



MHP Capitol Update

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Capitol Notes

Town Hall Meetings

Many legislators are putting together town hall meetings to discuss legislative issues with their constituents. Contact your legislator today and find out if there is going to be one in your area! For more information, contact Warren at wclaflin@mhponline.org.

MHP Housing Bills – In the Hopper

The first of a number of housing bills were introduced this week by MHP, including a modification of the 4d/LIRC (Low Income Rental Classification) and a construction sales tax exemption for non-profits operating as general partners in affordable housing development projects. The Affordable Housing Donor Tax Credit should get bill numbers next week. We expect legislation related to manufactured housing and supportive housing to be introduced as well. Housing supporters are going to have a lot of front-end work this session because the legislature has set some early committee deadlines. This means that MHP and its supporters are going to be very busy over the next six weeks.

Alternative Budget Recommendations

Housing advocates know it is critical to *ask for more or you get less*, thus the \$100 million request proposed by MHP versus the governor's proposal. The question currently is how to forward that request while supporting an effort to increase the deed tax or secure dedicated funding. No one wants to put all our eggs in one basket, so the tricky part is determining best approach to putting the big request in play.

Currently, we are soliciting various recommendations from the housing community in order to develop a comprehensive set of recommendations that would enhance the administration's proposals. You should be telling your elected officials that, at the very least, the entire \$42 million Minnesota Housing request should be incorporated into their base budget. Please contact Chip Halbach at chalbach@mhponline.org if you haven't weighed in yet.

Revenue Forecast – Kicks Off the Budget Game

It appears that revenues over the last few months have dropped, adding to rumors that both the projected budget surpluses, one-time and on-going, will be smaller than expected. The forecast due out on February 28th will set the stage for final budget plans. The Governor is expected to tweak his recommendations with a supplemental request and House and Senate leadership will begin to divide up the pot. We are already hearing from the chairs of the funding committees overseeing housing appropriations that there isn't any money and we need to tell House and Senate leadership what we need.

Low Income Rental Classification Revenue Department Study – In the works

We are expecting a draft of the Revenue Departments study on assessment and classification standards on Low Income Rental Classification (LIRC) properties to become available this week. This report was required as part of the 2005 tax bill that lowered the property classification rate for rent restricted properties. Over the past few years, rent-restricted properties have really felt the property-tax crunch—their property taxes have dramatically increased but their revenues have not, and cannot, due to subsidy restrictions. The LIRC provided temporary relief to building operators but valuations increases up to 125% over a 5 year period can not be offset solely by a reduction in class rates. Changing assessment practices to reflect the income restrictions of these properties will address this problem, but it is a more difficult challenge than amending the LIRC. We are hopeful that the report will offer a number of income/valuation options for policy makers to consider.

Deed Taxes Spring up Everywhere

A series of deed tax bills have been introduced in the last few weeks and have added to the confusion over the Housing Solutions Act's deed tax proposal and provided opponents with another opportunity to "just say no." Ramsey and Hennepin Counties have had a special deed tax surcharge in place for a number of years that was dedicated to environmental contamination clean up. Both counties have asked to extend the life of that special tax and another five or six counties have jumped on the bandwagon. There is also a request in the works for a one-time property transfer surcharge which would be dedicated to cleaning up our state's lakes and rivers via the Clean Water Legacy Act. With all these competing deed tax and fee proposals, it is going to be very important for advocates to clearly state which one they support, so lawmakers don't get confused.

Committee Action

House

Housing Policy and Finance

Last week, the Runaway and Homeless Youth Act (H.F. 537) was presented and *laid over for possible inclusion in committee budget bill*. Committee members reacted favorably to the bill with only critical comments focused on the amount to be set aside for administration (5%) and evaluation (8%).

Also, Commissioner Marx presented Minnesota Housing's budget recommendations. It was noted that funding for foreclosure counseling would be targeted to counties and regions with a higher than average rate of foreclosure. The agency indicated that it will be seeking program changes that will allow more flexibility to address various housing concerns, such as land acquisition and manufactured housing.

Senate

Committee Hearings

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

House

Tax Committee

Friday, February 23rd, 8:00 a.m., Room 10, SOB

Agenda:

- **H.F. 856(Atkins) / S.F. XXX** — Limits property taxes to a percentage of the homeowner's income.
- **H.F. 957 (Zellers) / S.F. XXX** — Caps property taxes for long-term homeowners over the age of 65.

For up-to-date information about House hearings and more, go to

<http://www.house.leg.state.mn.us/comm/commemlist.asp>

Senate

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

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

Bill Introductions

This list only contains bills recently introduced. Please let us know if you see a bill you would like us to track.

House

H.F. 822 (Clark) / S.F. XXX — Neighborhood Revitalization Program extended.

H.F. 851 (Gunther) / S.F. 797 (Koch) — Governor's Economic Development Budget Bill

H.F. 856 (Atkins) / S.F. XXX — Limits property taxes to a percentage of a homeowner's income. This is advocated by the Senior Federation.

H.F. 864 (McNamara) / S.F. 735 (Sieben) — \$7 million in bonds for a veterans supportive housing project.

H.F. 869 (Sailer) / S.F. 659 (Skoe) — Appropriates funds for Indian Housing.

H.F. 1004 (Davnier) / S.F. 809 (Higgins) — Prohibits predatory lending. This is the bill from the attorney general's office.

H.F. 1030 (Mullery) / S.F. 824 (Moua) — Makes modifications to Low Income Rental Classification. This is advocated by MHP.

Senate

S.F. 800 (Moua) / H.F. XXX — Sales tax exemption on construction materials for non-profits acting as a general partner in an affordable housing development limited partnership. House companion will be introduced 2-19-07.

Bytes and Bits

Committee Deadlines - Maybe

We have never seen a year where the majority party is the same in both bodies and agreement on committee deadlines is so far apart. The House and Senate are supposed to agree on dates and both bodies then pass a Concurrent Joint Resolution affirming the time line. This year the Senate wants to address fiscal bills first, then policy issues, while the House is operating with the traditional model of policy bills first, then fiscal bills. We believe that with the difficulties posed the schedule will either change or there will be some over-worked Rules Committees in operation. Here's how we understand it:

- **March 23rd** is the first and second House policy bill deadline.
- By **April 2nd at 2pm** the budget divisions of the House and Senate must pass omnibus finance bills out of committee.
- **Saturday, April 14th** is the first and second deadline in the Senate.
- On **Friday, April 27th** joint revenue and expenditure targets should be set for the conference committees.

Better Ask for More and Soon

We are getting the clear message that if housing advocates don't start asking for more money, and soon, even the administration's funding recommendations are in jeopardy. We noted that chairs, legislative supporters, and staffers are telling us to get with it and turn up the heat. Conservative legislators have criticized the governor's recommendations for housing. Minnesota Housing has its hands tied on what it can ask for. Although \$42 million is a promising start, we could come up short. As we've said before, education, health care, property tax relief, and transportation are driving this year's budget game. Get to work now – contact Leigh at MHP if you want to get involved and be sure to act when we give you the cue!

Clarification

H.F. 537 (Clark) / S.F. XXX appropriates \$8 million to the Runaway and Homeless Youth Act, with up to 8% spent on outside evaluation and 5% on administration.

Distributed weekly during the legislative session and periodically outside of session, the **MHP Capitol Update** provides information about bill introductions, committee hearings, policy analysis, and political chatter in St. Paul. **MHP Capitol 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.