



U.S. Dept. of Housing and Urban Development

Minneapolis Field Office
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Minneapolis, Minnesota 55402-4012
<http://www.hud.gov/local/min/minhome.html>

MEMORANDUM: Minneapolis Multifamily HUB Lenders

**SUBJECT: Clarification of Minneapolis Hub's Moratoria
Circular 04-02**

DATE: September 27, 2004

Over the last few years the Minneapolis Hub has issued a series of moratoria, in order to address potential adverse impact and overbuilding in specific market areas. This Circular summarizes our recent review of the range of moratoria established, and clarifies which moratoria will remain in place.

HUD Handbooks 4010.1 CHG (4-2) and 4425.1 REV-2 (3-6) clearly outline our office's responsibility to "exercise control of the mortgage insurance program as to discourage housing oversupply" and to "use every means at [the Director's] disposal to avoid the development of such undesirable conditions in the first place." As such, we employ moratoria, as one means, to avoid overbuilding in specific markets. Accordingly, we will not consider new FHA pre- or firm-applications in moratorium areas. Moratoria do not apply to portfolio projects, those under construction receiving FHA-insured advances, or those under construction pursuant to Insurance Upon Completion commitments. After careful review of current market conditions and trends, the following moratoria will remain in place until further notice or are modified as described below:

SENIOR INDEPENDENT LIVING PROJECTS IN SOUTHERN SUBURBS

In 2002, our office instituted a moratorium on senior independent living projects for the elderly (both rental and ownership) in the following cities: Apple Valley, Bloomington (zip codes 55420 and 55425), Burnsville, Eagan, Farmington, Inver Grove Heights, Lakeville, Lilydale, Mendota, Mendota Heights, Rosemount, Savage, and Sunfish Lake.

As of this date, we are *removing* the areas of Bloomington, Farmington, Lakeville, Lilydale, Mendota, Mendota Heights, Inver Grove Heights, and Sunfish Lake from this list (leaving in place a moratorium covering Apple Valley, Eagan, Burnsville, Rosemount and Savage).

SENIOR COOPERATIVES IN NORTHWESTERN SUBURBS

Since November 2002 this office has not considered new seniors' cooperative proposals located in Maple Grove, Plymouth, Medina, Osseo, Champlin, and Brooklyn Park. This moratorium will remain in place for at least another 6 months from this date.

ASSISTED LIVING FACILITIES IN SUBURBAN HENNEPIN AND DAKOTA COUNTIES

In 2001, our office instituted a moratorium on assisted living facilities in suburban Hennepin County and Dakota County.

As of this date, we are removing the moratorium covering Dakota County, but will be closely scrutinizing and carefully reviewing ALF proposals on a case-by-case basis. The ALF moratorium will remain in place for suburban Hennepin County for at least another 6 months from this date.

FHA INSURED 221(D)(4) IN ROCHESTER MSA

In 2002, our office instituted a moratorium on general occupancy projects in the Rochester MSA (see Circular 03-13, dated June 27, 2003.) This moratorium will remain in place for at least another 6 months from this date.

NURSING HOMES IN MINNESOTA

On August 22, 2003, our office issued Circular 03-15, establishing the Hub's policy concerning the refinancing or purchase of existing nursing homes in Minnesota using FHA mortgage insurance throughout the state. Thereafter, by e-mail on September 2, 2003, the criteria listed therein were referenced for inclusion in the MAP Guide exhibit requirement relating to a Market Study, Appendix 4D, Item 36.

Applicants and their Market Study analysts should continue to refer to Circular 03-15, which clearly addresses the conditions under which we will consider any mortgage insurance application. Most significantly, any proposed project will need to formulate a "Business and Strategic Plan of Action" within the market study, which addresses the future viability of the subject project over the extended long terms associated with mortgage financing. This requirement will also be applied to 232 new construction addition proposals involving an existing campus with a licensed nursing home.

STUDENT HOUSING THROUGHOUT MINNESOTA

In 2001, our office issued a change in office policy indicating that "we will not insure any project that is designed solely for occupancy of students." This moratorium will remain in place throughout the state.

We will continue to monitor the affected property types and market areas, and should it become clear that market conditions warrant it, we will notify you of the lifting or modification of any of these moratoria. Otherwise, absent specific notification to the contrary, it should be assumed that these moratoria remain in place.

Questions relating to this circular's application to specific projects should be directed to Tim Gruenes at (612) 370-3051 x2252, Del Relopez at x2274, or Zachary Korb at x2271.