



# MHP Capitol Update

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In addition to [MHP Capitol Update](#), MHP also publishes [The MHP Bulletin](#), a newsletter that follows housing trends that affect Minnesota. Click [here](#) to sign up for The Bulletin.

*Editor's note: this will be the last regular issue for the 2010 Legislative Session.*

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## STATE UPDATE

### Final Budget: How Housing-Related Items Fared

It was a cliffhanger of a session, with everything under the sun potentially at risk for cuts, given the budget deficit. Now that the session has come to an end and a budget deal has been hammered out, here's a rundown of how some of our most closely watched budget items as session neared an end fared. The news is not great but given the economic scene and unwillingness to raise revenues, housing did not fare too badly. Many thanks to all the advocates who called, wrote, visited, and rallied on behalf of the items below.

- [Minnesota Housing budget](#): The bill ratified the unallotment cut of \$512,000 to housing finance agency's budget for FY 2010-11. It also extended that cut to the FY 2012-13 biennium. The FY 2010-11 cut amounts to a 1% reduction to the Agency's state appropriations. The cuts apply to the Rehab Loan Program. Most other agencies were subject to deeper cuts. (Note: this cut is in addition to the \$4.2 million cut passed earlier in the session for 2010-11 and the \$4.9 million cut to for 2012-13.)
- [Renters' credit](#): The final budget also ratified the \$52 million unallotment cut to the renters' credit. As a result, about 300,000 low- and moderate-income renters will see a tax increase of \$129 on average. However, this applies only for 2010.

- Local government aid (LGA): The serious hit to local government aid in the 2009 unallotment was ratified; the damage amounts to a \$293 million reduction in FY 2010-11. Cuts do not extend beyond the current biennium. (Cuts already made earlier in the session included \$111 million for 2010-11 and \$186 million for 2012-13.)
- MFIP penalty: Despite Pawlenty's proposals to increase the MFIP penalty, the final bill did not include any changes to the penalty for MFIP recipients. The existing MFIP penalty is a \$50 monthly reduction in MFIP for those who also receive federal housing subsidies.
- In other welcome news, the final deal left General Assistance (GA) untouched.

This wrap of the session budget would not be complete without mention of the \$5.8 billion deficit left looming for next session. Between the \$1.9 billion in education shifts central to balancing the budget this year, and an economic recovery predicted to be slow and lumbering, housing and low-income advocates have their work cut out.

### **Session End Brings Retirements and Start of Election Cycle**

Among the many rituals insiders watch during the final day of session are the farewell speeches by members who will not seek re-election to their seat. While many are expected, there are always a few surprises, among them, Senator Mee Moua (DFL-St Paul), who has been a great friend and champion of affordable housing during her tenure. Although already known, it bears mention that another good friend to housing, Senator Tarryl Clark (DFL-St Cloud) is running for the 6<sup>th</sup> Congressional District and will not be returning to the Minnesota Legislature. To date, a total of 20 members are leaving after the 2010 legislative session, including 14 House members and 6 Senate members. Eleven of the departing are Republicans, and 9 are Democrats.

With these announcements and an earlier filing deadline for candidates, by June 1 we will know who is running in 2010. The election cycle is already in full swing since we have an earlier primary (August 1). As the summer progresses, it will be interesting to see whether Minnesota voters will carry an anti-incumbent sentiment into the voting booth as harbingered by this week's primaries across the country (see Pennsylvania, Arkansas and Kentucky). Regardless, this is a great opportunity to connect with your lawmakers to tell them about the importance of housing.

Members Retiring: Rep. Karla Bigham (DFL-Cottage Grove), Rep. Laura Brod (R-New Prague), Rep. Rob Eastlund (R-Isanti), Rep. Larry Haws (DFL-St. Cloud), Rep. Jeremy Kalin (DFL-North Branch), Rep. Paul Kohls (R-Victoria), Rep. Ellen Otremba (DFL-Long Prairie), Rep. Marty Seifert (R-Marshall), Rep. Cy Thao (DFL-St. Paul), Sen. Jim Vickerman (DFL-Tracy), Sen. Steve Dille (R-Dassel), Sen. Dennis Frederickson (R-New Ulm), Sen. Mee Moua (DFL-St. Paul), Sen. Pat Pariseau (R-Farmington).

Members Seeking Another Office: House Speaker Margaret Anderson Kelliher (DFL-Minneapolis), Rep. Tom Emmer (R-Delano), Rep. Dan Severson (R-Sauk Rapids), Rep. Doug Magnus (R-Slayton), Rep. Randy Demmer (R-Hayfield), Sen. Tarryl Clark (DFL-St. Cloud).

## **It's a Wrap: Late Session Resolution to Many Housing Items**

Here's a rundown on housing items that were resolved only at the close of session. Kudos to all the housing advocates who worked so hard on these items!

Successfully passed:

- Minnesota SAFE Act: The Minnesota SAFE Act (Scheid/Mullery) enacts safeguards directed at mortgage originators and lenders to guard against predatory and exotic loan products. In response to concerns about prohibitive costs for certain mission-driven non-profits and local governments, the final bill includes an exemption to the SAFE Act for organizations like Habitat for Humanity and the MN Home Ownership Center in financing homes for low-income households and counseling homeowners. The bill was signed on May 15 as part of the omnibus employment and economic development policy bill. However, the SAFE Act exemptions are subject to HUD allowing states to create such exemptions.

Passed by the legislature, but not yet signed. The first two are included in the third omnibus tax bill, which was presented to the Governor on May 18.

- Sales tax exemption: If signed, the provision will enable limited liability companies owned by nonprofit developers to be exempt from sales tax on construction materials. The provision applies to sales and purchases made after June 30, 2010.
- Manufactured housing park co-op property taxes: The language provides manufactured home park cooperatives homestead treatment, defined in the following way. If a manufactured home cooperative has a membership rate among occupied units of 50% or more, the park is entitled to the 4d tax class rate (0.75%) on property taxes. If membership is below 50%, they receive a 1% rate.
- Reverse Mortgage Protections: Nonprofit financial counselors have seen an uptick in non-conforming reverse mortgage products with potentially devastating consequences for seniors. [SF 2430 \(Scheid\)](#) / [HF 2699 \(Hilstrom\)](#) increases protections for new reverse mortgage applicants such as requiring applicants to receive counseling from an independent housing counseling agency before entering into a new reverse mortgage agreement and allowing applicants a short period of time to rescind on the reverse mortgage agreements. The bill also requires a notice of the right to redemption and foreclosure advice for homeowners facing sheriffs' sales. The bill passed unanimously in both the House and the Senate and is on the Governor's desk.

Unsuccessful, but had a good showing:

- Homeless check off on income taxes: A creative idea by St. Paul students to fund homeless and hunger programs by including a check-off option before filing state income tax returns was passed by the full Senate, but rejected by both the House Tax Committee and House members on the tax conference committee. The argument against the bill, [SF 2688 \(Anderson\)](#)/[HF 3344 \(Lesch\)](#), was that if we do a check-off for the environment, and another one for homeless programs, an endless array of causes will also want check off boxes. Advocates think it's a poor argument.
- Deed and mortgage tax revenue capture: The HousingJobs proposal to utilize forthcoming increases in deed and mortgage registry tax collections for housing stalled in committee. Momentum generated late in the session for this proposal came to a halt once the Supreme Court ruled that Pawlenty's 2009 unallotments

were illegal. Newer proposals like this one didn't stand much of a chance after the ruling, with legislators consumed with fixing a little budget problem.

## Bits & Bytes

### **Gubernatorial Candidate Forum May 24**

A gubernatorial candidate forum with the theme of how values inform our response to basic needs of jobs, housing, and health care will be held on Monday, May 24. The event is from 6:30pm–8:30pm at Temple Israel, 2324 Emerson Avenue South in Minneapolis. Downtown Congregations to End Homelessness and the Joint Religious Legislative Coalition in addition to a number of other cosponsors are holding the event.

## FEDERAL UPDATE

### *Housing Preservation and Tenant Protection Act Seeks Co-sponsors*

The National Low Income Housing Coalition is calling for advocates to encourage House members to co-sponsor [HR 4868](#), the Housing Preservation and Tenant Protection Act of 2010. This bill helps to maintain housing affordability for residents of existing assisted housing. For instance, it provides enhanced vouchers ensuring continued affordability to tenants of buildings in which an assisted mortgage has matured. Other provisions of the bill reform the Section 202 (senior housing) program and provide new incentives for preservation of rural housing. As of May 17, Rep. Keith Ellison is the only Minnesota House member co-sponsoring the bill. A committee vote on the preservation bill is expected later this month.

### *Blue Dogs Put Up Resistance to National Housing Trust Fund*

The latest effort to fund the National Housing Trust Fund is coming to a head as the tax extender bill is debated on the House floor. Included in the bill is \$1.065 billion in funding for the Trust Fund (\$1 billion for capital and operating costs plus \$65 million for first-year costs of Section 8 vouchers linked to Trust Fund housing units). NLIHC reports resistance to the overall cost of the tax extender bill from the Blue Dog Coalition (which including Rep. Collin Peterson from Minnesota). Minnesota advocates are encouraged to ask Rep. Peterson to support the Housing Trust Fund.

### *Transformation of Rental Assistance*

HUD just released its bill to execute the Transformation of Rental Assistance (TRA). TRA is a signature initiative of HUD Secretary Donovan aimed at consolidating HUD's assisted housing programs. The initiative, which would be launched in FY 2011, would offer greater mobility options for low income residents of assisted housing and provide a financial mechanism for preserving the nation's assisted housing. One component would enable the voluntary financial restructuring up to 300,000 public housing units. A hearing on TRA is expected May 25 at the Financial Services Committee. As an Administration bill, this proposal still needs to be sponsored by a member of Congress. For more info, see the [Preservation, Enhancement, and Transformation of Rental Assistance Act of 2010](#) and [HUD's summary of its proposal](#).

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Distributed weekly during the Minnesota legislative session and periodically 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 Rick Bernardo at [Rick.Bernardo@mhponline.org](mailto:Rick.Bernardo@mhponline.org) or 651-925-5549.

Minnesota Housing Partnership also publishes and distributes [The MHP Bulletin](#) monthly, which includes affordable housing news and trend information, new research, publications, and upcoming events. Please [click here to subscribe](#) *The Bulletin*, or contact Rick Bernardo at (651) 925-5549 or at [Rick.Bernardo@mhponline.org](mailto:Rick.Bernardo@mhponline.org).

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. MHP is an equal opportunity provider, and employer.