

1 Minnesota Housing Finance Agency

2

3 Adopted Permanent Rules Relating to the Publicly Owned

4 Neighborhood Land Trust Program

5

6 Rules as Adopted

7 4900.3430 SCOPE.

8 Parts 4900.3430 to 4900.3434 govern the implementation of  
9 the publicly owned neighborhood land trust program authorized by  
10 Minnesota Statutes, section 462A.202, subdivision 6. The  
11 program provides funding to acquire, construct, and rehabilitate  
12 housing, including land and buildings, by the use of a land  
13 trust.

14 Under this program, a city will retain ownership of the  
15 land in perpetuity, but provide a long-term lease, generally 99  
16 years, for the use of the land and buildings to either persons  
17 and families of low and moderate income or qualified nonprofit  
18 corporations.

19 These activities are financed with proceeds from state  
20 general obligation bonds.

21 4900.3431 DEFINITIONS.

22 Subpart 1. Agency. "Agency" means the Minnesota Housing  
23 Finance Agency.

24 Subp. 2. Applicant. "Applicant" means a city that submits  
25 an application for financial assistance.

26 Subp. 3. Application. "Application" means a submittal  
27 requesting financial assistance to pay the cost of the  
28 acquisition, improvement, construction, or rehabilitation of  
29 property to provide housing for persons and families of low and  
30 moderate income.

31 Subp. 4. Building. "Building" means a structure that is  
32 physically attached in some manner to a parcel of land, and is  
33 carried on the property tax rolls of the locality as real  
34 property.

35 Subp. 5. City. "City" means a city as defined in

1 Minnesota Statutes, section 462C.02, subdivision 6, that by  
2 resolution has determined to act with the powers and duties  
3 described in Minnesota Statutes, section 462A.31, subdivisions 1  
4 to 5.

5 Subp. 6. Eligible nonprofit organization. "Eligible  
6 nonprofit organization" means a nonprofit corporation organized  
7 under Minnesota Statutes, chapter 317A, that complies with  
8 Minnesota Statutes, sections 462A.30 and 462A.31, and that  
9 qualifies for tax exempt status under United States Code, title  
10 26, section 501(c)(3).

11 Subp. 7. Financial assistance. "Financial assistance"  
12 means a loan from the agency.

13 Subp. 8. Land trust activities. "Land trust activities"  
14 means activities that are in compliance with parts 4900.3430 to  
15 4900.3434, the publicly owned neighborhood land trust program,  
16 and Minnesota Statutes, section 462A.202, subdivisions 6 and 7.

17 Subp. 9. Persons and families of low and moderate income.  
18 "Persons and families of low and moderate income" means persons  
19 or families whose income does not exceed 80 percent of the  
20 greater of statewide or area median income as determined from  
21 time to time by the United States Department of Housing and  
22 Urban Development.

23 Subp. 10. Program. "Program" means the publicly owned  
24 neighborhood land trust program.

25 Subp. 11. Property. "Property" means land or buildings  
26 subject to the financial assistance requested in the application.

27 4900.3432 ELIGIBILITY.

28 Subpart 1. Eligible applicants. Only a city may be an  
29 eligible applicant.

30 Subp. 2. Eligible uses of financial assistance. A city  
31 may use the proceeds of the financial assistance for capital  
32 costs identified in the application.

33 Subp. 3. Eligible applications. The application for  
34 financial assistance shall, at a minimum, contain:

35 A. evidence that the applicant is an eligible

1 applicant;

2 B. a comprehensive plan for the use of the financial  
3 assistance, including:

4 (1) documentation of the need for the type of  
5 proposed activity, including information on the extent to which  
6 persons and families of low and moderate income will benefit;

7 (2) a detailed description of all other financial  
8 resources available to the applicant to complete the activity,  
9 including those from other public or private sources; and

10 (3) a timetable for the completion of the  
11 proposed activity;

12 C. documentation of the applicant's ability to  
13 complete and maintain the property in accordance with its funded  
14 use for the period of time identified in the application;

15 D. documentation sufficient to establish that the  
16 cost and quality of the proposed activity is reasonable;

17 E. evidence of the intended use of a ground lease  
18 which meets the requirements of Minnesota Statutes, section  
19 462A.31; and

20 F. if the applicant intends to contract with an  
21 eligible nonprofit organization to develop or manage the  
22 property, a copy of the contract and evidence of the nonprofit  
23 organization's abilities and capacities to fulfill program  
24 requirements.

25 4900.3433 TERMS AND CONDITIONS OF FINANCIAL ASSISTANCE, USE OF  
26 PROPERTY, AND REPAYMENT REQUIREMENTS.

27 Subpart 1. Interest rate. The agency shall not charge  
28 interest on the financial assistance.

29 Subp. 2. Ownership and use requirements. The financial  
30 assistance is subject to the terms and conditions in items A to  
31 F pertaining to ownership and use of the property.

32 A. The applicant must intend to own and use the  
33 property for the purposes identified in the application.

34 B. The applicant may contract with an eligible  
35 nonprofit organization for the management of the property.

1 C. The applicant may use the property for purposes  
2 other than those identified in the application only after it has  
3 repaid the amount of the original financial assistance to the  
4 agency.

5 D. If the applicant uses the financial assistance to  
6 purchase land only, or purchases land and buildings and later  
7 demolishes the buildings, the applicant may lease the vacant  
8 land to an eligible nonprofit organization for a term of up to  
9 99 years at a nominal annual rental amount.

10 E. If the applicant uses the financial assistance to  
11 purchase property consisting of land and buildings, the  
12 applicant may sell any buildings situated on the land to an  
13 eligible nonprofit organization, provided that:

14 (1) the applicant retains ownership of the land;

15 (2) the applicant sells the buildings for fair  
16 market value;

17 (3) the applicant complies with the repayment  
18 requirements provided in subpart 3; and

19 (4) the applicant annually determines that the  
20 buildings are owned by an eligible nonprofit organization and  
21 are being used for land trust activities.

22 F. The applicant may lease buildings situated on the  
23 land which received the financial assistance to an eligible  
24 nonprofit organization for a nominal annual rental amount,  
25 provided that:

26 (1) the lease does not exceed ten years;

27 (2) the applicant has the absolute and  
28 unconditional option to cancel the lease at the end of any  
29 three-year period; and

30 (3) the applicant is required to annually  
31 determine that the property is being used for land trust  
32 activities, and is benefiting persons and families of low and  
33 moderate income.

34 For those applications not containing evidence of the  
35 conditions cited in item F, the annual rental amount must at  
36 least equal the total amount of financial assistance

1 attributable to the cost of buildings divided by the number of  
2 years of the useful life of the buildings.

3 Subp. 3. Repayment requirements. The financial assistance  
4 is subject to the repayment requirements in items A and B.

5 A. If the applicant sells all of the property, the  
6 sale must be at fair market value and the applicant must repay  
7 the lesser of either the net proceeds of the sale or the amount  
8 owing to the agency at the time of the sale. The amount repaid  
9 shall be considered to be payment in full of the entire  
10 outstanding balance of the financial assistance owed the agency.

11 If the applicant sells part of the property, the sale must  
12 be at fair market value and the applicant must repay the lesser  
13 of either the net proceeds of the sale or the amount owing to  
14 the agency at the time of the sale. The amount repaid shall be  
15 credited against the outstanding balance of the financial  
16 assistance owed the agency.

17 B. If the applicant owns and uses the property for  
18 the purposes identified in the application for a period of 20  
19 years from the date the financial assistance is first supplied  
20 to the applicant, the outstanding balance of the financial  
21 assistance owed to the agency shall be considered to have been  
22 paid in full.

23 4900.3434 SELECTION CRITERIA FOR LOANS.

24 From time to time, the agency may request applications for  
25 financial assistance. The agency shall select applications for  
26 financial assistance based on the following criteria:

27 A. the need for the type of housing which will be  
28 created by the eligible activities described in the application;

29 B. the extent to which other resources are or will be  
30 allocated to address the stated need;

31 C. the extent to which the land trust loan funds are  
32 combined with other funds from private or public sources;

33 D. the geographic distribution of the applications,  
34 to the extent that funds can be used for land trust activities  
35 throughout the state;

- 1           E. the extent to which persons or families of low and  
2 moderate income will benefit from the eligible activities;
- 3           F. the extent to which displacement of residents will  
4 be minimized;
- 5           G. the extent to which the eligible activities are  
6 more innovative than other proposals;
- 7           H. the extent to which the application receives the  
8 support and participation of the local community;
- 9           I. the reasonableness of the cost and quality of the  
10 eligible activities;
- 11           J. the experience and capacity of the applicant to  
12 perform land trust activities and provide administrative support  
13 services for an extended period of time; and
- 14           K. if applicable, the experience and capacity of the  
15 nonprofit organization to which the applicant proposes to either  
16 contract with or lease any part of the property.