



MHP Capitol Update

Volume 2, Issue 11 March 19, 2007



Capitol Notes

Hearings Everywhere and Sometimes Nowhere

Here is a quick rundown on the various tax bills we have been working on this session. As we begin to come up against committee deadlines we will try to keep you posted as to their progress, or lack thereof.

Low Income Rental Credit (also known by its tax code, 4d) (H.F. 1030 / S.F. 824) —There have now been hearings on this provision within both bodies and it has been added to the Senate Property Tax bill, which was released on Friday. The only difference is that the threshold will be 25% rather than 20%, but the local government financing component was included. The House is a story with a different twist. Rep. Deb Hilstrom (D) from Brooklyn Center introduced **H.F. 2150**, which would require 4d properties to complete a three-phase, crime free housing program and be annually certified by the police or sheriff's department in order to qualify for 4d. This sets not only a terrible policy precedent, linking class rate to management issues, but also stigmatizes affordable housing as being prone to crime problems. Senator Scheid introduced the companion, **S.F. 1915** in the Senate.

We expect that Hilstrom's provision will be in the House bill if the 4d modifications we advocate are included in their property tax proposal. We expect the tax bill to be released by the end of this week. We have had a lot of support on this issue from MCCD and a number of non-profit and private sector developers and managers to numerous to mention.

Housing Donor Tax Credit (H.F. 1312 / S.F. 1052) – Representative Jaros presented this bill in the House Tax Committee last week. However, the House Tax chair has a strong aversion to tax credits—she views them as appropriations and believes you should not appropriate in a tax bill. This proposal, though, makes much more sense than just a straight appropriation. It would generate \$2 of private investment for every \$1 of state tax relief; therefore, generating more money for affordable housing than an appropriation that requires a 2 for 1 match.

Senator Moua had the bill heard in the Housing Committee and is awaiting a hearing in the Tax committee. The Senate has a more liberal view on this issue, but will be focusing most of its tax expenditures on property tax relief. We had asked for a \$5 million allocation, but would settle for a lesser amount in order to establish the program and get it up and operating. Our friends at Twin Cities

Habitat for Humanity, Interfaith Outreach and Community Partners, and Duluth LISC have been helpful with this effort.

Sales Tax Exemption on Construction Materials (H.F. 1204 / S.F. 800) –

Senator Moua has presented this bill in the Senate. The estimated cost of this exemption is only \$1.3 million and, as we have pitched it as a minor technical change, we are hopeful it may be included in the Senate Tax Bill.

Representative Davnie has asked for a hearing in the House and, again, the technical pitch may provide an opportunity for them to include it in their tax bill. Once again, MCCD and the folks at Central Community Housing Trust have stepped up on this effort.

Targets Begin to Appear - Housing Funds Disappear

The Senate budget targets were nearly impossible to track down last week. However, as the first budget bills rolled out, it became clear that in most areas they are, and will be, using the governor's budget recommendations as a benchmark and making few changes. The major differences will come in the property tax, education, and health care arenas where they will focus more revenues particularly from tax proposals announced at the end of week. The budget reserve will also get a large infusion of cash.

The Economic Development Budget Division unveiled its allocations on Friday and housing programs received about \$2.5 million below the administration's recommendations. Though, the most significant change was a \$5 million increase in the Challenge Fund and about \$2.6 million will be set aside for Tribal Housing programs. Taking small nicks were public housing funding, Homeless Management Information System (HMIS), and the Rehab Loan Fund. The Housing Trust Fund took the biggest hit at \$5 million in one-time money while the base increase was supported. The other disappointing fact is that there were no base allocation increases beyond the governor's recommendations.

Homeless advocates remain concerned about allocations for supportive services programs as well as new initiatives like the Homeless and Runaway Youth proposal. These items are in the Health and Human Services Division which should see a significant increase in targets, but there are a lot of big ticket items to compete with such as MinnesotaCare, Healthcare Reform, and MFIP.

The House targets will be even more disappointing as it appears that housing program base budgets will be tapped to fund other initiatives within the Housing and Public Health Division budget. This committee will only have an \$11 million increase in its target over the governor's recommendations and a lot of new program initiatives to fund, like the Runaway Youth Act, and increased requests for a number of worthy efforts. Homeless supportive services efforts will directly compete with Housing programs in this pot of money in the House. Look to the Challenge Grant program one-time money to be redirected into other areas.

Taxes, Taxes Everywhere, but not for Housing

After waiting for months and some polling data, both the House and Senate DFL leadership released its tax plans for the session focusing on income taxes, conformity, and loophole closures to fund a variety of efforts focused primarily on education,

property tax relief, and health care coverage. It is clear after targets were announced that most new revenue would be directed toward these tier-one issues. All others would get minimal increases beyond agency recommendations, with one-time money being spread around to keep numerous constituencies quiet for awhile, but not happy.

Transportation funding increases through a variety of revenue raisers will play a central role in the endgame as it is believed that this issue might have enough bipartisan support to force the governor to agree to something, but most likely it will be smaller than proposed. The governor remains committed to not increasing taxes and has started threatening to veto any tax increase proposals.

The Housing Solutions Act remains in limbo in both the House and Senate as neither has made it to the Tax Committee where support remains weak. It appears unlikely that caucuses will want to put forward any other taxes at this time with the big ones now in play, but there may just be a throw-it-up-against-the-wall-and-see-what-sticks approach down the line.

The “Send Them Home to Get Beat Up” Theory

Earlier in session, we pondered over the various leadership strategies relative to early deadlines (one of which is above). The idea being if you send them home to their constituents with few or no bills to show, the masses will howl and demand increased funding and open the doors for tax increases. This approach may be playing out now as targets appear to be low, tax proposals are being bantered about, and rumors abound about favorable polling results supporting increased funding and taxes. It still may be a hard sell with the media portraying the budget surplus as being \$2 billion plus.

Get Organized Now – April 2 is Just Around the Corner!

Legislators are going home for session break in two weeks. This allows just enough time for you to plan an event with other housing supporters, get a letter or Op-Ed written, or attending a public forum where your legislator will be and get the housing issue back on the front burner. It's time to start cooking—there's nothing like a good roasting to fire up an elected official. Remember, the overall housing budget is not that big a ticket item. There is still one-time money available that can be use easily for housing.

Committee Action

House

Housing Committee

- **H.F. 869 (Sailer) / S.F. 659 (Skoe)** — Urban Indian Housing; on March 13th was laid on the table for possible inclusion in the Omnibus Housing Bill
- **H.F. 724 (Madore) / S.F. 505 (Dibble)** — FHPAP; on March 13th was laid on the table for possible inclusion in the Omnibus Housing Bill
- **H.F. 1131 (Moe) / S.F. 990 (Kubly)** — Capacity building grants; on March 14th was laid on the table for possible inclusion in the Omnibus Housing Bill

- **H.F. 1096 (Clark) / S.F. XXX** — Bridges; on March 14th was laid on the table for possible inclusion in the Omnibus Housing Bill

Tax Committee

- **H.F. 1312 (Jaros) / S.F. 1052 (Moua)** — Affordable Housing Donor Credit; on March 13th was laid over for possible inclusion in the Omnibus Tax Bill
- **H.F. 969 (Kranz) / S.F.442 (Cohen)** — Housing Solutions Act; on March 13th was laid over for possible inclusion in the Omnibus Tax Bill
- **H.F. 1240 (Marquart) / S.F. 385 (Pogemiller)** — Historic Tax Credit; on March 13th was laid over for possible inclusion in the Omnibus Tax Bill
- **H.F. 1301 (Moe) /S.F. 1253 (Marty)** — Right of first refusal for manufactured homeowners when a park owner sells or closes the park; on March 14th was laid over for possible inclusion in the Omnibus Tax Bill

Property Tax Division

- **H.F. 1030 (Mullery) / S.F. 824 (Moua)** — Modifications to the 4d tax code; on March 14th was laid over for possible inclusion in the Omnibus Tax Bill
- **H.F. 2150 (Hilstrom) / S.F. 1915 (Scheid)** — 4d certification tied to crime certification; on March 16th was laid over for possible inclusion in the Omnibus Tax Bill

Senate

Health and Human Services Budget Division

- **S.F. 1145 (Sheran) / H.F. 1387 (Benson)** — Long Term Homeless Support Services; on March 16th was laid on the table for possible inclusion in the Omnibus Health and Human Services Bill

Economic Development Budget Division

- **S.F. 1569 (Torres Ray) / H.F. 1851 (Morgan)** — Housing Trust Fund; on March 14th was laid on the table for possible inclusion in the Omnibus Economic Development Bill

Committee Hearings

Please note committee meetings and schedules can change almost daily. Use the website below to sign up for daily schedules, or contact a specific committee to get on their email notice list.

House

Labor and Consumer Protection Division

Monday, March 19th, 8:00 a.m., Room 500S, State Office Building

Agenda:

- **H.F. 1209 (Mullery) / S.F. 1553 (Pappas)** — Changes regulations for homes in foreclosure
- **H.F. 1753(Knuth) / S.F. (225) (Pappas)** — Requires counseling and disclosures on high-interest home loans

Local Government and Metropolitan Affairs

Monday, March 19th, 4:00 pm, Basement, State Office Building

Agenda:

- **H.F. 1205 (Kranz) / S.F. 1196 (Jungbauer)** — Reimbursement to homeowner when a manufactured home park is closed or sold for another use
- **H.F. 301 (Davnies) / S.F. 308 (Higgins)** — Addresses blighted housing

Housing

Monday, March 19th, 5:30pm, Room 400S, State Office Building

Agenda:

- **H.F. 196 (Greiling) /S.F. 148 (Marty)** — Mental Health Omnibus Bill
- **H.F. 1174 (Davnies) / S.F. 1588 (Pappas)** — Appropriates \$2 million for HECAT
- **H.F. 1851 (Morgan) /S.F. 1569 (Torres Ray)** — Housing Trust Fund

Tuesday, March 20th, 10:00am, Room 5, State Office Building

Agenda:

- **H.F. 1387 (Benson) / S.F. 1145 (Sheran)** — Long Term Homeless Support Services

Property Tax Division

Tuesday, March 20th, 10:00am, Room 10, State Office Building

Agenda:

- **H.F. 2142 (Marquart) / S.F. XXX (XXX)** — Citizens Property Tax Relief Omnibus Bill

For up-to-date information about House hearings and more, go to <http://www.house.leg.state.mn.us/comm/commemlist.asp>

Senate

Economic Development Budget Division

Monday, March 19th, 3:00pm, Room 107, State Capitol

Agenda:

- **S.F. XXX (Tomassoni)** — Assembling the Omnibus Economic Development Bill

Judiciary

Monday, March 19th, 3:00pm, Room 125, State Capitol

Agenda:

- **S.F. 308 (Higgins) / S.F. 301 (Davnie)** — Addresses blighted Housing

Commerce and Consumer Protection

Tuesday, March 20th, 12:30pm, Room 112, State Capitol

Agenda:

- **S.F. 225 (Pappas) / H. F. 1773 (Knuth)** — Requires counseling and disclosures on high interest home loans
- **S.F. 1533 (Pappas) / H.F. 1209 (Mullery)** — Changes regulations for homes in foreclosure
- **S.F. 809 (Higgins) / H.F. 1004 (Davnie)** — Predatory Lending
- **S.F. 988 (Higgins) / H.F. 931 (Mullery)** — Predatory Lending
- **S.F. 766 (Berglin) / H. F. 387 (Clark)** — Predatory Lending

For more up to date committee schedules for the Senate, go to:

<http://www.senate.leg.state.mn.us/committees/>

Bill Introductions

House

H.F. 2142 (Marquart) / S.F. XXX (XXX) — Citizens Property Tax Relief Omnibus Bill

H.F. 2150 (Hilstrom) / S.F. 1915 (Scheid) — 4d certification tied to crime certification

Senate

S.F. 1915 (Scheid) / H.F. 2150 (Hilstrom) — 4d certification tied to crime certification

Bytes and Bits

Overheard at the Capitol

“After months of the public hearing there is a \$2 billion surplus, how you going to convince them they need to increase taxes?”

“I came here to do something and, after listening to the needs in this (housing) committee whether leadership likes it, I going to support the deed tax increase.”

“If this linking of class rate to crime problems is such a good idea then why not extend it to ALL classes of rental property, not just affordable housing projects?”

Update is published by Minnesota Housing Partnership, and content is provided by MHP's lobbying team, Cindy Jepson and Julian Loscalzo. 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'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.