



# MHP Capitol Update

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MHP is working to provide unique value through both our newsletters: [The MHP Bulletin](#) and the [MHP Capitol Update](#). In upcoming months, you will notice that the monthly **Bulletin** focuses on local, state, and national housing trends, industry research, and agency information. In contrast, the **MHP Capitol Update** will focus on local, state, and national policy advocacy. In addition, the **Update** will be published on a monthly basis during the summer, while maintaining weekly coverage during Minnesota's legislative session. Please contact [Barb Jacobs](#) if you would like to subscribe to **The MHP Bulletin**.

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## State Update

### **What's In Store for a Special Session?**

No surprise, the I-35 bridge collapse and floods in Southern Minnesota motivated legislators to return to St. Paul. The governor and legislative leadership agreed to convene, but the scope is still under negotiation. Only the governor can call a special session and only the legislature can adjourn one, pursuant to the rules. One thing is apparent: the governor won't call them back unless there is an agreement about what the legislature will and won't discuss. The last special session (in 2005) had no "pre-agreement," leading to a government shut down.

It is clear that transportation funding will be on the table with the governor publicly acknowledging he is open to an increase in the gas tax. Aside from breaking the governor's "no new taxes" philosophy, a gas tax increase will require the introduction of a tax bill, which opens the door for a variety of other possibilities, most notably Local Government Aid (LGA). It appears that legislators and interest groups are jockeying to be included in these various special session proposals.

The next obstacle will be finding a funding source for transit, as the gas tax is constitutionally dedicated to roads and bridges. It appears support is growing to revisit last year's bonding bill, particularly those portions focusing on transportation. We anticipate the session to convene in mid-September.

### **Affordable Housing Tax Breaks**

MHP is monitoring the mood of the legislature to see if the tax bill will include other items like our affordable housing tax breaks. As you probably remember, we successfully got two tax breaks into the

vetoed omnibus bill last spring: the [Low Income Rental Classification](#) (LIRC/4d) modifications and the [construction sales tax exemption](#) for non-profits operating as general partners in limited partnerships.

The LIRC/4d modifications have broad-based support and little fiscal impact on the state budget. The sales tax exemption would cost the state about \$1.3M and may be harder sell. It's a good time to remind your legislative friends that these items remain critical to ensuring that affordable housing is built and maintained. In order to stay on top of things, we will meet again with 4d modification supporters in the next few weeks to review the situation.

### **Legislative Ideas Generated for Addressing Foreclosure Crisis**

On July 31, Rep. Joe Mullery (DFL, Minneapolis) hosted a community forum addressing the state's skyrocketing number of mortgage foreclosures. Minnesota Housing Partnership, Legal Aid, Jewish Community Action, and MCCD joined state staff, local government officials, and legislators (Rep. Domingez, Rep. Davnie, and Sen. Higgins) to review a broad range of solutions.

One of the more interesting proposals, advanced by the University of Minnesota's Prentiss Cox, would differentiate between owner-occupied and investor-owned property. Currently, foreclosure sales occur within six months of delinquency, followed by a six month period during which redemption is allowed. Cox suggested that the state create different redemption requirements for investor-owned property versus homeowner-occupied properties. For homeowners, Cox proposed extending the right to reinstate to a year with no redemption period. For investor-owned properties, he suggested quicker foreclosures and dropping the redemption period altogether, saying they benefit no one.

Other ideas included creating more incentives for lenders to take care of properties recovered by foreclosure and better techniques to secure vacant properties that do not bring the visual blight and negative associations of plywood-boarded windows. MCCD suggested resurrecting Sen. Higgins' bill giving nonprofit housing agencies the right to take over, fix up, and resell vacant homes in areas with high concentrations of boarded-up buildings.

Minnesota Housing's Tonja Orr said the agency will receive \$500,000 from the state's real estate recovery fund (funded by the real estate industry) targeted to efforts such as counseling to address foreclosures. Minnesota Housing will soon issue an RFP for this initiative. For more information on community efforts to address foreclosure, please contact [Melissa Manderschied](#), coordinator of the Foreclosure Prevention Funders Council, at 612-337-9274.

## **Federal Update**

### **House Financial Services Committee Holds Hearing on Predatory Lending In Minneapolis**

Rep. Keith Ellison hosted the House Financial Services Committee on August 9<sup>th</sup> at the Minneapolis Central Public Library. Hundreds of people attended the official committee hearing on foreclosures and predatory lending. Committee chair Rep. Barney Frank and committee member Rep. Betty McCollum were also present. The varied and many speakers included Minnesota Housing Commissioner Tim Marx, Minneapolis City Council chair Barb Johnson, and St. Paul Mayor Chris Coleman. Information gathered at the hearing will be put to good use as recently Rep. Ellison introduced a predatory lending bill in Congress (H.R. 3081) that will be taken up after Labor Day.

## **Federal Focus: National Housing Trust Fund**

At August 9<sup>th</sup>'s House Financial Services Committee Hearing on predatory lending at the Minneapolis Central Public Library, committee chair Rep. Barney Frank pointed out that not all foreclosed properties were single family homes. Many renter households are being affected by the foreclosure crisis as speculative investors default on their mortgages. Frank underlined this by voicing support for more affordable rental development as a key part of addressing the foreclosure crisis.

Not coincidentally, Rep. Frank recently introduced legislation providing dedicated funding to construct, rehabilitate, and preserve 1.5 million units of low-income housing over 10 years. The National Housing Trust Fund, which is co-sponsored by Rep. Keith Ellison, Rep. Betty McCollum, and Rep. Jim Ramstad, focuses 75 percent of its funding on extremely low-income households, or those earning less than 30 percent area median income.

This concentration on America's neediest families acknowledges the huge gap between the supply and demand of homes in this price range. On July 30, the a [Washington Post editorial](#) expressed this idea well by noting that "[n]ationwide there are about 9 million renter households with extremely low incomes and only 6.2 million rental units they can afford. The waits to get affordable housing, in public or private units, are often many years long. In the meantime, families must make terrible trade-offs between rent and clothing, or rent and medical care, or even rent and food."

The [National Low Income Housing Coalition](#) estimates there are over 130,000 extremely low-income renter households in Minnesota, 76 percent of which spend over half their income on rent. They also estimate there is a deficit of over 68,000 units affordable to this market. The Twin Cities Metro witnessed the effect of this gap recently when tens of thousands of people swamped phone lines at the St. Paul Public Housing Agency and the Metro HRA when each opened their Section 8 waiting lists for the first time in 5 and 6 years, respectively. In short, there is a demonstrable need for this legislation. To find out more about the National Housing Trust Fund, or to find out how you can be a supporter, [click here](#).

## **Organization Opportunities and Tips**

### **Know 'em Before You Need 'em!**

We constantly preach that all politics is local and that, in order to be successful, affordable housing supporters must engage their elected officials on a regular basis. It is always easier to give someone a call and ask for support if they know you or your program.

Now is the time to engage legislators on a personal level, while their schedules and minds are free from demands. One great way to touch base with your legislators over the summer is to send thank you notes to those you contacted during session on housing matters. It's good to focus on your representative and senator, but also be sure to pick a few others who served on funding or policy committees that reviewed housing issues ([House](#), [Senate](#)). They would love to hear that you appreciate their support, too.

Please take the time in the next few months to invite legislators to visit your office or a housing project. Feel free to [contact MHP](#) with questions, suggestions, or assistance.

## Bytes and Bits

### **Rep. Barney Frank: Valuing Government Solutions**

“The problem of foreclosures requires a comprehensive approach,” said Frank, “this includes investment in affordable rental housing.” In response to Minnesota Housing Commissioner Tim Marx’s call for increased Community Development Block Grant funding, Frank wanted to make sure that everyone understood that the Commissioner was calling for an increase in expenditures that are paid through taxes and for more government involvement. Frank said that he agrees with this approach, valuing government as the “the collective capacity to improve our lives.”

### **Special Session Rules Are A Tad Different**

Although special session may provide the opportunity to recycle issues from last session, the process is differs markedly from regular session. The Minnesota Legislature, which operates under a biennial system, can take up bills introduced during the first year of the biennium in the second year. In English this means vetoed bills from May can be reconsidered if we have a special session. In addition, bills that were in committee at the end of session can be moved to the floor. Another special session rule requires that new legislation be introduced even if it is identical to a bill that was vetoed. A special session also sees a lot more use of the Rules committees to get items to the floor for votes.

Distributed weekly during the legislative session and monthly outside of session, the **MHP Capitol Update** provides information about state and national housing policy and politics that effect Minnesota. **MHP Capitol Update** is published by Minnesota Housing Partnership. To share ideas for future issues, to ask questions, or to unsubscribe, please contact Barb Jacobs at [bjacobs@mhponline.org](mailto: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.