



# MHP Capitol Update

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## State Update

### Taking it to the Tax Chair

Last night, the construction sales tax exemption was added to this year's second tax bill! Progress was made because one of your Update authors made a gallant plea directly to the Chair of the House Tax Committee to include the proposal in the second tax bill. The provision mirrored the language included in last year's vetoed tax bill. Thanks to Rep. Davnie for introducing the amendment and making the language more inclusive. Last year's bill exempted limited partnerships from the sales tax when nonprofits are the "sole" general partner. Davnie's 2008 amendment adds the phrase "or managing." If this legislation is signed by the governor, limited partnerships with nonprofits as either the "sole or managing general partner" will be eligible for the construction sales tax exemption!

### House Releases Tax Bill that includes Foreclosure Items

In its recommendation report to the full Tax Committee last week, the House Property Tax Division included funding for cities with high concentrations of foreclosures to inspect and secure vacant, foreclosed properties. Municipalities would be able to access the money if their overall foreclosure rate is at least 50 percent higher than the foreclosure rate for the 7-county Twin Cities Metro Area. The grant amounts would be based on the number of foreclosures in the qualifying areas and no city would receive a grant of more than \$250,000. The report also says that, starting in 2009, tax assessors must take into account the market value effect of properties within the vicinity of a foreclosure.

Homeowners also receive a piece of the tax bill pie with a new homestead credit state refund program. The credit is available to property owners that are taxed more than 2 percent of household income on their homes. It is available for families with incomes of up to \$200,000 and the maximum credit is \$2500.

Other items in the report include a \$30 million local government aid (LGA) increase and a \$20 million county aid increase, both beginning in 2009. Rep. Hilstrom's crime free multi-housing program also (re)appears in the property tax division report. Like last year, the proposal is limited to a pilot program for Low Income Rental Classification (4d) properties in Brooklyn Center and will likely make its way into the second House tax bill. With only three weeks left in the session, though, it's anyone's guess whether there is enough time for another tax bill to make its way to the governor's desk.

### **Help Needed to Restore Funding for Homeless Services**

Please ask lawmakers to support the House version of the supplemental budget that preserves the health and human services budget. Recent budget negotiations have put at risk the funding of important programs that meet the needs of low income individuals and maintain stable living environments for the homeless. In addition, existing homeless support services need their funding restored.

#### **Action Needed:**

- CONTACT members of the Finance Conference Committee today!
- ASK THEM to oppose any cuts to the health and human services budget that maintains existing services during a time of increased need, such as the Senate proposal of a 1.7% across-the-board cut;
- URGE THEM to restore the lost funding for existing homeless services by adopting the House position that includes \$618,000 to the Long-Term Homeless Supportive Service fund.

**Deadline for responding: Please take action by *Thursday, May 01, 2008.***

**Click the Link Below to Contact Lawmakers**

[act now](#)

### **No Budget Offer Bites, But Still Friendly**

The supplemental budget conference committee is finding it difficult to get down to the real work of resolving the differences between the House and Senate positions. Unfortunately, not a lot can happen until legislative leadership and the executive branch agree on a global framework.

Last Friday afternoon, Finance Commissioner Tom Hanson walked the administration and the Legislature through the first volley of offers. The major sticking point is still whether or not to use the Health Care Access Fund to balance the budget. The governor wants to use the Access Fund to offset the deficit without cutting the social services budget, while the Legislature wants to maintain the Access Fund to extend state-sponsored healthcare coverage.

### **Foreclosure Bill Update**

Legislation Enacted To Address Foreclosures

- **Punitive Damages Cap** - [H.F. 3478\(Peterson\)/S.F. 2915\(Moua\)](#): increases cap for punitive damages in the case of discrimination from \$8,500 to \$25,000 and gives county attorneys

more tools to punish persons guilty of residential mortgage fraud. Signed into law on April 24, 2008.

- **Foreclosure Data** - [H.F. 3516\(Davnie\)](#)/[S.F. 2914\(Rest\)](#): sets up foreclosure data practices requirements, requires statewide foreclosure data collection and a reporting system study. Signed into law on April 25, 2008.
- **Minnesota Residential Mortgage Originator and Servicer Licensing Act** - [H.F. 3774\(Dominguez\)](#)/[S.F. 3214\(Higgins\)](#): modifies residential mortgage loan and real estate property definitions under the act. Signed into law April 25, 2008.
- **Ability to Pay Provision** - [H.F. 3839\(Lillie\)](#)/[S.F. 3154\(Scheid\)](#): authorizes a mortgage originator to verify the a borrower's ability to pay when determining the reasonable probability of payment on a residential mortgage loan. Signed into law on April 25, 2008.

#### Proposals Moving Through the Legislature

- **Contract for Deed** - [H.F. 3236\(Davnie\)](#)/[S.F. 2881\(Scheid\)](#): regulates contracts for deed and mortgage lending, increases the maximum amount of loan covered from \$100,000 to \$300,000. In conference committee.
- **Manufactured Housing** - [H.F. 3477\(Gardner\)](#)/[S.F. 2917\(Marty\)](#): regulates manufactured home lending practices and amends default regulation provisions. Extends time of reinstatement from 30 to 60 days, provides protections against egregious lending practices such as negative amortizations, requires verification of ability to pay and requires loan refinancing to be signed by loan counselor. Conference committee report passed by House on 4-28.
- **Foreclosure Assistance** - [H.F. 3346\(Davnie\)](#)/[S.F. 3073\(Higgins\)](#): increases and indexes the cap for the amount of mortgage foreclosure assistance provided to a household under the Minnesota Housing Finance Agency's Foreclosure Prevention Assistance Program. Finance Committee report to pass on 4-24. Now waiting for third reading on floor.
- **Vacant Properties Fees** - [H.F. 4199\(Mahoney\)](#)/[S.F. 3840\(Moua\)](#): authorizes delinquent vacant building registration fees collection as a special assessment. Introduced in Senate 4-17.

#### Proposals That Are Expected to Move This Week

- **Tenant Utilities** - [H.F. 3428\(Gunther\)](#)/[S.F. 2909\(Olseen\)](#): gives tenants the right to take over utilities payment when a landlord is in default. In conference committee, action expected this week.
- **Foreclosure Process, Remedies & Preforeclosure Counseling** - [H.F. 3475\(Mullery\)](#)/[S.F. 2912\(Scheid\)](#): modifies mortgage foreclosure proceedings; provides for early intervention by foreclosure counselors; addresses remedies and tenant notice. Action expected this week in the House.
- **Foreclosure Deferment** - [H.F. 3612\(Davnie\)](#)/[S.F. 3396\(Anderson\)](#): defers foreclosure for homeowners who meet the criteria & who were subject to subprime loans. Action expected this week in both bodies.

Link directly to these bills and more at <http://www.mhponline.org/?q=node/244>.

#### Bits and Bytes

##### Policy Items Stripped from Supplemental Budget Bill

Last week, conference committee negotiators pulled all policy items from **H.F. 1812**, the supplemental budget bill, and a number of the initiatives were forwarded to other conference committees. There is an on-going debate over how much and what type of policy should be included in finance bills. This year the administration and Senate wanted a "slimmed down"

finance bill. Capitol watchers are noting that this move also allows these policy initiatives to remain alive if the supplemental bill cannot be negotiated.

### **Corporation for Supportive Housing Trifecta!**

Corporation for Supportive Housing (CSH) is completing this year's three-pronged legislative advocacy campaign with a display in the North Hall of the Capitol focusing on homeless efforts statewide. In addition, legislators are invited to a reception for participants who have completed a CSH training program this week.

## Federal Update

### **Senator Coleman Joins Coalition of Senators in Section 8 Sign-On Letter**

In a letter dated April 14, 2008, twenty two senators, including Minnesota Senator Norm Coleman, urged the Senate Appropriations Committee to address the ongoing project based Section 8 funding shortfall. The bipartisan coalition urged Appropriations Chair Robert Byrd and Ranking Committee Member Thad Cochran to supply the program with \$2.8 billion in supplemental appropriations to fill the funding gap. The project-based Section 8 program has been plagued with funding deficits in FY2007 and FY2008. The letter explains that "[i]n both years, HUD failed to request sufficient funding from Congress to meet its commitments to property owners."

### **Congress Expected to Hear Multiple Housing Proposals in May**

Housing advocates in Washington report that significant pieces of housing legislation—in number and scope—are expected to be heard in both the House and Senate in May. House Financial Services Committee Chair Barney Frank recently told reporters that pending foreclosure legislation may provide a vehicle for other housing proposals, such as the National Housing Trust Fund.

Representative Frank explained that the country's economic slowdown, credit crunch, and pending elections are putting pressure on elected officials to act. "People are very afraid of being accused of not having done something to avoid (a) longer and deeper recession," Frank told the AP on April 15

<http://news.moneycentral.msn.com/ticker/article.aspx?symbol=US:BSC&feed=AP&date=20080415&id=8419655>. The House's foreclosure package could include such varying proposals as Low Income Housing Tax Credit (LIHTC) reform, government sponsored entity (GSE) reform, Federal Housing Administration (FHA) reform, extended mortgage revenue bond authority for local housing agencies, a first time homebuyer tax credit, and National Housing Trust Fund legislation in addition to sundry foreclosure remedies.

In its newsletter, **Memo to Members**, the National Low Income Housing Coalition (NLIHC) says that they expect the housing proposal to take shape and make its way to the House floor in early May. The Senate has not proposed an agenda as ambitious as the House's, but Senator Chris Dodd (CT), chairman of the Banking, Housing, and Urban Affairs Committee, recently expressed interest in many of the same housing initiatives proposed in the House.

Minnesota Housing Partnership. To share ideas for future issues, to ask questions, or to unsubscribe, please contact Barb Jacobs at [bjacobs@mhponline.org](mailto:bjacobs@mhponline.org) or 651-649-1710 ext. 117.

Minnesota Housing Partnership also publishes **The MHP Bulletin**. **The Bulletin** is distributed monthly, and includes affordable housing news and trend information, new research, publications, and upcoming events. Please contact Barb Jacobs at (651) 649-1710 ext. 117, email [bjacobs@mhponline.org](mailto:bjacobs@mhponline.org), to subscribe to **The Bulletin**.

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.