



MHP Capitol Update

Volume 3, Issue 13 March 31, 2008



*We invite you to forward, quote, or cite anything within **The MHP Capitol Update** as long as you reference it as the source. Thank you!*

State Update

- Housing Forum Brings Attention to Community Impact of Vacant Properties
- Minnesota Housing Budget Intact
- Bonding Play Still Pending
- Senate Tax Bill Focuses on Balancing Budget
- Supportive Services for Homeless Gets a Boost in House
- Bits and Bytes
- Heard Under the Marble Dome
- Bill Tracker

Federal Update

- Secretary of the Treasury Henry Paulson Says Bad Mortgages Are Main Economic Stressor
- HUD Secretary Alphonso Jackson Resigns
- Congress Takes on Supplemental Budget and Spending Limits for 2009

State Update

Housing Forum Brings Attention to Community Impact of Vacant Properties

On Sunday, Minnesota Housing Partnership and Minnesota 2020 hosted a town hall forum on the impact of foreclosures on Minnesota's communities. Although much is being done at state and federal levels to address the consumer side of the equation, legislative solutions to rebuilding communities that continue to be pummeled with vacant, foreclosed properties have not been proposed. Almost all of the forum's speakers implored state and federal lawmakers to provide leadership in creating a comprehensive and targeted response to our unnatural disaster. You can watch a full video of event on MN2020's [Web site](#). To see media coverage of this event, go to

- [Fox 9 News](#): Click on the small picture in the "related items" sidebar to watch story.
- [KARE 11](#): Click on the little red camera to watch story.
- [KSTP](#): Click on the play button on the right side of the screen.
- [Star Tribune](#)

Minnesota Housing Budget Intact

The House and Senate supplemental budget bills were put together last week and Minnesota Housing dodged the budget axe. The agency was not recommended for any cuts by the administration. Constant monitoring by housing advocates and legislative supporters helped ensure that housing funds weren't diverted to other purposes or cut to balance the budget. The agency's base budget for next biennium remains intact for the present, but next year's continuing budget crisis could impact what is presented by the governor to the next legislature. The budget bills also increased the agency's mortgage revenue bond debt ceiling from \$3 billion to \$5 billion.

Bonding Play Still Pending

It appears that the House and Senate are still debating the parameters of the bonding proposal that will be presented to the governor, who has withdrawn from negotiations at this time. The administration is maintaining its \$825 million cap on bonds. Meanwhile both the Senate and House want a larger bonding amount, but can't agree on the mix of projects to include in the proposal or whether to include or exclude projects the governor has requested. The governor can line item veto individual projects, so the debate concerns political strategy at this point. Legislators are deciding whether to give the governor things he wants in hopes that he will sign a larger bill or whether to send him a big bill with nothing he wants and force him to veto the bonding package.

Minnesota Housing's 501(c)(3) \$30 million bonding proposal is included in both versions of the bonding bill, but the House contains an additional \$2 million of general obligation bonds for homeless programs. We surmised last week that, unless the bonding bill moved quickly, it would get wrapped up in end of session negotiations and it's starting to look that way.

Senate Tax Bill Focuses on Balancing Budget

The Senate unveiled its tax bill last week which raises roughly \$150 million to offset our budget deficit, but spends little on existing or new programs. It did not contain the construction sales tax exemption for non-profits acting as general partners in projects using tax credits. The only significant sale tax exemptions included in the bill were for LRT and commuter rail projects.

The bill did include extension of Hennepin and Ramsey counties' special deed taxes which fund Brownfields clean up. St. Louis, Anoka, and Dakota counties were also granted authority to levy a small increase for the same purpose. These provisions are

opposed by the Minnesota Association of REALTORS® and were part of the reason last year's tax bill was vetoed. Lastly, included in the Senate tax package were authorizations for Minneapolis and Crystal to use their local TIF funds to address vacant properties.

Supportive Services for Homeless Gets a Boost in House

A number of housing leaders are becoming concerned that state funding for homeless services is not keeping pace with the development of new supportive housing units and worry about the long-term stability of these projects. Representative Karen Clark's Housing and Health supplemental bill included \$619,000 in funding for supportive services for homeless programs. As we noted recently, last year's supportive services funding came up \$1 million short of what was needed to continue existing programs. The Senate did not include any supportive services funding in their budget bill. This means advocates will have to work double time to get the Senate to agree to include supportive services in the bill the goes to the governor.

Bits and Bytes

Housing Remains a Tier Two Issue

It remains evident that affordable housing doesn't make the political grade as a top tier issue, even though most elected officials will mention it in the course of a discussion about some other topic. This point is driven home by the fact that the economic slowdown is fueled by a rapidly declining housing market, but no significant corrective action has been presented in this legislative session. Efforts to deal with the vacant housing problem led advocates on a wild goose chase—leadership was quick to pass the buck and no one took on the issue. Housing supporters on committees that could have dealt with this issue warned advocates that spending committees' first priority will be local government aid (LGA), not housing.

Although very important, this year's myriad foreclosure bills addressed only half of the equation—the wreckage our communities have suffered due to abandoned properties has not been addressed. This is a critical problem that won't go away anytime soon. We don't expect the economy or state budget to improve by next year. Over the next year or so, the challenge for the affordable housing community will be to put together a game plan that addresses vacant properties and use it as a launching pad for a more proactive affordable housing agenda.

Heard Under the Marble Dome

“The manufactured homes relocation bill broke a forty year deadlock among manufactured home owners and park owners,” *retiring Rep. Scott Kranz said while reflecting on his major accomplishments as a legislator.*

“It’s pretty hard to push for funding for housing if legislators and leadership aren’t pressured,” *said a Senate housing supporter expressing frustration with housing advocacy efforts.*

Federal Update

Secretary of the Treasury Henry Paulson Says Bad Mortgages Are Main Economic Stressor

Last week, Secretary Paulson [told CNN](#) that the government needs to take a more active role in preventing and mitigating the effects of foreclosures. Paulson said that only 8% of all homeownership Americans have delinquent mortgage payments, but the impact is large enough that it is dragging down the rest of our economy, making government intervention crucial.

HUD Secretary Alphonso Jackson Resigns

Amid allegations of favoritism and improper business dealings with contractors, HUD Secretary Alphonso Jackson resigned today. Mr. Jackson, however, attributed his resignation to his need to attend to family and personal matters. It remains unclear who will replace Jackson and what the ramifications of this change will be for the grossly under-funded HUD budget.

Congress Takes on Supplemental Budget and Spending Limits for 2009

Congress, now back from recess, is working on a federal budget resolution, which will establish limits for overall government spending in 2009. There is a significant possibility that Congress will pass a continuing resolution. This means that spending limits will automatically be frozen at current levels. It also will allow the new president to bring in a new budget in January. In early April, Congress will also look at a supplemental spending bill for the Iraq War which may include funding to address the foreclosure crisis.

Minnesota Housing Partnership. 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 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, 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.