



# HousingMinnesota Capitol Update

Vol. 1 Iss. 5 April 3, 2006

Distributed weekly during the legislative session and periodically outside of session, the Capitol Update provides information about bill introductions, committee hearings, policy analysis and political chatter. Contact us with items to include in future issues.

## Capitol Notes

### Housing Tax Proposals Taking Shape

A lot of groundwork has taken place in the last month on HousingMinnesota's tax proposals. H.F. 3960(Simpson) / S.F. 3578 (Moua) was introduced last week. This bill modifies The Low Income Rental Classification (4d) criteria by dropping the 75% threshold requirement and would allow projects funded by local units of government and meeting all other criteria to qualify for the reduced class rate of .75. These bills have a majority of last years Tax Conference Committee members as authors. A few details need to be worked out with Minnesota Housing (formerly MHFA), Department of Revenue and the assessors but the changes appear to have support at this time.

Bills will be introduced this week to extend the sales tax exemption on construction materials for affordable housing to nonprofits that operate as general partners in limited partnerships. It is a category that has not been included in previous attempts to spur housing development. This bill has a fiscal impact of \$1-\$2 million a year.

H.F. 1611 (Lanning) / S.F. 1671 (Moua) establishing a charitable tax credit for contributions from businesses and/or individuals was introduced last session. The Senate Tax Committee heard the proposal and is considering it as part of their tax bill. It has not had a hearing in the house, though chief author Rep. Morrie Lanning has requested one. The authors have requested \$5 million to initiate this new program but acknowledged that any money allocated would allow the program to get up and running.

We will provide more details on Housing Solutions Act next week. For more information on the deed tax surcharge go to

[http://www.mnhomelesscoalition.org/Downloads/http://www.mnhomelesscoalition.org/Downloads/Download\\_HSApolicybrief.pdf](http://www.mnhomelesscoalition.org/Downloads/http://www.mnhomelesscoalition.org/Downloads/Download_HSApolicybrief.pdf) or <http://www.house.leg.state.mn.us/hrd/pubs/mortdeedtx.pdf>.

### Tax Bill – Maybe ?!

The Senate is proceeding on a course of action that indicates it is planning to put forth a tax bill this session. A number of hearings have occurred and more are set for the next week. The House still remains a big question mark, though it is now starting to hear bills in the Property Tax Division and has hearings scheduled on a technical corrections bill and the Governor's proposals. The *will they – won't they* game will determine the likelihood of HousingMinnesota's proposals for this session. Though the Low Income Rental Certification changes are seen as minor, it is not clear whether it can proceed by itself or if it needs to be tucked into a larger omnibus bill. It has broad bipartisan support and no fiscal implications. The Senate seems to be more inclined to include our other proposals in an omnibus bill even though they have fiscal implications. Once again, we are part of a bigger play and will have to be ready to hop on board any train leaving the station.

### Bonding Bill Update and Clarification

Last week, we incorrectly identified the amount of money allocated to supportive housing as \$25 million when it was actually \$20 million with an additional \$5 million earmarked for Lutheran Social Services. It is our understanding that the LSS proposal is an affordable housing project that includes a number of supportive housing units. The House Capital Investment Committee is expected to release its recommendations this Tuesday. The House is expected to commit a similar amount of money but carve out an allocation for a Veterans project in Hastings. HousingMinnesota is working diligently to increase the funding allocation in the House, citing the need for more dollars to fund a large number of Greater Minnesota projects that are on the drawing board. Check to see if we offer a clarification next week on our predictions!!!!

## **Eminent Domain - A Slam Dunk in the Senate**

This bill passed the Senate by a 64-2 margin and though the score was quite lopsided, many legislators indicated that we will be fixing this for years. There were no serious attempts to carve out an affordable housing exemption but housing supporters noted that something will need to be done in order to assist in future development of housing projects. Kudos to senators Pappas and Skoglund for standing up and voting NO.

## **Committee Action**

### ***House***

#### **Local Government**

H.F. 3095 (Hornstein) *This bill was heard, amended and passed.* It authorizes Minneapolis Park and Recreation Board and the city council to impose a park dedication fee on new housing units.

#### **Capital Investment**

The committee heard testimony on the Senate's bonding bill SF. 3475 (Langseth). A large number of individuals testified and comments were offered regarding the need to include transitional housing funding and to increase funding for the permanent supportive housing proposal.

#### **Jobs and Economic Opportunity Policy and Finance**

H.F. 3573 (Davnie) *Recommended to pass and referred to Civil Law and Elections.*

Blighted housing rehabilitation program created and possession or ownership transfer of nuisance properties to nonprofit housing organizations provided.

H.F. 3912 (Lanning) – *This bill was laid on the table.* The Housing Solutions Act increases the deed tax percentage to provide funding for rental assistance and the challenge program and to establish the leverage opportunity account program for local government. The proposal increases the deed tax from .33% to .5% on the value of real property. This proposal would raise \$69 million per year for affordable housing.

#### **Transportation Finance**

H.F. 2846 (Johnson, J.) – *Recommended to pass as amended and referred to Ways and Means.* Eminent domain.

### ***Senate***

#### **Jobs, Energy and Community Development Committee**

S.F. 3516 (Cohen) – *Recommended to pass as amended and referred to Taxes.* The Housing Solutions Act increases the deed tax percentage to provide funding for rental assistance and the challenge program and to establish the leverage opportunity account program for local government. The proposal increases the deed tax from .33% to .5% on the value of real property. This proposal would raise \$69 million per year for affordable housing.

#### **Taxes**

S.F. 2481 (Rest) – *This bill was amended and laid over for possible inclusion in the omnibus bill.* This bill removes the expiration date on the authority provided to Ramsey County and Hennepin County to impose a mortgage registry tax for environmental response funds. Each county's law currently provides that the authority to impose the taxes expires January 1, 2008.

#### **Judiciary**

S.F. 2662 (Higgins) – *This bill was laid on the table.* Blighted housing rehabilitation program.

#### **Judiciary**

S.F. 2887 (Dibble) – *This bill was referred to and passed by the Judiciary Committee on March 27.* This bill requires that notices that a manufactured (mobile) home park is closing be sent to the Department of Health and the Minnesota Housing Finance Agency.

## **Committee Hearings 4-3-06**

### ***House***

#### **Monday, April 3**

#### **Ways and Means**

12:30 PM, Room 200 State Office Building

H.F. 2846 (Johnson, J) / S.F. 2750 (Bakk) Eminent domain public

H.F. 3449 (Clark) / S.F. 2887 (Dibble) Park notice bill.

**Tuesday, April 4**

**Jobs and Economic Opportunity Policy and Finance**

8:15 AM, Room 10 State Office Building

H.F. 3468 (Sailer) / S.F. 2669 (Skoe) Native American housing program

**Tuesday, April 4**

**Capitol Investment**

2:30 PM, Room 200 State Office Building

Capitol improvements bill

**Thursday, April 6**

**Jobs and Economic Opportunity Policy and Finance**

8:15 AM, Room 10 State Office Building

H.F. 3141 (Cornish) / S.F. 2767 (Rosen) Fuel prepurchase by department of commerce in certain cases related to low-income home energy assistance program required.

H.F. 3465 (Thissen) / S.F. 2656 (Anderson) Low-income heating assistance funding provided and money appropriated.

*For more up to date committee schedules for the House, go to  
<http://www.house.leg.state.mn.us/comm/commemlist.asp>*

**Senate**

**Monday, April 3**

**Taxes**

9 AM, Room 15 Capitol

S.F. 3578 (Moua) / H.F. 3960 (Simpson) Extending Low Income Rental Certification classification.

**Wednesday, April 5**

**Health and Human Services Budget Division**

9 AM Room 123 Capitol

S.F. 3085 (Berglin) / H.F. 3615 (Peppin) People, Inc. homeless pilot project.

**Thursday, April 6**

**Taxes**

Housing Solutions Act

\* Time and room number not yet listed\*

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

**Floor Action**

Eminent Domain was passed in the Senate with a vote of 64-2.

**Bill Introductions**

H.F. 4050 (Clark) / S.F. 3572 (Berglin) - City property transfers to nonprofit organizations for low-income or moderate-income housing regulated. *Referred to Jobs and Economic Opportunity Policy and Finance.*

H.F. 3960 (Simpson) / S.F. 3578 (Moua) - Application of Low Income Rental Certification property tax classification extended. *Referred to Taxes.*

**Bits & Bytes**

**Mixed Metaphors – Proper Description**

“*It was a snow ball that gathered steam and turned into an avalanche*” a quote from Senator Ellen Anderson, a strong housing supporter, on the eminent domain bill rolling through the halls of the Capitol.

## **Bonding Bill – The Numbers Count**

Advocates pay a lot of attention to the dollars allocated for specific projects or categories in bonding bills. The push to increase the House bonding allocations for supportive housing is critical. The highest amount on either side will probably determine the final maximum allocated for housing overall. Housing Capitol watchers are worried that unless the numbers come in higher in the House than they did in the Senate, the housing pot will be limited to \$25 million. The potential carve outs for the Veterans Home project in the House and the Lutheran Social Services proposal in the Senate could possibly leave only \$12-\$15 million on the table for other supportive housing projects around the state. Remember, there is roughly a \$100 million gap in dollars and projects between what the Senate passed and what is expected out of the House. The Governor's recommendations come in somewhere in the middle.

Does this work for you?! Are you getting what you want out of the Capitol Updates? Too much inside baseball – missing something important – need to clarify something in an update – Let's hear it?!

For more information on affordable housing, the content of this document or if you have information to include in future issues, contact Joanna Dornfeld at (651) 649-1710 ext. 108, email [jdornfeld@mhponline.org](mailto:jdornfeld@mhponline.org) or see HousingMinnesota's website at [www.housingminnesota.org](http://www.housingminnesota.org).