

STATE OF MINNESOTA

HOUSING FINANCE AGENCY

Publicly Owned Transitional or Battered Women or Other Crime Victims Housing Program

Statement of Need and Reasonableness

In 1990, the Minnesota Legislature appropriated \$1.5 million in proceeds from general obligation bonds to fund publicly owned transitional housing. The Minnesota Constitution imposes restrictions on the use of general obligation bond proceeds; and the 1990 bill was the first time that the Legislature appropriated general obligation bond proceeds for an affordable housing program. The Minnesota Housing Finance Agency (Agency) promulgated the Publicly Owned Transitional Housing Program rules to implement the Program.

The 1992 Minnesota Legislature amended the publicly owned transitional housing statute to clarify a number of problems which had arisen regarding the terms and conditions of loans made under the program. In addition, the 1992 Legislature appropriated \$1 million in proceeds from general obligation bonds to fund publicly owned housing for battered women or other crime victims.

The proposed amendments to the Publicly Owned Transitional Housing Program rule address the statutory changes made in 1992 to the Transitional Housing Program and add the new Battered Women and Other Crime Victims Program to the rule.

The statute governing the Publicly Owned Transitional Housing Program is detailed and specific. It was written in consultation with the state's bond counsel to ensure that provisions consistent with the State Constitutional restrictions on the use of general obligation bonds were included. The legislative authorization for the Battered Women and Other Crime Victims Program, on the other hand, is contained in a few sentences in a rider in the 1992 Bonding Bill and includes little specific direction regarding terms and conditions of the Program. The Agency is proposing to operate The Battered Women and Other Crime Victims Program under the same rule as the Publicly Owned Transitional Housing Program.

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This is necessary and reasonable for several reasons. Because the Transitional Housing Program and the Battered Women and Other Crime Victims Program are both funded with general obligation bond proceeds and therefore subject to the same limitations imposed by the Minnesota Constitution, it is reasonable to operate both Programs under the same rule to ensure compliance with Constitutional restrictions. Second, the restrictions required by the Constitutional limitations make these Programs more difficult for units of local government to use than a program funded with state general fund appropriations. Operating the Battered Women and Other Crime Victims Programs under the rules which have been developed for the Transitional Housing Program simplifies the Program for applicants by using rules and forms which are familiar. Third, using the Publicly Owned Transitional Housing Program rules simplifies the Program and increases efficiency for Agency staff because the many problems which arise in the administration of any program have been resolved as a result of the experience with the Publicly Owned Transitional Housing Program.

The proposed amendment to Minnesota Rules Part 4900.3100 (Scope) expands the scope of the Publicly Owned Transitional Housing Program rules by adding the Battered Women and Other Crime Victims Program passed by the 1992 Legislature.

The proposed amendments to Minnesota Rules Part 4900.3110 (Definitions) in subparts 3, 4, and 4a concern the addition of a definition of "financial assistance." The Legislature used the word "loan" in the Publicly Owned Transitional Housing Program and the word "grant" in the Battered Women and Other Crime Victims Program. In either case, however, in order to ensure that the Constitutional restrictions on the use of general obligation proceeds are met, the Agency must establish terms and conditions on the use of the funds. A loan under the Program is a deferred loan which is forgiven if certain terms are met. A grant under the Program is a grant with restrictions on its use which must be satisfied. By using the term "financial assistance" instead of "loan" or "grant," the rules can address both Programs.

The proposed addition of the word "construction" in Minnesota Rules Part 4900.3110 subparts 4 and 8 is necessary because the Legislature added new construction as an eligible activity to the Publicly Owned Transitional Housing Program. Eligible activities were previously restricted to acquisition and rehabilitation.

limited in light of the high costs of constructing or rehabilitating housing. Second, the funding for the Battered Women and Other Crime Victims Program came initially from the Omnibus Crime Bill which contained a number of legislative responses to a series of well-publicized violent crimes, all of which were crimes against the person. Third, victims of crimes against the person, particularly victims of crimes by family members, are more likely to need temporary housing in order to ensure their safety than victims of property crime.

Paragraph K is an existing selection criteria regarding support and participation of the local community. The proposed amendment to Paragraph K requires that the Agency consider, in cases where an applicant plans to contract with or lease the property to a nonprofit organization, the extent to which the governing board of the nonprofit organization represents the cultural diversity of the community. This is a reasonable consideration because it helps ensure that the housing and services provided by the project will be available on a nondiscriminatory basis and will be provided in a manner more likely to be effective in the local community.

The proposed deletion in Paragraph N of the words "of homeless persons" is necessary because the rule is intended to govern both the Publicly Owned Transitional Housing Program, which serves homeless persons, and the Battered Women and Other Crime Victims Program, which does not necessarily serve only homeless persons. The proposed deletion makes Paragraph N applicable to both programs.

The Agency recognizes the provisions of Minnesota Statutes Section 14.115, "Small Business Considerations in Rulemaking." The proposed rule does not affect small businesses directly. Small businesses which are limited dividend entities may be recipients of funds under this section.