



**MINNESOTA
HOUSING
FINANCE
AGENCY**



March 21, 1990

Michele Swanson, Commission Secretary
Legislative Commission to Review
Administrative Rules
55 State Office Bldg.
St. Paul, MN 55155-1201

Dear Ms. Swanson:

Pursuant to your request of March 16, 1990 I have enclosed a copy of the Statements of Need and Reasonableness for the capacity building grant program and the capacity building revolving loan program.

If you need further assistance call me at 296-9794.

Sincerely,

A handwritten signature in cursive that reads "Susan K. Noren".

Susan K. Noren
Office Services Supervisor
Legal Division

SKN
Enc.

CAPACITY BUILDING REVOLVING LOAN FUND STATEMENT OF NEED AND REASONABLENESS

Minnesota Statutes (1989) Section 462A.21 Subdivision 3a established that the Minnesota Housing Finance Agency (Agency) may establish a revolving loan fund for predevelopment costs for eligible organizations engaged in the construction or rehabilitation of low and moderate income housing. The statute was passed to assist nonprofit housing providers and local government units to expand their capacity to provide affordable housing to low and moderate income households. The Agency has committed \$750,000 from its reserves to fund this program. The proposed rule has been developed under the above referenced statute.

Proposed Minnesota Rules Part 4900.1925 (Scope) describes the scope of Part 4900.1925 to Part 4900.1930 as they apply to the Agency's Capacity Building Revolving Loan Program.

Proposed Minnesota Rules Part 4900.1926 (Definitions) provide definitions under these rules.

Proposed Minnesota Rules Part 4900.1927 (Eligible Applicants) defines what entities are eligible to apply for loan funds as specified under the statute and existing Agency regulations applicable to it.

Proposed Minnesota Rules Part 4900.1928 (Eligible Applications) outlines the information that must be provided in the application for loan funds. The information required is that which is both reasonable and necessary for the Agency to determine the financial viability of the proposed project, the degree to which the proposed project addresses local housing needs, and the likelihood that the funds provided to an applicant will be repaid so that they can be used to assist other projects.

Proposed Minnesota Rules Part 4900.1929 (Eligible Uses of Loan Funds) specifies the eligible uses of loan funds. The statute states that the fund may be used for predevelopment costs and makes reference to several sections of the Agency's statute to designate other purposes that may be assisted by the fund. This rule defines specific activities which are reasonable and necessary to undertake during the predevelopment stages of a housing project for low and moderate income persons.

Proposed Minnesota Rules 4900.1930 (Selection Criteria) provides the criteria to be used by the Agency when selecting applicants to receive loan funds under the program. These criteria are reasonable and necessary to ensure that the loan funds provided by the program are used to address the housing needs of a community, support economically feasible projects, and assist projects throughout the state.

The Agency is cognizant of the provisions of Section 14.115 of Minnesota Statutes, entitled "Small Business Considerations in Rulemaking," but since the recipients of the loans under the proposed regulation must be nonprofit entities, local units of government, housing and redevelopment authorities, or regional development commissions, the regulation does not affect small businesses directly, and the said law, by its terms, is inapplicable to the proposed regulation. Further, to the extent that the loans which are the subject of this regulation may have an ultimate and indirect effect on small businesses, the effect is to make the construction and rehabilitation of low and moderate income housing more capable of feasible underwriting and, accordingly, more obtainable; and, as a result, the proposed rules have no negative effect on small businesses.