

STATE OF MINNESOTA

MINNESOTA HOUSING FINANCE AGENCY

In the Matter of the Proposed
Adoption of Permanent Rules of
the Minnesota Housing Finance
Agency Relating to the Definition
of Capital Contributions of
Investors

Statement of Need
and Reasonableness

The Minnesota Housing Finance Agency Law, § 462A.03, Subd. 13, reads in part as follows:

"* * * The return to a limited dividend entity shall not exceed ten percent of the capital contribution of the investors or such lesser percentage as the agency shall establish in its rules. * * *"

The Agency previously amended the definition of "capital contribution of the investors", referred to above and in subpart 7 of part 4900.0010 of its rules, in order to recognize the value of the investors' capital contribution to an economically secure development, and to provide sufficient inducements in the form of an increased dividend to obtain the investors' agreement to preserve the stock of low income housing, and to control the cost of operating this housing. The criteria for measuring economically secure developments and the conditions which must be agreed to in order to increase the return to a limited dividend entity were set forth in paragraphs A - K.

The Agency proposes to amend paragraph G of the existing regulation to encourage owners of developments without waiting lists of the size described in the existing regulation, but which are otherwise secure by reason of the reserve level described in the amending language, to retain the housing for the benefit of low and moderate income tenants for the longest possible term. It is both reasonable and necessary to make the desired change to enable the maximum number of developments to participate in the program while affording the Agency a high degree of security for its loans.

The Agency is cognizant of the provisions of § 14.115 of Minnesota Statutes, entitled "Small Business Considerations in Rulemaking"; however, the proposed amendment to the existing rules does not establish any new or additional compliance or reporting requirements, or design or operational standards not currently affecting the way any business must operate, but, rather, expands the eligibility of existing agency-financed developments for participation in the Agency's redefined equity program. Therefore, the provisions contained in Minn. Stat. Section 14.115 (1987) do not apply to the proposed rules discussed herein.