



MHP Capitol Update

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Important Dates

The 2008 Minnesota Legislative Session Opener Issue

You will notice that we neglected to include any federal topics in this issue—this is not a mistake. With Minnesota's legislature convening tomorrow, we decided to dedicate Volume 3, Issue 6 to state politics. Federal policy information will be included in next week's issue, as we resume weekly publication of the **Update**. Play ball!

State Update

Dates to Remember

This session is almost going to be over before it begins today. Bill deadlines have already been set and key target dates are in place. Here's a list of important dates for all advocates to watch.

- March 14th: first committee deadline. On or before this date, bills must pass through all policy committees in one body (House or Senate) to remain viable. This deadline is barely a month after the beginning of session.
- March 19th: second committee deadline. In order to remain viable, policy bills must be passed out of all policy committees in the other body.
- March 28th: third committee deadline. This is the last chance for committees to act favorably on major appropriation and finance bills.

If the above schedule isn't fast enough for you, consider this: legislators are telling us that they have been asked to submit bonding recommendations to the respective House and Senate Capital Investment chairs *by February 24th*. In addition, they plan to have a bonding bill on the governor's desk *by March 15th*.

The Forecast Call For Cuts

The administration's supplemental budget will be released shortly after the next budget forecast, which is due on Feb 28th. Rumor has it that the deficit may grow to over \$700 million for this biennium and even more for future biennium. The governor has requested agencies to prepare for a 3 percent budget reduction. Senate Finance Committee members are considering 1 percent cuts, but acknowledge the next forecast will determine how deep the cuts should go. So far Minnesota Housing has escaped any budget reductions in

preliminary Senate decisions. It only stands to reason that given the state's (and nation's) current housing situation, the agency should be spared, at least in the short-term.

501C3 Bonds, a Boon for Affordable Housing?

There is a lot of concern over possible increases in the state deficit, but it doesn't appear that this will have much of an impact on the size of the overall bonding bill, which is still expected to be about \$1 billion. This is based on the commonly cited 3 percent rule, which says debt service (paying off bonds) should not exceed 3 percent of the general fund budget. The House and Senate Finance offices seem confident that the state can support a bonding bill in the \$1 billion area.

Minnesota Housing's \$30 million bonding proposal represents its final request for capital bond funds for the state's plan to end long term homelessness. The agency is proposing a unique and flexible approach that puts their capitalization request out of the general obligation fray. This new proposal has gained the support of the Finance Department and the governor. Overall, housing advocates are very supportive of the concept.

As we described in the [Sept. 2007 Update](#) issue, the \$30 million proposal is for Minnesota Housing to sell bonds which "would be repaid with the state's general fund dollars. Thus, the state could support projects that aren't owned by a public entity, and nonprofit developers could own bonded projects directly. Notably, the agency has a successful history of raising capital for projects through the sale of bonds."

This approach could be a boon, not only for supportive housing, but all affordable housing development possibilities. There appears to be confusion among decision making legislators on this approach, though, particularly regarding which legislative track the proposal should follow: bonding or appropriations? The session's tight time lines add to our concern that this proposal could fall through the cracks.

There are also two other general obligation bond requests for housing that will be discussed: a \$20 million request for public housing (H.F. 2528 Nelson / S.F. 2344 Moua) that is supported by MHP and NAHRO and a \$10 million general obligation bond request for transitional and long-term supportive housing and homeless shelters that is supported by Minnesota Coalition for the Homeless (this one has not been introduced yet).

Tax Bill Machinations

Last year, there was a tax bill that was agreed to by both parties. The governor had even agreed to close the loopholes on Foreign Operating Corporations (FOCs) to raise the revenue needed to pay for various items contained in bill. Unfortunately, there was one exception: adding inflation to the state's budget. The governor came out against inflation inclusion, drew a line in the sand, and no one blinked. Down went the bill and the revenue it raised as well as a number of significant tax items like local government aid. MHP's 4d modifications and construction sales tax exemption expansion also died.

We were hoping that this agreement on MHP's tax proposals would guarantee an easy win this year, but then another budget deficit came along. The initial estimates in November indicated a 1 percent shortfall of about \$380 million. Now it appears that number may double, which will make our job a little harder.

The current tax battle going on within the caucuses is whether to raise money for deficit reduction or for funding items that were in last year's bill. We think legislators need to "take something home" this year. For instance, an increase in local government aid will provide some property tax relief, even though it won't show up in the form of checks.

There is also talk of a non-controversial, non-spending tax bill that would be introduced early in session. This would get important tax policy out of the way while legislators wait for the revenue forecast to determine if a revenue-raiser should be considered. MHP is pushing for inclusion of the 4d modifications in the policy-only bill, noting that legislators can provide property tax relief to over 9,000 units of affordable housing at a minimal state expense (\$100,000). In addition, the great majority of these units are located in Greater Minnesota. If a revenue-raising bill becomes a reality, housing supporters should be prepared to move on the affordable housing construction sales tax exemption expansion. If implemented, this proposal could assist in the development of over 600 units of housing annually.

Fast Tracking Foreclosure Legislation

Legislators can only formally introduce bills when they are in session. Given the fact that this is a short session, though, the House allowed early bill introductions for one day on January 22nd—156 bills were introduced that day, including one, **HF2653 (Clark)**, that deals with land trusts and housing organized under chapters 308A and 308B, the laws governing cooperatives of all sorts.

The chief author says the goal is to acquire foreclosed, vacant properties and place them in land trusts. This not only begins to deal with the many foreclosed, blighted properties around the state, but it also will help create more affordable housing. The idea is that an undefined amount of funding will be appropriated to the housing development fund at Minnesota Housing for land trust acquisitions. A similar sum of funds will be appropriated from general obligation bonds to Minnesota Housing to publicly owned land trust property purchases. Although there is no Senate companion yet, (because the Senate doesn't allow early introductions) look for a Senate bill after February 12th.

The Clark legislation is the first in what is expected to be a series of bills introduced to deal with foreclosure and vacant, blighted properties this session. Representative Mullery convened a series of working groups over the summer to draft proposals addressing a variety of foreclosure issues. An area of concern not fully addressed by the working groups is what to do with blighted properties left vacant due to foreclosure. This issue may be difficult to resolve given that significant investment is needed to address the problem, and the state's coffers are increasingly limited. In addition, the limited number of days in this session will make moving foreclosure legislation challenging. The work groups' final report and recommendations are in the works and it is expected that a number of bills will be introduced in the next week or so.

Bytes and Bits

Tax Votes Are Tough

This being an election year in the House and with a large number of freshmen running for re-election, tax votes will be very dicey this session. There is concern that even a non-controversial, non-revenue bill would provide an opportunity for a lot of amendments and tough votes. Recently, a prominent Senator remarked that "the House may not want to make members vote twice on tax bills."

Housing Noise Lacking?!

There is general agreement among insiders that "it's the housing market, stupid." That is, that housing market is what's driving the downward plunge of the state's overall economy and budget. What's disappointing is that when legislators are asked about whether there is a lot of talk about housing in their respective caucuses, they indicate minimal discussions beyond foreclosure and vacant buildings. This is one area we really need to ramp up discussion.

Heard Under the Marble Dome

"You may want to put a one in front of that number," commented a Finance Chair when asked by housing folks whether the \$375 million deficit number would double.

Organization Opportunities and Tips

MHP Hosts Affordable Housing Policy Showcase

On January 31, over 100 housing advocates, policy makers, and other interested parties attended MHP's Affordable Housing Policy Showcase at CommonBond's Skyline Tower in St. Paul. At the event, which was sponsored by Duluth and Twin Cities LISC, Sen. Tarryl Clark, Rep. Lyndon Carlson and housing leaders covered the state's legislative forecast for 2008 and policies addressing current housing concerns and other priorities. In addition, Minnesota Housing Partnership released its new Web resource, "[Trends in Housing Affordability](#)," a series of charts detailing the rise and fall in affordability of Minnesota's housing stock. Click [here](#) to download the event handouts.

The slowing economy proved to be the issue du jour as almost all the speakers said that competition for the state's resources is going to be fierce this year—some even predicted the need to protect existing housing money, as cuts are made across state agencies to eliminate the deficit. For an article by the St. Paul Legal Ledger covering the event, click [here](#).

House Property Tax Committee Hears Support for 4d Modifications

The House Property Tax Committee held a series of hearings around the state last week. Affordable housing supporters from across Minnesota showed up at the hearings near and far to make the case for affordable housing property tax relief in the form of modifications to the Low Income Rental Classification (LIRC), or 4D. The charge was led by MHP and MCCD (Metropolitan Consortium of Community Developers) staff who contacted both for-profit and nonprofit housing developers and arranged for them to testify. Supporters who testified or spoke with legislators indicated that there seemed to be support for 4d again this year. Especially effective was the testimony by Greater Minnesota owners and operators, as the modifications would impact about 7,000 units outside the Twin Cities Metro area. Nice work gang!!!

Minnesota Legislature 2.0

One of the most powerful and comprehensive legislative tracking tools around is the [Legislature's Web site](http://www.leg.state.mn.us) (www.leg.state.mn.us). From hearing schedules to bill language to committee contact information, the Minnesota Legislature Web site is truly a one-stop-shop. Here's a few of our favorite features. I encourage you to take some time to poke around the entire Web site and discover all the other cool and useful features.

- [Minnesota District Finder](#): not only can you find your district using this tool, but you get a full listing and contact information for your federal and state elected officials. It also has a cool interactive map feature.
- [Legislative Commission to End Poverty pages](#): includes listing of members, mission and guiding principles, meeting agendas and minutes, information on statewide meetings, and more.
- [Bill Search and Status](#): search for House and/or Senate bills by author, number, topic, committee, or action. This area also offers links to conference committee side-by-side comparisons, the governor's log (list of signed or vetoed bills), fiscal notes tracking system, revenue analysis...
- [MyBills](#): although you need to register for this section of the Web site, it is well worth it (and free). MyBills provides personalized bill tracking and e-mail and RSS notification for current Minnesota Legislation. Make your bill tracking list once and have the state update it for you daily!
- [Meeting Schedules](#): this page provides links to all House and Senate schedules and links to subscribe to receive schedule information via email.
- [Minnesota Housing of Representatives](#): House member and staff information, committee member information, press releases, RSS feeds, and more.
- [Minnesota Senate](#): Senate member and staff information, committee member information, press releases, RSS feeds, and more.
- [The Swinging Senator](#): We're not making this up. The Minnesota Legislative Reference Library collects all things Minnesota, including audio recordings of former State Senator Florian Chmielewski's band, the Chmielewski's Funtime Variety Show Band. I strongly encourage you to check this out, if nothing else, to check out the album cover showing the Senator playing accordion on the Capitol steps!

In the next few Update issues, you will notice that we will be reporting fewer schedules and the likes. This information changes so fast and is available so readily, that many times it is already out of date by the time we publish our weekly briefing. Signing up for the Web site's many alert systems will keep you current with the Capitol's ever changing schedules.

Important Dates

February 24-26

[NLIHC Annual Policy Conference and Lobby Day](#), Capital Hilton, 1001 16th St., NW, Washington, DC. Complete details, including hotel and registration information as well as a conference brochure with workshop topics and conference events, are now available on NLIHC's website: www.nlihc.org/conference.

February 28

MN Coalition for Homeless Lobby Day, 9:30 a.m. to 2:45 p.m., Christ Lutheran Church on Capitol Hill, 105 University Ave West, St. Paul. [Register on-line today](#) or, contact [Mike Davey](#) for a registration form.

February 29

Partners in Affordable Housing Policy Workshops and Awards, starting at 9:30 a.m., Saint Paul RiverCentre. Event highlights include keynote speaker Congressman Jim Ramstad accepting the first ever Jim Ramstad Lifetime Achievement Award, workshops, and luncheon. Click [here](#) for registration information.

March 18

MHP, MN NAHRO, League of MN Cities, Metro Cities, and Edam Day at the Capitol, 8:00 a.m. to 12:00 p.m., Best Western Kelley Inn, 161 St. Anthony Avenue, St. Paul, MN 55103. Join the Minnesota Chapter of the National Association of Housing and Redevelopment Officials, The League of Minnesota Cities, Metro Cities, Edam, and Minnesota Housing Partnership to get involved in the state legislative process. Influence the legislative impact to your community, services, and funding. Breakfast will be served at 8:30 a.m. and followed by a legislative briefing by Minnesota's House and Senate leadership. Learn more at [MHP's Web site](#), or call MN NAHRO at 651-675-4490.

Distributed weekly during the Minnesota legislative session and monthly outside of session, the **MHP Capitol Update** provides information about state and national housing policy and politics that affect Minnesota. **MHP Capitol Update** is published by Minnesota Housing Partnership. 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 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, 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.