

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed Adoption of
Rules of the Minnesota Housing Finance
Agency Governing the Market Rate Elderly
Shallow Subsidy Rental Program

Statement of Need
and Reasonableness

4900.0351

This part describes the scope of parts 4900.0351 to 4900.0355 as they apply to the Minnesota Housing Finance Agency's Market Rate Elderly Shallow Subsidy Rental Program.

4900.0352

This part sets forth definitions for the purpose of parts 4900.0351 to 4900.0355.

Subpart 2. A single word reference to the Minnesota Housing Finance Agency is incorporated for brevity of presentation.

Subpart 3. The Market Rate Elderly Shallow Subsidy Rental Program is defined as the Agency's plan and procedure for the distribution of shallow subsidy funds to assist eligible recipients in making their monthly rental payments in Eligible Developments.

Subpart 4. Eligible Recipients are defined as tenants eligible to receive the benefit of rent subsidy funds under the Program. The reasonableness and necessity of the requirements for Eligible Recipients are discussed below in reference to part 4900.0353.

Subpart 5. Eligible Developments are defined as rental developments where tenants may reside and receive the benefit of rent subsidy funds under the Program. The reasonableness and necessity of the requirements for Eligible Developments are set forth in reference to part 4900.0354, below.

4900.0353

This part establishes eligibility criteria for tenants to receive the benefit of rent subsidy funds under the Program.

Paragraph A specifies that at least one tenant in the household must be 62 years of age or older. This definition of "elderly" is reasonable, since it is the same standard as applied in U.S. Department of Housing and Urban Development ("HUD") and Federal Social Security programs relating to the elderly.

Paragraph B specifies that the tenant must not have an income which exceeds 50 percent of the Median Income for the county in which he is to reside, as established by HUD. This requirement is necessary to ensure that the recipient is in need of assistance in order to afford the rental housing to be provided in the Eligible Development. The income limit is reasonable

since HUD applies the same test in providing Section 8 housing assistance to very low income households.

Paragraph C requires occupancy of one bedroom units. This provision is necessary and reasonable to insure that the subsidy funds provided are applied for the benefit of tenants in need of housing, and not for recipients who could afford the housing and instead use the funds to rent a larger or more expensive dwelling unit.

Paragraph D specifies that recipients must provide to the Agency all information required to demonstrate their eligibility. This is necessary to provide the Agency with adequate information to allocate the available subsidy funds. It is reasonable that the funds be applied only for the benefit of those most in need.

Paragraph E specifies the recipient must reside in an Eligible Development, as outlined in part 4900.0354. This is reasonable since the primary purpose of the Program is to expand the lower income range of households served in Agency-financed rental housing.

4900.0354

This part establishes eligibility criteria for developments whose tenants are to be eligible for rental subsidies under the Program. The purpose of the Program is to make elderly rental housing financed by the Agency affordable to a wider range of lower income households than are presently served.

Paragraph A provides a commencement date of August 1, 1984, relating to the Agency's permanent financing, because, in view of the limited funds available, it is necessary and reasonable to limit the Program to future Agency-financed developments and not include developments within the Agency's existing portfolio, which developments already serve the elderly and lower income tenants.

Paragraph B requires that the development be designed to serve low and moderate income elderly households, in accordance with the Agency's lending requirements, and Paragraph C further meets the objectives outlined in the statement relating to Paragraph A of this part, set forth above.

Paragraph C requires that the development be owned by either a limited dividend or non-profit entity, to enable the lowest and most affordable rents possible to be charged to the tenants.

4900.0355

Subpart 1. This subpart requires that the Agency determine the amount of monthly tenant subsidy based on funds available, and allocate the same amount to all recipients selected during a fiscal year. This is necessary to ensure that the Agency does not allocate more funds than are available, and is reasonable in that it obtains the maximum disbursement of funds to tenants, while affording the tenants equal treatment.

Subpart 2. This subpart allows the recipients to continue receiving subsidy funds for as long as they continue to occupy the Eligible Development. This is reasonable since the tenant would be forced to involuntarily move from his living unit through financial necessity, rather than individual choice, if the subsidy which made his dwelling unit affordable was subsequently withdrawn.

Subpart 3. This subpart provides a priority basis for the selection of tenants which the Agency believes will be required, since it is anticipated that there will be more tenant applicants than available funds.

Paragraphs A, B and C are currently used for other Agency multi-family rental programs, and it is, therefore, reasonable to provide for consistent treatment.

Paragraph D provides a priority for persons who can live independently, with family help, and whose family members are located in the immediate vicinity. The provisions of Paragraph D are reasonable, since one of the objectives of the Agency's elderly programs is to keep the elderly independent for as long as is possible, and thereby help to reduce public expenditures for nursing home costs. The last paragraph provides that if all of the stated criteria are equally met, the Agency will give preference to the first persons to apply. This is reasonable in that it provides all applicants with the same opportunity to obtain the benefits of the rental subsidy.

Subpart 4. This subpart provides how the subsidy funds will be disbursed, and is in conformity with the procedures for disbursement of subsidy funds in other Agency Multi-Family Rental Programs, which procedures have proven both necessary and reasonable.

The Agency is mindful of the provisions of Section 14.115 of Minnesota Statutes, entitled Small Business Considerations in Rulemaking, but since the direct recipients of the subsidy payments under the proposed regulation must be natural elderly persons and families of low and moderate income who reside in the Eligible Developments, the regulation does not affect small businesses directly, and the said law, by its terms, is inapplicable to this proposed regulation. Further, to the extent that the subsidy payments which are the subject of this regulation may have an indirect effect on small businesses, the effect of the proposed rule is to make Agency apartment loans more capable of feasible underwriting, and, consequently, more obtainable; and, as a result, the proposed rule has no negative effect on small businesses.