

12/17/90



**MINNESOTA
HOUSING
FINANCE
AGENCY**



February 4, 1991

Legislative Commission to Review
Administrative Rules
Room 55, State Office Building
100 Constitution Avenue
St. Paul, MN 55155

RE: Proposed Permanent Rules Relating to Mortgage Revenue Bonds for the
Purchase of New Housing and Single Family Mortgage Revenue Bond Authority

To Whom it May Concern:

I have attached a copy of the Statement of Need and Reasonableness for the above mentioned rules. If you should have any questions, feel free to call me at 296-8837.

Terese Fritchman

State of Minnesota

Minnesota Housing Finance Agency

In the Matter of the Proposed Permanent
Rules Relating to Mortgage Revenue Bonds
for the Purchase of New Housing

Statement of Need
and Reasonableness

4900.3320 through 4900.3360:

Minnesota Statutes Section 474A.408 establishes limitations on the use of mortgage revenue bonds for cities and the Agency to finance the purchase of newly constructed homes. The proposed rules have been developed under the above referenced statute to address Agency mortgage revenue bond programs.

Proposed Minnesota Rules 4900.3310, subparts 1 through 12, provide definitions under these rules. The definitions provided were either taken directly from the applicable statute or standard definitions pertaining to Agency programs as are commonly provided in other rules. Thus, the definitions are not deemed to be controversial.

Proposed Minnesota Rules 4900.3320 imposes limits on newly constructed homes in the Twin Cities Metropolitan area. Minnesota Rules 4900.3320, A and B is taken almost directly from the statute. Minnesota Rules 4900.3320 C(1) through (5) has been provided the specify acceptable housing affordability initiatives for eligible programs as contemplated in the statute. These housing affordability initiatives provide a range of acceptable activities for affordable housing as are currently recognized in the housing community. They are specific as to both allowable activities and the extent to which contributions from the Agency and other sources must be made to facilitate these activities.

Proposed Minnesota Rules 4900.3330 imposes limitations on new construction outside the Twin Cities Metropolitan Statistical Area. The statute provides that the Agency should encourage loans for existing housing as opposed to new housing outside the Twin Cities Metropolitan area, but does not impose the specific restrictions on newly constructed homes as it does in the Twin Cities Metropolitan Statistical Area. In light of this, the Agency allows mortgage loans on newly constructed homes under the same conditions specified in part 4900.3320, but also allows new construction under other circumstances. In such cases, the Agency must determine that a need for new housing exists either in the entire area or in specific counties, cities, or other geographic areas by reviewing pertinent data including, but not limited to, economic development and employment growth trends, housing starts, and mortgage activity and interest rates. However, even if such factors demonstrate a need for newly constructed homes, the Agency provides that the house price limits for housing in these areas may not be more than \$10,000 higher than the house price limits for existing housing regardless of the variance that may be allowed in federal law pertaining to mortgage revenue bonds. This recognizes the fact that limits for newly

constructed homes under federal law are sometimes higher than the limits for existing housing. The restriction of the variance further meets the objectives of the statute.

Proposed Minnesota Rules 4900.3340 through 4900.3360 either provide material directly from the statute or clarify the intent of the statute. None of the material contained in these parts is deemed to be controversial.

The Agency is cognizant of the provisions of section 14.115 of the Minnesota Statutes, entitled Small Business Considerations in Rulemaking. The proposed rule does not establish any compliance or reporting requirements, or design or operational standards that directly affect the way any business must operate. Therefore, the provisions contained in Minnesota Statutes 14.115 (1986) do not apply to the proposed rule described herein.