



# MHP Capitol Update

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## Capitol Notes

### House Tax Bill Contains 4d Modifications and Sales Tax Exemption

Minnesota's House of Representatives passed H.F. 2362, its omnibus tax bill, last week. The bill includes two MHP supported provisions. The first is an expansion of the construction materials sales tax exemption to include non-profits operating as managing partners in limited partnerships. The second is expanded eligibility for the Low Income Rental Classification (LIRC; tax class 4d). The LIRC proposal lowers the eligibility threshold from 75 to 20 percent affordable units in a property and includes projects funded solely by local units of government. MHP estimates that the LIRC provision will cover an additional 9,000 units of housing and reduce property taxes for affordable rental owners by about \$6 million annually.

#### Tax Conference Committee Members Named

Representative	Ann Lenczewski	651-296-4218
Representative	Paul Marquart	651-296-6829
Representative	Lyndon Carlson	651-296-4255
Representative	Jim Davnie	651-296-0173
Representative	Dean Simpson	651-296-4293
Senator	Thomas Bakk	651-296-8881
Senator	Dan Larson	651-297-8061
Senator	Rod Skoe	651-296-4196
Senator	John Marty	651-296-5645
Senator	Mee Moua	651-296-5285

### “Crime Free” or Lose Your Tax Break

Included in the House's omnibus tax bill is a requirement that all 4d properties statewide participate in a city or county's crime-free multihousing program if the property is deemed to be a high crime property. Last week the House Tax Committee modified the crime-free amendment by changing the requirements for forcing a 4d certified property to participate in the crime-free program. Previously, a property would be required to participate if the average number of all police or sheriff calls to the property over the previous two-year period, exceeded the average number of calls for multiunit rental properties by at least twenty-five percent, adjusted for the number of rental units. The House Tax Committee's amendment now omits emergency and police calls for domestic abuse or medical assistance in determining the average number of police or sheriff calls to a property.

The recent changes to the crime-free multihousing penalty go a long way toward ensuring that senior homes are not unfairly penalized for housing our parents and grandparents, who are more likely than other renters to make emergency calls for medical assistance. However, we do not believe low income individuals or properties should face discrimination through tax law or any other means. If you would like to see the crime-free multihousing penalty removed from the Low Income Rental Classification, please contact these key legislators as soon as the conference committee is formed. In addition, please contact Warren Claflin at [wclaflin@mhponline.org](mailto:wclaflin@mhponline.org), or 651-649-1710 ext. 121, if you would like to help MHP prevent the “crime-free” provision from becoming law.

### **Jobs and Economic Development Conference Committee Starts Negotiations**

The housing component of the jobs and economic development bill has been well received in early negotiations. Supporters are working diligently to ensure that the housing budget targets are set at the House's level (\$123 million). Additionally, efforts are being made to ensure that the Challenge Program receives \$35 million. Higher targets will ensure that this program and others will be funded adequately. We expect targets to be decided early this week and the bill to be agreed on by the end of this week. Housing comprises about one third of the entire jobs and economic development budget bill.

### **Homeless Services Face Challenge in Health and Human Services Bill**

Although homeless programs are just a small component of the health and human services finance bill, they face a steep climb. The health and human services conference committee tends to be more focused on health care and welfare programs and the conferees have a better understanding of these issues than housing. In addition, unlike the funding proposals for housing which are relatively close, the numbers for homeless programs vary significantly between the governor's, House's, and Senate's budgets. The House has the highest amounts budgeted for homeless programs at \$31 million. This is \$12 million more than the administration's recommendation and \$9 million more than the Senate's. However, we expect Representatives Clark and Walker to push hard for the House position. Again, higher targets will be critical to increasing funding for homeless services. This committee is expected to be the last budget bill and will be completed later this week.

### **The Big Picture for Housing Looks Good**

As we've mentioned before, one advantage that housing has is that its funding is not tied to a tax increase like the big spending proposals—transportation, property tax relief, education and to a lesser degree, health care. Additionally, both the House and Senate budget recommendations closely mirror Minnesota Housing's proposed budget. Overall, the entire the higher education and workforce development bill is closely aligned with the administration's recommendations, meaning that this bill *could be signed* by the governor and not viewed as a budget-busting item.

Everything will be impacted to some degree by the final resolution of the tax bill and the amount of revenue it generates. We still believe that the Senate will put more one-time money into play at the end of session, moving it from the budget reserve, to help reach a consensus on spending.

We think there are enough pieces on the table to allow the House, Senate, and governor to get out of town on time. In the end, House and Senate leadership will have to decide how far to push their agenda, relative to delaying the end of the session.

### **Housing Solutions Act: Another Step**

Last week, the Senate Finance Committee had a hearing on the Housing Solutions Act and then forwarded the proposal to the Tax Committee, where it is expected to sit until next year. In the House, the bill remains in the Housing Committee.

An interesting aspect of the Housing Solutions Act (HSA) hearing was that even legislative opponents indicated that there was a need to increase the supply of affordable housing statewide. The REALTORS® continue to oppose the bill, highlighting in the hearing that the timing couldn't be worse to pass HSA with foreclosures increasing and the first wave of adjustable rate mortgage refinancings coming due this spring and summer. Advocates reiterated the need for a dedicated fund to ensure a stable source of funding for affordable housing programs. The latest estimates show that the 0.17 percent increase in the deed tax would raise about \$56 million a year. The Housing Solutions Alliance plans to continue its organizing efforts over the summer.

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

## House

[Click here for updated House Committee information.](#)

## Senate

[Click here for updated Senate Committee information.](#)

## Bits and Bytes

### Heard Under the Marble Dome

“Would the representative accept, as a friendly amendment, extending this requirement to all single family properties?” a House Republican asked the author of LIRC/4d “crime-free” provision, making the point that if this is such a good idea, then everyone should live by it.

“I told you weeks ago that the real budget bills won’t show up until May. I still hold by that one and have mine already in process,” said the House Budget Division Chair reiterating their take on how the end-game will play out.

“If the governor doesn’t like this omnibus bill we send him, he’s guaranteed to like the next one less,” exclaimed two chairs of budget conference committees.

### Session Clock Ticking – Vehicles Being Parked

There are three weeks left in the session and the words “special session” are being bantered about more frequently. Although, unless things really go south, this legislature will go home on time. Everyone realizes that not adjourning on time would set off a statewide round of hoops and hollers. This time Democrats, who control both houses, would catch a lot more heat than Republicans, particularly since the DFL’s campaign rhetoric last fall was all about getting things done. The Democrats may go home without landing some of the big fish they put on the line during the campaign—education, transportation, property tax relief, and health care—or only getting some of their priorities met, in which case they be running against the governor for the next 18 months.

As always, a meltdown is possible, but during the last few weeks things are looking up as the bill-making process has been running its course. A number of finance and tax bills have already made their way to the floors of the House and Senate or in capitol parlance, “being parked as vehicles” for future legislative action. Though the public perception may be that the three bodies can’t get it done, the process is already in place to ensure that the final budget bills can show up and be voted on.

One last reminder, unlike budget bills, there doesn’t necessarily need to be a tax bill. If a tax bill is not passed, the existing tax structure remains in tact. We think there will be agreement on a few revenue items but if someone really wants to make a point, no bill would put everyone in the same place and increase pressure for a fixer upper bill next year. We’ll know in four weeks whether we had a crystal ball or a mud puddle!

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.