

1 Minnesota Housing Finance Agency

2

3 Adopted Permanent Rules Relating to Rural and Urban Homesteading

4

5 Rules as Adopted

6 RURAL AND URBAN HOMESTEADING PROGRAM

7 4900.2400 SCOPE.

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

11 4900.2420 DEFINITIONS.

12 Subpart 1. Scope. The terms used in parts 4900.2400 to  
13 4900.2600 have the meanings given them in this part.

14 Subp. 2. Agency. "Agency" means the Minnesota Housing  
15 Finance Agency.

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

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

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

28 Subp. 6. Designated area. "Designated area" means a  
29 specific area where the acquisition, rehabilitation, and sale of  
30 eligible properties may take place under the program. In the  
31 metropolitan area, as defined in Minnesota Statutes, section  
32 473.121, subdivision 2, a designated area must be a specific  
33 four square block area.

34 Subp. 7. Eligible organization. "Eligible organization"  
35 means an applicant that has been selected to receive a grant.

1 under the rural and urban homesteading program.

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

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

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

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

21 Subp. 12. **Program.** "Program" means the rural and urban  
22 homesteading program administered under parts 4900.2400 to  
23 4900.2600.

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

29 4900.2440 THE RURAL AND URBAN HOMESTEADING PROGRAM.

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

1 policy reference.

2 Subp. 2. **Uses of grant money.** The agency may award grants  
3 to eligible organizations of up to \$300,000. The grants must be  
4 used by eligible organizations to buy eligible properties and  
5 pay for the cost of rehabilitating those properties. The agency  
6 may establish an allocation plan for the program to provide for  
7 the greater likelihood of awarding such grants among rural and  
8 urban properties. The agency may also establish requirements  
9 pertaining to maximum allowable administrative costs under the  
10 program, but in no instance may the administrative costs exceed  
11 \$30,000 per eligible organization from funds appropriated for  
12 the program during the period of acquisition, rehabilitation,  
13 and sale.

14 4900.2460 APPLICATION BY ELIGIBLE ORGANIZATION.

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

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

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

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

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

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

34 C. a detailed description of how the applicant  
35 proposes to develop and administer the program, including, but

1 not limited to:

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

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

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

10 (4) the structure and specific duties of the  
11 local neighborhood advisory board as described in parts  
12 4900.2400 to 4900.2600;

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

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

18 (7) the qualifications of staff; and

19 (8) proposed means of record keeping; and

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

23 4900.2480 SELECTION OF ELIGIBLE ORGANIZATION.

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

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

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

33 C. The documented availability on reasonable terms  
34 and conditions of both eligible properties and resources through  
35 which the properties may be rehabilitated within the designated

1 area identified by the applicant in the application.

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

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

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

10 G. The capacity of the applicant to:

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

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

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

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

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

26 4900.2500 LOCAL NEIGHBORHOOD ADVISORY BOARD.

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

35 Subp. 2. Racial composition. Wherever possible, residents

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

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

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

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

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

19 4900.2520 ELIGIBLE PROPERTIES.

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

32 Subp. 2. **Rehabilitation standards.** Eligible properties  
33 are to be rehabilitated, at a minimum, to the Housing Quality  
34 Standards as established in Code of Federal Regulations, title  
35 24, section 882.404, and changed from time to time by the United

1 States Department of Housing and Urban Development. Applicants  
2 may provide for rehabilitation of properties beyond Housing  
3 Quality Standards where it is feasible, and are encouraged to do  
4 so. All rehabilitation work must also satisfy the following  
5 requirements:

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

14           B. Each rehabilitation improvement must be a  
15 permanent general improvement. Permanent general improvements  
16 include additions, alterations, renovations, or repairs upon or  
17 in connection with existing structures that materially preserve  
18 or improve the basic livability, safety, or utility of the  
19 property. Permanent general improvements do not include  
20 materials, fixtures, or landscaping of a type or quality  
21 exceeding that customarily used in the locality for properties  
22 of the same general type as the property to be improved.

23           C. Each rehabilitation improvement must be made in  
24 compliance with all applicable health, fire prevention,  
25 building, and housing codes and standards; provided, however,  
26 that no requirement may be imposed under the program that will  
27 preclude rehabilitation solely because the improvements will not  
28 bring the property into full compliance with all codes and  
29 standards.

30           Subp. 3. **Appraisal.** Eligible properties must be appraised  
31 before the beginning of rehabilitation work by an appraiser  
32 approved to conduct appraisal for the Federal Housing  
33 Administration, Veterans Administration, Federal National  
34 Mortgage Association, or Federal Home Loan Mortgage  
35 Corporation. The appraiser shall be informed as to the proposed  
36 improvements so that the value of the eligible property after

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

5 Subp. 4. Acquisition costs. The total initial acquisition  
6 cost of the property may not exceed \$50,000 unless costs over  
7 \$50,000 are attributed to rehabilitation or improvement to make  
8 the property accessible for the physically disabled. The sales  
9 cost of the property may also not exceed \$50,000 unless sales  
10 cost over \$50,000 are attributed to rehabilitation or  
11 improvement to make the property accessible for the physically  
12 disabled.

13 4900.2540 ELIGIBLE HOMEBUYERS.

14 An individual or family eligible to purchase a home under  
15 the program must be an at-risk homebuyer as described in part  
16 4900.2420, subpart 5, and must also:

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

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

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

32 D. agree to apply 25 percent of their gross monthly  
33 household income to the debt incurred under the contract for  
34 deed, immediately inform the eligible organization of  
35 significant changes in gross household income, and cooperate and



1 participate in annual recertification of gross household income  
2 by the eligible organization.

3 4900.2560 CONTRACT FOR DEED.

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

15 4900.2580 REVOLVING FUND.

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

29 4900.2600 RECORD KEEPING AND REPORTING.

30 Subpart 1. Record keeping. The eligible organization  
31 shall be required to keep adequate records pertaining to the  
32 program in a format and fashion mutually agreed to between the  
33 eligible organization and agency, and the agency or legislative  
34 auditor may review such records upon adequate prior written

1 notice to the eligible organization by the agency or the  
2 legislative auditor. The eligible organization must also  
3 provide written reports in a prescribed format regarding  
4 activity under the program to the agency at intervals prescribed  
5 by the agency, which typically will be no more often than  
6 quarterly.

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