



# MHP Capitol Update

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## State Update

### **MHP Helps Win Property Tax Relief for 9,000 Affordable Units Across State! 4d Included in Tax Bill That Was Signed By Governor on Friday**

After years of perseverance and hard work, housing advocates won property tax relief for over 9,000 units of affordable housing last week. The governor signed the tax bill on Friday which contained one of Minnesota Housing Partnership's core advocacy issues: over \$6 million of property tax relief for rent-restricted housing known as the Low Income Rental Classification (4d) class rate.

The changes to 4d include a lowering of the eligibility threshold which said 75 percent of all units in a property must be rent restricted to receive the credit. The language included in the tax bill puts the threshold at 20 percent and also makes eligible projects that are solely funded by local units of government. The expansion will take effect for taxes payable in 2009 and impacts about 9,000 units across the state. *Thank you and congratulations to all the folks that helped pass this very important legislation! Great work!*

### **Tax Bill Two?**

Legislative leadership indicates an interest in advancing another revenue-raising tax bill in the next few weeks. The debate continues whether the revenue raised will be used for deficit reduction or to fund other tax related expenditures, like Local Government Aid (LGA). The governor chimed in on the debate early by including the tax gains from closing the Foreign Operating Corporations (FOC) loophole as part of his deficit reduction plan.

MHP and housing advocates secured inclusion of a significant sales tax break in last year's vetoed tax bill. Up in the air is this year's chance of success for passing the sales tax exemption on construction materials for affordable housing projects where non-profits are operating as general partners. Legislative response to the deficit over the next few weeks will determine if there is another tax bill and how the revenue will be used.

### **Minnesota Housing Dodges Budget Cuts**

Minnesota Housing's budget was not nicked in the governor's deficit reduction recommendations. Aside from the governor's cut recognize that the housing market needs to be

strengthened, not weakened. MHP is still going through budget documents, but it appears that the agency's base budget remains intact for the next session as well.

Last year's efforts saw significant increases in both Minnesota Housing's base budget (27 percent increase) and overall funding (60 percent increase). The agency recently reported that over 53 percent of its funds have been committed in the first 8 months of the biennium, less than a third of the way into the biennium.

### **Supplemental Budgets amidst a Deficit**

Despite nearly a billion dollar deficit, the governor held K-12 education and LGA harmless in the supplemental budget he released on Friday, all while adding \$200,000 for various veterans programs and \$11 million for programs within the SEED (Strategic Entrepreneurial Economic Development) initiative.

The supplement budget is a mixed blessing for housing advocates. The bill includes \$2.4 million per year to pay the debt service on the \$30 million in 501(c)(3) revenue bonds for supportive housing in the House and Senate bonding bills. However, beginning in FY2010, the tax relief for low-income renter's (a.k.a. the renters credit) is reduced by about \$35 million.

### **The Rapid Pace of Foreclosures Gets Legislative Action**

This past week, dubbed Foreclosure Week by legislators, saw numerous bills advancing in both chambers of the Legislature. In the Senate, a majority of the recommendations from Rep. Joe Mullery's workgroups received strong bi-partisan support. The foreclosure bills passed by the Senate include early intervention counseling; a shortened, 5-week judicial redemption period for qualifying, abandoned properties; and improved notice for and rights of tenants. Bills scheduled for Senate hearings this week include mortgage debt tax forgiveness, increased cap on punitive damages, and data collection.

In the House, the Judiciary Committee held a hearing on its foreclosure package in North Minneapolis, an area hit especially hard by the foreclosure crisis. Many of the proposals will be heard in the House Public Safety Committee on Tuesday. For a complete list of the foreclosure bills and their status, please visit MHP's 2008 Legislative Tracking Tool by clicking here <http://www.mhponline.org/?q=node/244>.

A more contentious proposal emerged this week, entitled Minnesota Subprime Foreclosure Deferment Act of 2008, which allows qualifying homeowners to receive a one-time deferment of their foreclosure if certain conditions are met. The bill is aimed at homeowners who were subject to predatory loans and establishes strict criteria to qualify: 1) a specific notification process, 2) continued minimum repayment schedule of at least 65% of their monthly payments, 3) requirement that the homeowner continues to live in the property, and 4) loss of the deferment if a payment is late or missed. The primary purpose of the bill is to provide additional time while Congress develops a longer-term solution to this national crisis.

In both the House and Senate discussions over vacant, foreclosed properties are spurring legislative solutions. Minnesota Housing Partnership is working with legislative leaders to craft solutions that will help get banks out of the landlord business, capture some of these properties for future affordable housing opportunities, and provide funds to rehabilitate properties for productive reuse.

### **Bonding Bill Shrinks then Moves**

Earlier in session it appeared that legislative leaders might challenge the administration's adherence to the 3 percent rule, which says annual payments on general obligation bonding must stay below 3 percent of the state budget. Historically, the state has never come close to hitting that target due to a variety of factors. The faltering economy had legislators wanting to push the envelope and authorize \$965 in general obligation bonds, the amount originally suggested by the governor. Recently, the governor said he will hold to his new target of \$825 million, and legislators are listening. It seems they are more interested in getting bonding projects funded and under construction to create new jobs than forcing a veto and attempting an override.

Although the governor reduced his bonding suggestion by \$140 million, legislators really have \$200 million in cuts to make considering that each body has funded items not contained in the other's bill. There will be a lot of gnashing of teeth, screaming, and hollering as programs and projects are carved out to keep within budget. The bonding conference committee will meet today and will hopefully have its work done by the end of this week.

### **Bonding Housing Items to Support**

The House bonding bill contains three housing related items of interest to advocates. There is a \$30 million authorization for 501(c)(3) revenue bonds for supportive housing and a \$2 million authorization of GO bonds for shelters, transitional, and supportive housing efforts. The House bill also contains language establishing a stakeholders group to work with Minnesota Housing on three issues: one is the use of 501(c)(3) bonds as part of mortgage foreclosure and vacant properties remediation efforts, and two are related to the financing and taxation of land trusts. The Senate bill contains the 501(c)(3) revenue bond provision only. Advocates are asked to support the House version of the bill.

### **Bits and Bytes**

#### *KUDOS*

It never hurts to thank your friends for their efforts. The following folks deserve some credit for showing leadership on housing issues.

- *Property Tax Relief (4d): Representative Joe Mullery and Senator Mee Moua, with support from Reps. Dean Simpson, Morrie Lanning, and Laura Brod have carried the ball on this issue for over 4 years. Their continued advocacy has kept the issue alive and, this year, provided tax relief to over 9,000 units of affordable housing state wide.*

- *Housing Bonding Efforts: Representative Karen Clark prioritized for housing over \$32.5 million in GO bonding requests to the Capital Investment committee. Representative Alice Hausman included \$2 million of the GO request in her bill which, considering there were over \$1.5 billion of requests sent to her committee, shows considerable support for housing. Clark and Hausman also secured the 501(c)(3) authorization. Senator Dick Cohen ensured that the 501(c)(3) language got into the Capital Investment Committee with the support of Senator Langseth.*

### **Heard Under the Marble Dome**

*“I wouldn’t want to be one of the big projects in the bonding bill—you would have a bulls eye painted on you this week.”—Insiders commenting on slashing to occur this week in bonding committees.*

*“It looks like the governor did it again. He didn’t take the ax to the budget or fix the long-term problem, forcing the legislature to do the right thing.”—budget observer regarding balancing the budget.*

*“Did you notice there was only one advocate in a room full of banking lobbyists?”—A lobbyist commenting at a recent hearing on the mortgage deferment legislation being heard in committee.*

## **Federal Update**

### **Rally to Save Project Based Section 8**

Last year Congress passed a HUD budget that was \$2 billion short of what was needed to adequately fund Project Based Section 8. Initial estimates suggest that nearly 7,000 units of affordable housing in Minnesota and 500,000 nationwide are at risk due to this funding shortfall. Because of this shortfall, last year HUD delayed paying their portion of monthly rent for thousands of tenants.

To bring attention to this important issue, the MN Tenants Alliance, HOME Line, several housing advocacy organizations and affected stakeholders will participate in a nationally-coordinated event on **Wednesday, March 19th @ 3:00p.m.at the Riverside Plaza's Chase Community Room, 1530 South Sixth Street, Minneapolis, MN 55454.** Click [here](#) for more information.

Highlights of the rally will include distributing keys to both of Minnesota’s Senators as a representation of the individuals who could lose their housing due to Section 8 and presentations by a variety of Minnesota leaders. Speakers include

- Saeed Fahia, Executive Director, Confederation of Somali Communities in Minnesota
- Scott Dibble, Minnesota State Senator, District 60
- Ralph Remington, City Council Member, Minneapolis
- Debra Godtlund, Assistant Property Manager, Riverside Plaza
- Brian Marcum, Section 8 tenant leader, HOME Line Board member
- Linda Hymes, Section 8 tenant leader, Chairperson of Minnesota Tenants Alliance

- Fredda Scobey, resident & Executive Director, Riverside Plaza Tenants' Association
- Linda Harris, Federal Public Policy Coordinator, HOME Line

In addition, all 10 of Minnesota's congressional and senate offices are invited to speak.

### **Section 8 Reform Legislation Introduced in Senate**

In 2004, HUD changed its Section 8 funding distribution system and in a manner that poorly targeted resources. This contributed to the loss of more than 150,000 vouchers. In response, Senator Chris Dodd (D-CT) introduced the Section 8 Voucher Reform Act of 2008. The legislation would fix the funding allocation as well as simplify rent rules, streamline property inspections, and increase program cost-effectiveness among many other goals.

A similar bill was introduced and passed in the House last summer. The Senate version varies from the House version on a few issues. The Senate's bill has a "more modest" expansion of the public housing demonstration project, Moving to Work, the National Low Income Housing Coalition (NLIHC) says. The two versions also deviate regarding rent changes and calculation of tenant income.

Over 2 million households utilize Section 8 vouchers, making it the largest source of affordable housing in the nation. For more information on SEVRA and the Section 8 program, go to the National Low Income Housing Coalition's Web site

[http://www.nlihc.org/detail/article.cfm?article\\_id=4877&id=19](http://www.nlihc.org/detail/article.cfm?article_id=4877&id=19).

### **Senator Klobuchar Cosponsors Foreclosure Act of 2008**

Last month, the Foreclosure Prevention Act of 2008 was introduced in the U.S. Senate by Senator Harry Reid (D-NV). Minnesota Senator Amy Klobuchar is one of twenty five senators that have since signed on to the legislation. The bill aims to reduce the effects of the mortgage foreclosure crisis by providing \$200 million for pre-foreclosure counseling; allowing housing finance agencies to issue mortgage revenue bonds to refinance subprime loans; amending the bankruptcy code to allow judges to modify mortgage debt for certain borrowers; and simplifying and improving mortgage disclosures.

Although the proposal offers some very important tools for fighting the mortgage and foreclosure crisis, advocates are concerned with aspects of the bill. NLIHC suggests that the bill could be improved by changing the income targeting to allow for 25 percent of funding to be dedicated to those with incomes between 30 percent and 50 percent of area median income, and 25 percent of funding be targeted for those with incomes below 30 percent of area median income.

Additional suggestions include eliminating the Secretary's authority to waive rules; including provisions to prevent flipping of the properties; and requiring that any proceeds from the sale of abandoned or foreclosed upon homes for purchase or rental are recycled back into the original redevelopment program so that such efforts can continue into the future.

Distributed weekly during the Minnesota legislative session and monthly outside of session, the **MHP Capitol Update** provides information about state and national housing policy and politics that affect 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 also publishes **The MHP Bulletin**. **The Bulletin** is distributed monthly, and includes affordable housing news and trend information, new research, publications, and upcoming events. Please contact Barb Jacobs at (651) 649-1710 ext. 117, email [bjacobs@mhponline.org](mailto:bjacobs@mhponline.org), to subscribe to **The Bulletin**.

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.