



MHP Capitol Update

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Capitol Notes

Foreclosure & Predatory Lending – Front and Center

This week, the attorney general's report and recommendations on predatory lending dominated housing news at the Capitol. It appears that the focus of the proposed legislation, not yet in bill form, will be on tightening up the mortgage brokerage business. This issue seems to be on the front burner with many legislators, but, interestingly, is viewed as just an urban problem.

Though the proposals should help address future abuses, many legislators and advocates are concerned that there are few solutions being offered to address needs of individuals and families facing foreclosures. We expect to see a request for increased funding for education and counseling programs, but as of yet, there are no proposals aimed at keeping families in their homes or addressing the number of vacant buildings in communities throughout the metropolitan area.

Sen. Higgins & Rep. Davnie plan to introduce a blighted properties bill in the next few weeks that will allow non-profits to acquire and rehab abandoned buildings but beyond this proposal, few others have come forth.

It should be noted, that this first wave of foreclosures appears to be associated primarily with bad lending practices. Industry representatives indicate that next summer the first wave of refinancing of adjustable mortgages will come due. People refinancing may have difficulty doing so as home values have not kept pace with inflation or in many cases have declined—this means that in addition to higher interest rates, they may be forced to bring cash to the table.

Property Tax Relief – Legislative Focus

It has become clear that the legislature will focus on property taxes this session and address the issue through a variety of approaches – increases in Local Government Aid (LGA) and rebate programs, and more funding for schools are a few examples. MHP's proposal to modify the **Low Income Rental Classification (LIRC or tax class 4d)** program would give property tax reductions to an additional 9,000 units of affordable rental housing statewide.

The reinstatement of this class rate in 2005 reduced property taxes by 40% for about 40,000 units statewide. We are proposing to lower the eligibility threshold from 75% of rent restricted units in a project to 20%, although Revenue has proposed the threshold be set at 25%. The proposal also includes properties that are funded by local units of government who require the same income and rent restrictions as those currently eligible for the tax break. The proposal has been well received to date and the threshold reduction has been included in the Revenue Department's budget bill.

It is a well known fact that all politics is local & you can assist MHP's effort to provide affordable housing property tax relief by contacting your legislators if you own, manage, or operate rent-restricted

properties. Contact Leigh at rosenberg@mhponline.org, or 651-649-1710 ext. 119, to find out how to assist in this effort.

Property Valuations Crux of Tax Issue

The re-establishment of the **Low Income Rental Classification/4d** program and its expansion will provide short-term property tax relief. Advocates, though, have insisted that the underlying issue is assessment practices, which treat rent-restricted properties unfairly. As part of the 2005 legislation that re-established the 4d class, the Department of Revenue was required to conduct a study on assessment practices. MHP and other advocates have worked diligently with the department, assessors, and Minnesota Housing (MHFA) on this report, which will be available at the end of February. The release of this report will open a broad ranging discussion on the topic of fair assessment practices and the state's public policy on affordable housing. In the next few weeks we will be introducing a number of bills that will address valuation practices to facilitate that discussion.

Legislative Contact List Growing

We'd like to thank the folks who contacted us over the last few weeks with information on relationships with legislators. This type of information is critical to our advocacy efforts. We often call on constituents to reinforce the efforts of our advocacy team, or ask that they initiate contact on certain issues. In one instance, we scheduled a meeting with our lobby team, the reader who contacted us, and the reader's legislator. Please look over the Senate Tax Committee list this week, or review committees highlighted in the previous **Updates**, and let us know who you know. Or, for those of you working with new legislators, tell us who you are going to get to know!

Committee Action

Another Committee to Watch—Senate Taxes Committee

In both the House and the Senate, the Tax Committees will be important to watch, especially in regards to the 4d and affordable housing property tax valuation issues. Two issues ago we reviewed the House Tax committees, this week we will review the Senate Taxes Committee, which has three new legislators on it. However, two of them, Sen. Dan Larson and Sen. Katy Sieben, have legislative experience—both are coming from the House and Sen. Sieben was on the House Tax Committee. *(New legislators are noted with a *)*

Senate Taxes Committee: Mon. thru Fri., Room 15, Capitol, 8:30-11:00 a.m.

Tom Bakk, D (Cook) Chair
Julianne Ortman, R (Chanhassen) Lead Republican
Keith Lanseth, D (Glyndon)
John Marty, D (Roseville)
Larry Pogemiller, D (Minneapolis)
Katy Sieben, D (Newport)*

Dan Larson, D (Bloomington) Vice Chair*
Debbie Johnson, R (Ham Lake)
Warren Limmer, R (Maple Grove)
Mee Moua, D (St. Paul)
Dave Senjem, R (Rochester)*
Rod Skoe, D (Clearbrook)

Committee Hearings

HOUSE

Housing Policy and Finance: Wed., January 24, Room 5 SOB, 10:00 a.m.

- Presentation by Michael Dahl, Executive Director of the Minnesota Coalition for the Homeless
- Presentation by Chip Halbach, Executive Director of the Minnesota Housing Partnership

Bill Introductions

HOUSE

SENATE

S.F.59 (Berglin)/H.F.88 (Thissen) Minnesota Family Investment Program (MFIP) repeal of \$50 subsidized housing penalty.

Bytes & Bits

St. Paul City Council Supports MHP Legislative Agenda

The St. Paul City Council's legislative committee agreed on Jan. 17th to support MHP's legislative agenda and directed their lobbyists to coordinate activities with MHP's lobbyists. The council viewed the proposals as complimentary to their legislative agenda. They also expressed interest in working with others to find a solution to the number of vacant and boarded buildings in their area, as well as the growing number of foreclosures.

House Process Still In Flux

As we listened to a chair of a house committee explain the bill process the other day, we realized that this year's effort will have an overriding aura of confusion. All the new committees, subcommittees, and finance divisions combined with an inexperienced staff, will, at the least, make things interesting. At worst they will have advocates and champions running in circles trying to figure bill flow and process.

New Members Cautious But Listening

If initial visits with new members are any indication, caution is the tone. Comments like "let me check with staff/the caucus/the chair/leadership" dominated the discussions when asked about support for various housing proposals. Those comments, though, were often followed by, "Let me check with my folks back home," "Who are you working with in my community?" and "What properties or programs in my area would that effect?" We will have to do our homework and housing advocates will need to be engaged otherwise housing will not be on the agenda.

Correction

Last week we mistakenly reported that Sen. Tony Lourey, member of the Health, Housing & Family Security Committee is a Republican, when, in fact, he is a Democrat.

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.