



# 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.*

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## STATE UPDATE

### Unexpected Twist in Bonding for Housing, Fate of Bill Unclear

On Sunday night, following some active housing advocacy, members of the bonding conference committee, tasked with reconciling the House- and Senate-passed bonding bills, found a new way to pump \$6 million in bonding resources into housing for foreclosure remediation for rental housing.

Housing advocates might recall that two years ago, the Legislature authorized, for the first time, non-profit (501c3) bonds for housing to be issued by Minnesota Housing. This \$30 million bond authorization was to finance supportive housing for long-term homeless. Given current lower interest rates, however, the debt service authorized two years ago can actually finance \$36 million in non-profit housing bonds. Thus, conference committee members were able to tack on this additional \$6 million in bonding, without the need for additional debt service dollars. The \$6 million in bonding would be eligible for both supportive housing for long term homeless, and remediation of foreclosed and vacant properties to create affordable rental housing.

The bonding bill also retains \$10 million in general obligation (G.O) bonds for public housing rehab which was in both the House and Senate bills. The total [bonding bill](#) now stands at \$999.32 million, just a few dollars shy of \$1 billion. It was passed Monday in both the House and the Senate.

Meanwhile, last week, in a private meeting between the Governor and the House and Senate bonding committee chairs Hausman and Langseth, the Governor indicated a willingness to sign a bonding bill, but only up to his recommended amount of \$725 million. As originally passed, the House's bonding bill totaled \$1.1 billion, and the Senate's \$1 billion.

Publicly, the Governor sent a [letter](#) to the legislature on Monday stating that he will veto the entire bill mainly because it is larger than \$725 million, but that he will entertain a second bonding bill as long as it remains affordable and when, or if, the legislature delivers a balanced budget. As a result, the Senate may reconsider the bill and table it for future negotiations. This leaves open the possibility for a late-session play. Meanwhile, this message that the bonding bill must be considered as part of a balanced budget is consistent with the Governor's [veto message](#) on General Assistance Medical Care (GAMC): he might consider funding for the program, but only as part of a balanced budget come end of session.

### **The Budget Bind**

Last week, the *Capitol Update* reported that the Governor's supplemental budget proposal included cuts to the Minnesota Housing Finance Agency of about 6% to the base for appropriations for future biennia and about \$4.7 million in cuts for the current 2010-11 biennium. The \$4.7 million in cuts includes about \$3.6 million from the Preservation Affordable Rental Investment Fund (PARIF) and \$1 million from the Rental Rehab Loan program.

In case that message wasn't bleak enough, Capitol insiders warn that the situation could get even dicier. The 6% cut recommended in the Governor's supplemental budget to the Minnesota Housing base appropriations could turn into 10%. The outcome depends in part on the February economic forecast (due in early March). However, the Governor's plan to balance Minnesota's budget also relies in part on one-time infusions of federal dollars. These funds, including Medicaid money, have not yet been approved by Congress. In addition, there is a structural imbalance in Minnesota stemming from state spending that exceeds revenue collection by the state.

Amidst all of this, there are fears that Moody's Minnesota bond rating could fall, as there is no clear end in sight for the state's budgetary woes. While many other states are opting for a mix of cuts and revenue increases, our Governor continues to signal that he'll stick with cuts alone.

### **14,000 Housing Units in the Minnesota Pipeline in 2010**

Based on survey responses from over 90 developers, more than 220 projects and almost 14,000 affordable housing units are in the 2010 pipeline. However, funding continues to fall short of capacity. MHP and the Metropolitan Consortium of Community Developers (MCCD) surveyed housing authorities, non-profit and for-profit developers of affordable housing, Minnesota Housing, and Minnesota NAHRO (National Association of Housing and Redevelopment Officials) for projects that could break ground in 2010, assuming funding is available. If all of these project were developed, they would represent a \$1.1 billion investment in Minnesota's housing infrastructure.

Of the housing units in the pipeline, 11,500 are slated for rehab work, and 2,700 are new construction, with an additional 170 units combining new construction and rehab. The vast majority of units (94%) are rental projects, which reflects the growing importance of rental in the midst of a foreclosures crisis. Half of the housing development projects and 39% of the units in the pipeline are located in Greater Minnesota. Three-quarters of Minnesota's counties, or 65 of 87 counties, have pipeline projects.

## FEDERAL UPDATE

### HUD Secretary Donovan to Testify in Support of Housing Budget

After a week off for President's day, Congress has reconvened. This week HUD Secretary Donovan is testifying before both House and Senate appropriations committees in support of the president's 2011 housing budget. In addition to housing program funding (see [Capitol Update Vol. 5, Issue 4](#)) the budget proposes the first phase of a major restructuring of HUD's rental programs targeting lowest income households.

## Bits & Bytes

### Register Now for the 2010 NAHRO Day at the Capitol

The 2010 NAHRO Legislative Breakfast and Briefing will be held March 10, 2010 from 8:30 am - 12:00 pm. Early Registration Deadline is Wednesday February 24th. Save \$10.00 by sending in your [forms](#) on or before the 24th! Brought to you by Minnesota NAHRO and co-sponsors: League of Minnesota Cities, Metro Cites, EDAM and Minnesota Housing Partnership. Contact [info@mnnahro.org](mailto:info@mnnahro.org) for more information and to register.

### Hearings Scheduled for Tenant Bill of Rights

Wednesday, the 24<sup>th</sup>, is a big day for renters' rights advocates at the legislature. [Two legislative hearings](#) are scheduled for [several proposals](#) regarding the [Tenant Bill of Rights](#). Advocates are encouraged to show their support by attending the hearings and helping HOME Line [deliver a special message](#).

### First Habitat for Humanity Day on the Hill a Success

For the first time at the State Capitol for many, 175 Habitat supporters traveled to Saint Paul and met with over half of the legislature last Thursday, February 18. Habitat advocates demonstrated to their legislators how important the partnership is between Habitat affiliates and the State in building communities where everyone can afford to live. Many legislators were surprised to learn about the extent to which Habitat affiliates use the Challenge Fund to carry out their work. Click [here](#) for more on the story.

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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 email [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.