



MHP Capitol Update

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Capitol Notes

Housing Advocacy Strategy – All Eggs in One Basket?

The Housing Solutions Act (HSA) was introduced this week in the Senate, following the administration's significant increase in budget allocations for housing. Many housing advocates agree that, although the governor's recommended 62% affordable housing funding increase is substantial and should be applauded, the proposed \$42 million in new housing funding should be viewed as a floor, not a ceiling. This has advocates debating what the best approach is to gain legislative support for a substantial increase in funding over and above the governor's budget.

HSA would raise about \$53 million for affordable housing per year through a .17% increase in the deed tax imposed on the value of a property transfer, which is assessed to the seller, not the buyer. This amount would be dedicated to three program areas: the Housing Trust Fund which provides rental assistance to very low-income families; the Challenge Fund which supports workforce housing; and the HALO Local Incentive Fund which provides matching funds to local government investments in affordable housing. However, HSA alone would not meet the projected funding need for affordable housing production—HSA would create roughly \$30 million per year for production, while an MHP report indicates that we will need about \$50 million per year in state funding to meet the demand. HSA is one of many solutions that, together, will meet Minnesota's housing needs.

In light of the current funding atmosphere, it appears that a two-prong option is opening up – one directed at increasing current appropriations and the other at dedicating new revenue to the effort. The MHP Board has decided to continue to advocate for \$100 million per biennium increase in funding for this budget cycle through base budget increases, tax expenditures and/or one-time money, while noting the need for permanent dedicated funding. The Housing Solutions Alliance will advocate for the deed tax increase, while acknowledging that the proposed budget is a good starting point. These two approaches ensure that all the affordable housing eggs are not in one basket and both MHP and the Housing Solutions Alliance will make the case for increased investment in housing.

Housing Solutions Act – An Early Read

This proposal has some very strong supporters in the legislature and their commitment to it needs to be recognized and supported through concerted action. At the same time, the depth of support for it does not run broad or deep. Leadership appears to be lukewarm to the idea of raising any taxes, with the possible exceptions of a gas tax or a ballot effort to fund the environment through a sales tax increase.

It is still early in the session and priorities can change so a continued advocacy effort is worthwhile, particularly to support the efforts of our legislative housing champions. At a minimum, the HSA proposal highlights the need to increase funding and will ensure that housing, viewed by many as a second tier priority, will receive well-deserved, increased attention.

The broad based advocacy effort planned by the Housing Solutions Alliance will greatly increase legislators' awareness, especially as it relates to local community needs and should build increased support for housing at the Capitol. We believe that the deed tax proposal was instrumental in influencing the administration's housing proposal, even though they remain opposed to any tax increases.

Additional Budget Items of Note

Here are a few more housing related items from the governor's budget that didn't get noted last week:

- **Transitional Housing:** \$500,000 increase in funding.
- **Reentry Initiative:** \$750,000 will be invested in 3 county pilot programs that include a housing component.
- **Property Tax Relief:** \$8.5 million increase in property tax refund program for homeowners, although it doesn't seem to include the rental program.

Don't Forget to Say Thanks

Although we intend to push for more funding for housing initiatives – that's our job – Minnesota Housing and Governor Pawlenty deserve to hear some thanks for recommending the funding increases contained in the budget. The agency was treated very well considering the budget constraints. A large (27%) increase in the base budget and a healthy chunk of one time cash shouldn't go unrecognized! Don't hesitate to pick up the phone, send an email, or write a note and let the state know this.

Committee Hearings

Please note committee meetings and schedules can change almost daily. Use the website below to sign up for daily schedules or contact a specific committee to get on their email notice list.

House

Housing Policy and Finance

Tuesday, February 6th, Room 5 SOB, 10 a.m.

Agenda:

- Presentation by MN Housing Partnership—Chip Halbach
- Overview from the Department of Health

Housing Policy and Finance

Wednesday, February 7th, Room 5 SOB, 10 a.m.

Agenda:

- Presentation from Dakota County Housing and Resource Development Unit—Marsha Milgrom, Resource Development Specialist
- H.F. 166 (Lesch) Uniform residential tenant reports provided.
- H.F. 323 (Mullery) Tenant applicant screening fees provisions modified.

For up-to-date information about House hearings and more, go to <http://www.house.leg.state.mn.us/comm/commemlist.asp>

Senate

For more up to date committee schedules for the Senate, go to:
<http://www.senate.leg.state.mn.us/committees/>

Bill Introductions

This list only contains bills recently introduced. Please let us know if you see a bill you would like us to track.

House

H.F. 387 (Clark) / S.F. XXX — Regulating predatory lending practices. This is not the attorney general's proposal and does not have a Senate companion.

H.F. 537 (Clark) / S.F. XXX — Appropriates \$8M for technical assistance, capacity building and evaluation of Runaway and Homeless Youth Act. No Senate companion.

H.F. 301 (Davnier) / S.F. 308 (Higgins) — blighted property acquisition and rehabilitation.

Senate

S.F. 442 (Cohen) / H.F. XXX — Housing Solutions Act. No House companion.

S.F. 385 (Pogemiller) / H.F. XXX — Income tax credit for historic structure rehabilitation. No House companion.

S.F. 225 (Pappas) / H.F. XXX — requires financial institutions to provide counseling and disclosures for high cost home loans. No House companion.

Bits and Bytes

Dedicated Funding – Clarification

There is truly only one for-sure method to ensure that funds are dedicated: put it in the constitution. The gas tax is the most obvious example, as are the funds raised by the state lottery. Unless an item is in the constitution, one legislature cannot bind the next one to its directives in statute. This last election, transportation supporters convinced the public to dedicate the sales tax on motor vehicles to roads, bridges, and transit. This effort was taken because, even though 100% of this tax was already *statutorily dedicated* to these functions in the late 80s, never more than 35% was ever transferred. The roads, bridges, and transit gang witnessed one successive legislature after another vote to move the money elsewhere. A statutorily dedicated fund is more difficult to undo than a base budget, but doesn't provide fool-proof protection from changing priorities, bad economies, and budget defects.

Next Budget Forecast – Late February 4, 2007

In late February, the Finance Department will provide its next budget forecast and the governor and legislators will use these numbers to set the final budget for the state. There have been rumblings that the fiscal picture may dim, in part due to the housing market.

Distributed weekly during the legislative session and periodically outside of session, the **MHP Capitol Update** provides information about bill introductions, committee hearings, policy analysis, and political chatter in St. Paul. **MHP Capitol Update** is published by Minnesota Housing Partnership, and content is provided by MHP's lobbying team, Cindy Jepson and Julian Loscalzo. To share ideas for future issues, to ask questions, or to unsubscribe, please contact Barb Jacobs at bjacobs@mhponline.org or 651-649-1710 ext. 117.

Minnesota Housing Partnership's mission is to promote homes for all Minnesotans and to assist Minnesota communities in the creation and preservation of housing affordable to low- and moderate-income people.