subsidy-unique costs to the owner of the benefited housing development according to the agreement between the owner and the agency governing the use of the operating subsidy.

B. The operating subsidy-unique costs may be provided for up to ten years.

C. The agency may terminate the operating subsidy if (1) the operating subsidy is no longer needed to ensure the economic viability of the housing development; or (2) the owner of the benefited housing development has failed to comply with any agreement with the agency governing the use of the operating subsidy.

D. The agency may reduce the operating subsidy if the full amount of the operating subsidy is not necessary to ensure the economic viability of the housing development.

**Subp. 2. Revenue shortfall.**

A. The agency shall provide an operating subsidy-revenue shortfall to the owner of the benefited housing development in the form of periodic payments for the benefit of a fixed number of units. In determining the amount of funding to be awarded, the agency shall consider the following factors:

- (1) the most recent budget for the operation of the housing development, if applicable;
- (2) a ten-year projected budget for the operation of the housing development;
- (3) the ability of the tenants expected to reside in the housing development to pay the proposed rents; and
- (4) the reasonableness of rents and operating costs for the housing development based on housing industry standards.

B. Owners of housing developments benefited by an operating subsidy-revenue shortfall under the housing trust fund program will be responsible for the following:

- (1) recruiting tenants;
- (2) maintaining a current waiting list of applicants;
- (3) determining the eligibility of tenants according to Minnesota Statutes, section 462A.201, subdivision 2, paragraph (b);
- (4) verifying tenant incomes at initial occupancy;
- (5) providing and adhering to a budget for the operation of the housing development showing all operating costs, rents and other income, and rent schedules;
- (6) requisitioning operating subsidy payments from the agency;
- (7) meeting agency reporting requirements;
- (8) maintaining and retaining records as required by the agency; and
- (9) other requirements as described in any agreement with the agency governing the use of the operating subsidy.

C. The operating subsidy-revenue shortfall may be provided for up to ten years.

D. The agency may terminate the operating subsidy if (1) the operating subsidy is no longer needed to ensure the economic viability of the housing development; or (2) the owner of the benefited housing development has failed to comply with any agreement with the agency governing the use of the operating subsidy.

E. The agency may reduce the number of units for which an operating subsidy is provided, or the amount of assistance per unit, if the full amount of the operating subsidy is not necessary to ensure the economic viability of the housing development.

Subp. 3. **Economic viability.** As used in this part, a determination of economic viability is based on whether the rental housing can generate sufficient operating income to meet its operating expenses if the operating subsidy provided under the housing trust fund program is reduced or eliminated.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511*

**Published Electronically:** *June 11, 2008*

## RENTAL ASSISTANCE

### 4900.3760 RENTAL ASSISTANCE.

The agency may provide rental assistance to an administrator from the housing trust fund program. The agency shall award all forms of rental assistance in the form of a grant. Rental assistance from the housing trust fund program is intended to be temporary in nature and to provide assistance through an administrator to an individual household.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

### 4900.3761 ELIGIBLE APPLICANTS.

To be eligible to apply for rental assistance funding under the housing trust fund program, an applicant must be:

- A. a nonprofit organization, as defined in Minnesota Statutes, section 462A.03, subdivision 22;
- B. a for-profit organization;
- C. a limited dividend entity, as defined in part 4900.0010, subpart 14;
- D. a cooperative housing corporation, as defined in part 4900.0010, subpart 8;
- E. a city, as defined in Minnesota Statutes, section 462A.03, subdivision 21;
- F. a joint powers board established by two or more cities;
- G. a public housing agency;
- H. an Indian tribe or tribal housing corporation; or
- I. a natural person.

Applicants must demonstrate experience and ability in the administration of tenant-based, sponsor-based, or project-based rental assistance or must partner with an organization with

demonstrated experience and ability in the administration of tenant-based, sponsor-based, or project-based rental assistance.

Applicants for project-based rental assistance must be the owner of a rental housing development that is funded with a loan or a grant from the agency or an applicant for a loan or grant from the agency to fund the acquisition, construction, or rehabilitation of rental housing.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511*

**Published Electronically:** *June 11, 2008*

#### **4900.3762 ELIGIBLE APPLICATIONS.**

The applicant shall provide an application in the form prescribed by the agency. The application must include:

- A. a description of the population to be served and its need for rental assistance;
- B. a description of the applicant's service area and goals and objectives in providing rental assistance;
- C. a description of how the applicant will:
  - (1) recruit and select tenants for participation;
  - (2) terminate tenants from its rental assistance program; and
  - (3) locate rental housing units;
- D. a plan for transitioning tenants off housing trust fund program rental assistance;
- E. a description of the applicant's experience and ability to administer a tenant-based, sponsor-based, or project-based rental assistance program or its partnership with an organization that has this experience and ability;
- F. a detailed budget for the rental assistance, including how the applicant will determine the amount of rental subsidy that it will pay on behalf of the tenants, and administrative fees as permitted by part 4900.3767, subpart 6;
- G. a description of how the applicant will ensure that the rental assistance is used only in rental housing units that meet the requirements set forth in Minnesota Statutes, section 462A.201, subdivision 2, paragraph (c);
- H. if the administrator plans to allow more than annual recertifications of tenant income, a description of how often and under what circumstances recertification will be allowed;
- I. specific documentation, as required by the agency, that will allow the agency to evaluate the ability of the proposal to meet the selection standards in part 4900.3765 and the funding priorities in part 4900.3766; and

J. a description of how the administrator will notify tenants of the opportunity for a meeting to consider decisions of the administrator under parts 4900.3767 and 4900.3768.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **4900.3763 ELIGIBLE USES OF FUNDS.**

A. Funds from the housing trust fund program may be used to provide tenant-based rental assistance, sponsor-based rental assistance, or project-based rental assistance and to pay security deposits, damage claims or fees, application fees, vacancy payments, utility connection fees, and other fees necessary to obtain owner participation or to prevent repeat episodes of homelessness.

B. Administrators of tenant-based rental assistance and sponsor-based rental assistance may receive administrative fees under the housing trust fund program according to part 4900.3767, subpart 6. Administrators of project-based rental assistance may not receive administrative fees under the housing trust fund program.

C. At least 75 percent of funds in the housing trust fund program must be used for the benefit of persons and families whose gross incomes, at the time of initial occupancy, do not exceed 30 percent of the median family income for the metropolitan area. This median income may be adjusted for family size for families with five or more people.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **4900.3764 ELIGIBLE TENANTS.**

Eligible tenants are persons or families whose gross incomes, at the time of initial occupancy, do not exceed 60 percent of median income as determined by HUD for the metropolitan area. This median income may be adjusted for family size for families with five or more people.

Tenants do not have to be eligible for the Section 8 tenant-based rental assistance housing choice voucher program in order to be eligible for rental assistance funded by the housing trust fund program.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *June 11, 2008*

#### **4900.3765 SELECTION STANDARDS.**

To be considered for rental assistance funding under the housing trust fund program, applicants must comply with the requirements in Minnesota Statutes, section 462A.201 and parts 4900.3761

to 4900.3764, and satisfy the threshold criteria in this part. To determine whether an applicant will be selected for rental assistance funding, the agency shall consider:

A. the likelihood that the applicant's rental assistance program will be implemented in a timely manner; and

B. the likelihood that the applicant will be able to implement and operate the proposed rental assistance program, based on a consideration of whether the:

- (1) purpose of the applicant is housing related;
- (2) proposed rental assistance program is consistent with the applicant's mission;
- (3) applicant or its partner organization has demonstrated experience and ability in administering rental assistance; and
- (4) applicant has sufficient, qualified staff to administer the proposed rental assistance program.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511*

**Published Electronically:** *June 11, 2008*

#### **4900.3766 FUNDING PRIORITIES.**

Among proposals that satisfy the selection standards in part 4900.3765, the agency shall give priority in awarding rental assistance funding under the housing trust fund program to those proposals that best address the greatest number of the following priorities:

A. the extent to which the rental assistance program proposes to serve persons and families whose gross incomes at the time of initial occupancy do not exceed 30 percent of the median family income for the metropolitan area. This median income may be adjusted for family size for families with five or more people;

B. the extent to which the amount of rent to be paid by tenants of the proposed housing does not exceed 30 percent of 30 percent of the area median income as determined by HUD. This median income may be adjusted for family size for families with five or more people;

C. the extent to which the rental assistance program reflects locally determined priorities described in the continuum of care plan;

D. the extent to which the applicant's plan to transition households off rental assistance under the housing trust fund program includes components necessary to stabilize a household by either increasing the household's income or locating a source of rental assistance that is not time limited;

E. the extent to which the proposal addresses the housing needs of underserved populations;

F. the extent to which the proposed administrative fees are reasonable and demonstrate cost-effectiveness;

G. the extent to which the rental subsidy is kept as low as possible without compromising the stability of the tenant;

H. the extent to which other resources are not available to provide rental assistance in the service area, including but not limited to, the availability of Section 8 rental assistance;

I. the extent to which the applicant has demonstrated success in transitioning households off state-funded rental assistance programs;

J. the extent to which the application assists households experiencing long-term homelessness, and coordinates or provides linkages or a plan for resident support services to the extent necessary, such as information and referral, outreach and engagement, advocacy, case management, self-reliance training, employment readiness, employment training, or resident association and community building activities, contingent upon an agreement with an established organization providing such services to residents and financial plans demonstrating feasibility; and

K. temporary priorities, as established by the agency board members or the legislature, that reflect unexpected short-term changes in the demand for housing. An example of an unexpected short-term change is the need to direct resources to respond to a natural disaster, such as a flood or tornado. Temporary priorities are described in the application guide.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

**Published Electronically:** *August 8, 2013*

#### **4900.3767 ADMINISTRATION OF TENANT-BASED AND SPONSOR-BASED RENTAL ASSISTANCE.**

Subpart 1. **Amount of assistance.** There is no minimum amount of rental subsidy that an administrator must provide to each tenant. The maximum amount of rental subsidy provided to each tenant will be no greater than the difference between 30 percent of the tenant's gross income and the payment standard as established by the local public housing agency or housing and redevelopment authority according to Code of Federal Regulations, title 24, part 982.

Subp. 2. **Form of funding.** The agency shall provide tenant-based and sponsor-based rental assistance funding to the administrator according to the agreement between the administrator and the agency governing the use of the rental assistance funding.

Subp. 3. **Length of time.** An eligible tenant shall not receive rental assistance for longer than five consecutive years. This time limit does not apply to eligible tenants who have applied for federal rental assistance but have not been accepted in such programs due to funding limitations, or who are ineligible for federal rental assistance.

An administrator shall not commit to provide rental assistance to an eligible tenant for amounts or terms in excess of funding allowable under the grant agreement between the administrator and the agency.

**Subp. 4. Termination of rental subsidy.**

A. An administrator must terminate a tenant's rental subsidy, according to the termination procedures in subpart 5, item A, when, upon annual recertification and verification of income, it determines that 30 percent of the household's monthly gross income for the preceding four consecutive months equals or exceeds the market rent for the unit in which the household resides plus the utilities for which the tenant is responsible. The utilities for which the tenant is responsible will be determined by using the utility allowance calculation provided by the local public housing agency or housing and redevelopment authority.

B. An administrator may terminate a tenant's rental subsidy, according to the termination procedures in subpart 5, item B, if the tenant is evicted for (1) serious or repeated violations of terms and conditions of the lease or (2) violation of any federal, state, or local law that imposed obligation on the tenant in connection with occupancy or use of the unit in which the tenant resides.

C. An administrator may terminate a tenant's rental subsidy, according to the termination procedures in subpart 5, item C, if the tenant fails to cooperate with the annual recertification process, including property inspection.

**Subp. 5. Notice of termination.**

A. If an administrator gives notice to terminate a tenant's rental subsidy because the tenant's household gross income at recertification exceeds the limits in subpart 4, item A, the administrator shall provide written notice to both the tenant and the owner or management agent that the rental subsidy will end on the last day of the second month following the month in which the notice is given. A tenant shall be given an opportunity to meet with the administrator and submit any information documenting that income did not exceed the limits and justifies continuing the subsidy.

Example: if on January 12 the administrator determines that 30 percent of the tenant's gross income for each of the four months from September through December equals or exceeds the market rent for the unit in which the household resides plus the utilities for which the tenant is responsible, the administrator will provide notice to the tenant that the rental subsidy will end on the last day of March.

B. If an administrator gives notice to terminate a tenant's rental subsidy because the tenant is being evicted under the conditions in subpart 4, item B, the administrator shall provide written notice to both the tenant and the owner or management agent that the rental subsidy will end on the last day of the month in which the tenant vacates the unit.

C. If an administrator gives notice to terminate a tenant's rental subsidy because the tenant is not cooperating with the annual recertification process under the conditions in subpart 4, item C, the administrator shall submit written notice to the tenant and owner or management agent that the tenant has 60 days to comply with recertification requirements. If the tenant does not comply with recertification requirements within 60 days, the administrator shall submit written notice to

the tenant and owner or management agent that the rental subsidy will end on the last day of the month in which the tenant receives the notice.

D. If an administrator gives notice to terminate a tenant's subsidy for reasons outlined in items B and C, the tenant shall be given an opportunity to meet with the administrator to determine if the conditions causing possible termination can be resolved and the tenant can continue receiving the subsidy.

Subp. 6. **Administrative fees.** The agency shall pay administrators of tenant-based and sponsor-based rental assistance a monthly administrative fee for each month in which an eligible household resides in a rental housing unit. The applicant shall propose an administrative fee in its application. The applicant's proposed monthly administrative fee may not exceed the fee paid by HUD to administrators of the Section 8 housing assistance program in the same jurisdiction, as described in Code of Federal Regulations, title 24, section 982.152.

Subp. 7. **Responsibilities of administrators.** Administrators of tenant-based and sponsor-based rental assistance are responsible for the following activities:

- A. recruiting tenants and owners;
- B. determining the eligibility of tenants according to Minnesota Statutes, section 462A.201, subdivision 2, paragraph (b);
- C. assuring the quality of the housing according to Minnesota Statutes, section 462A.201, subdivision 2, paragraph (c);
- D. conducting verification and annual recertifications of tenant incomes;
- E. requisitioning rental subsidy payments from the agency;
- F. paying rental subsidies directly to owners or management agents in a timely manner;
- G. meeting agency reporting requirements;
- H. maintaining and retaining records;
- I. implementing plans for transitioning tenants off housing trust fund program rental assistance, as described in part 4900.3762; and
- J. ensuring that a process is in place for notifying tenants of the opportunity for a meeting under part 4900.3767.

Subp. 8. **Termination of administrator.** The agency shall terminate an administrator if the administrator has failed to comply with any agreement with the agency governing the use of the rental assistance funds within the time allowed by any applicable cure period. Under such circumstances, the administrator shall provide written notice to all applicable tenants and owners or management agents that the rental subsidy will end on the last day of the second month following the month in which the notice is given.

**Statutory Authority:** *MS s 462A.06*

**History:** 26 SR 1511; 29 SR 1479

**Published Electronically:** June 11, 2008

#### **4900.3768 ADMINISTRATION OF PROJECT-BASED RENTAL ASSISTANCE.**

Subpart 1. **Amount of assistance.** There is no minimum amount of rental subsidy that an administrator must provide to each tenant. The maximum amount of rental subsidy provided to each tenant will be no greater than the difference between 30 percent of the tenant's gross income and the payment standard as established by the local public housing agency or housing and redevelopment authority in accordance with Code of Federal Regulations, title 24, part 982.

Subp. 2. **Form of funding.** The agency shall provide project-based rental assistance funding to the administrator according to the agreement between the administrator and the agency governing the use of the rental assistance funding.

Subp. 3. **Length of time.** An eligible tenant shall not receive rental assistance for longer than five consecutive years. This time limit does not apply to eligible tenants who have applied for federal rental assistance but have not been accepted in such programs due to funding limitations, or who are ineligible for federal rental assistance.

An administrator shall not commit to provide rental assistance to an eligible tenant for amounts or terms in excess of funding allowable under the grant agreement between the administrator and the agency.

#### **Subp. 4. Termination of rental subsidy.**

A. An administrator must terminate a tenant's rental subsidy, according to the termination procedures in subpart 5, when, upon annual recertification and verification of income, it determines that 30 percent of the household's monthly gross income for the preceding four consecutive months equals or exceeds the market rent for the unit in which the household resides plus the utilities for which the tenant is responsible. The utilities for which the tenant is responsible will be determined by using the utility allowance calculation provided by the local public housing agency or housing and redevelopment authority.

B. An administrator may terminate a tenant's rental subsidy, according to the termination procedures in subpart 5, item B, if the tenant is evicted for:

- (1) serious or repeated violations of terms and conditions of the lease; or
- (2) violation of any federal, state, or local law that imposes obligations on the tenant in connection with occupancy or use of the unit in which the tenant resides.

C. An administrator may terminate a tenant's rental subsidy, according to the termination procedures in subpart 5, item C, if the tenant fails to cooperate with the annual recertification process, including property inspection.

**Subp. 5. Notice of termination.**

A. If an administrator gives notice to terminate a tenant's rental subsidy because the tenant's household gross income at recertification exceeds the limits in subpart 4, the administrator shall provide written notice to both the tenant and the owner or management agent that the rental subsidy will end on the last day of the second month following the month in which the notice is given. A tenant shall be given an opportunity to meet with the administrator and submit any information documenting that income did not exceed the limits and justifies continuing the subsidy.

Example: if on January 12 the administrator determines that 30 percent of the tenant's gross income for each of the four months from September through December equals or exceeds the market rent for the unit in which the household resides plus the utilities for which the tenant is responsible, the administrator will provide notice to the tenant that the rental subsidy will end on the last day of March.

B. If an administrator gives notice to terminate a tenant's rental subsidy because the tenant is being evicted under the conditions in subpart 4, item B, the administrator shall provide written notice to the tenant and owner or management agent that the rental subsidy will end on the last day of the month in which the tenant vacates the unit.

C. If an administrator gives notice to terminate a tenant's rental subsidy because the tenant is not cooperating with the annual recertification process under the conditions in subpart 4, item C, the administrator shall submit written notice to the tenant and owner or management agent that the tenant has 60 days to comply with recertification requirements. If the tenant does not comply with recertification requirements within 60 days, the administrator shall submit written notice to the tenant and owner or management agent that the rental subsidy will end on the last day of the month in which the tenant receives the notice.

D. If an administrator gives notice to terminate a tenant's rental subsidy for reasons outlined in items B and C, the tenant shall be given an opportunity to meet with the administrator to review if the conditions causing proposed termination can be resolved and the tenant can continue receiving the subsidy.

**Subp. 6. Responsibilities of administrators.** Administrators of project-based rental assistance shall be responsible for the following activities:

A. recruiting tenants and determining their eligibility according to Minnesota Statutes, section 462A.201, subdivision 2, paragraph (b);

B. maintaining a waiting list of tenants;

C. assuring the quality of the housing according to Minnesota Statutes, section 462A.201, subdivision 2, paragraph (c);

D. conducting verification and annual recertifications of tenant incomes;

E. requisitioning rental subsidy payments from the agency;

F. meeting agency reporting requirements;

G. maintaining and retaining records;

H. implementing plans for transitioning tenants off housing trust fund rental assistance as described in part 4900.3762; and

I. ensuring that a process is in place for notifying tenants of the opportunity for a meeting under this part.

Subp. 7. **Termination of administrator.** The agency shall terminate an administrator if the administrator has failed to comply with any agreement with the agency governing the use of the rental assistance funds within the time allowed by any applicable cure period. Under such circumstances, the administrator shall provide written notice to all applicable tenants and owners or management agents that the rental subsidy will end on the last day of the second month following the month in which the notice is given.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

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#### **4900.3769 EXTENSION OF FUNDING FOR RENTAL ASSISTANCE.**

A. The agency shall review the performance of administrators on an annual basis. Administrators may, at that annual review, apply for an extension of rental assistance funding.

B. The agency shall consider the following factors when determining whether an administrator will receive an extension of funding:

(1) the performance of the administrator, including its timely expenditure of rental assistance funds and its success in reaching the goals and objectives described in its application;

(2) the availability of funding for housing trust fund program rental assistance;

(3) the availability of funding for rental assistance from sources other than the housing trust fund program;

(4) market conditions in the administrator's service area, such as area vacancy rates, market rents, and the utilization of Section 8 vouchers; and

(5) the selection standards in part 4900.3765 and the funding priorities in part 4900.3766.

If the agency does not approve an extension of funding for an administrator, the administrator shall give written notice to all participating tenants and owners or management agents that the rental subsidies will end. This notice must be given no fewer than six months before the rental subsidy will end.

**Statutory Authority:** *MS s 462A.06*

**History:** *26 SR 1511; 29 SR 1479*

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