



MHP Capitol Update

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State Update

House Tax Bill Includes Good Things for Housing

The House passed its tax bill on Monday. Advocates should be prepared to weigh in with policy makers on a number of housing related items included in the tax proposal. Here's a review of the housing items contained in the proposed House Tax bill.

HRA Levy Increase

Rep. Ann Lenczewski, Chair of House Tax Committee, inserted a provision on the tax bill that would increase the levy authority of HRA's by almost 40 percent. This would assist local communities with the fallout of the foreclosure crisis and resulting vacant properties. HRA and city representatives testified in support of the measure, indicating that this increase would allow communities to develop programs and products that could address the vacant property issue, or assist individuals facing foreclosure with a stable refinancing tool. This does increase local property taxes, but legislators felt the need to address the dearth of state funding options available to deal with vacant properties. Ultimately, lawmakers decided that the problem is big enough to warrant a levy increase. Be poised for action on this proposal. It is worth supporting.

In a separate but related measure, the proposal gives Northwestern Minnesota Multi-county HRA the authority to levy up to 25 percent of its statutory authority without any approval of its constituent cities or counties.

Construction Sale Tax Loophole Closed

As mentioned last week, the House tax bill closes the construction sales tax exemption loophole. The legislation extends the exemption to nonprofits operating as *sole or managing* general partners in limited partnerships. This provision will cost the state about \$600,000 a year, will assist in the development of about 250 units of new housing a year, and is one of the largest sales tax exemptions in the bill. Unfortunately, the exemption is not in the Senate tax bill, so we must convince Senate negotiators to accept the House position.

Foreclosure – Vacant Property Provisions

Also contained in the tax bill are provisions to ease the blow of foreclosures on neighborhoods. The first provision would require assessors to take into account the market value effect of foreclosures on *all* properties in the vicinity of the foreclosed property.

The second item limits the taxable value of newly-purchased foreclosed homes or homes that have sustained damage in a disaster. The program goes into effect if the home needs at least \$5000 worth of repairs and the reconstruction must happen within 18 months of the purchase or disaster. After the repairs are made, if the estimated market value increases by \$20,000 or more, a limit is placed on market value increases for three years. This would help blunt sticker shock arising from an increase in property taxes due to home repairs.

The third item provides one-time grants of up to \$250,000 to cities experiencing high concentrations of foreclosure. The grants would be available in 2009. To qualify, a city or zip code would have to have a foreclosure rate that is 50 percent higher than the foreclosure rate in the Seven County Metro Area. The money must be used to fund inspection and public safety costs associated with foreclosure.

Property Taxes

The property tax portion of the tax bill is revenue neutral. As it does not increase the total amount of taxes that the state takes in. Instead, the new legislation shifts the tax burden from lower- and moderate-income households to higher income households. The purpose is to make property tax relief more progressive by linking your income to the amount of property tax you pay. To see how your taxes would change, click here

<http://www.house.leg.state.mn.us/hrd/issinfo/hmvccalc5a.xls> and download the House Property Division's Excel spreadsheet with a built-in property tax calculator.

One of the most notable items within this section of the bill is that the property tax relief is extended to manufactured home owners. This is a significant victory.

The House's tax proposal also contains a new vehicle for property owners to dispute their valuations. If the greater of: 1) five property owners, or 2) 1 percent of the property owners in a taxing jurisdiction request a review of assessment practices within their area the Commissioner of Revenue must review their assessment practices. At such time, the Commissioner must report the findings to the local county board or city council or town board and the property owners making the initial request.

Economic Development Provisions

To try to spur development within Minneapolis, the tax bill modifies the city's Housing Replacement TIF district. It permits the city to use TIF dollars outside of the housing replacement district as long as the expenditures are for vacant sites, contain vacant houses, or contain substandard housing. The bill also increases the Minneapolis Homeless TIF district from six to eight acres. The tax proposal also amends the TIF provisions of several other communities around the state.

Hennepin and Ramsey Counties gain a 5-year extension on the Mortgage Registry Deed Tax to be used for environmental clean-up. In addition, the proposal grants Anoka, St. Louis, and Dakota Counties authority to impose a 0.01 percent tax rate for similar uses.

Mandatory Crime-Free Multi-Housing Program for 4d Properties

One disappointment is that the mandatory crime-free program for 4d properties in Brooklyn Center from last year's bill found its way into this year's House tax proposal. The Senate bill does not contain the crime-free provision.

Inside-Outside Strategy Works

The construction sales tax exemption organizing effort was a classic example of effective inside-outside lobbying. The MHP lobbying team working with Representative Davnie pinpointed key legislators on the House Tax Committee. Then, MHP and MCCD staff called advocates statewide, encouraging them to send letters and emails to the key legislators.

Advocates were also asked to contact people they knew who had personal relationships with legislators. In turn, these folks contacted legislators who were asked to pitch the issue to the House Tax Committee chair, or another member of tax committee.

The final push occurred after the last committee hearing before the bill was assembled when one of the authors cornered the chair and explained the bill and its fiscal implications quickly (closes a loophole; in last year's bill; will help 250 units; only costs about \$600,000). Advocates knew they had an opening when they presented the cost figures got a shrug instead of a frown and continued nudging over the weekend.

Although the provision was not included in bill as introduced in committee, Davnie offered an amendment to rectify the difference. Lo and behold, the committee chair and ranking Republican voiced support and the amendment was confirmed! Nice work folks!

Foreclosure Bill Update

Here is a snapshot of foreclosure legislation that has moved in the past week.

- **Manufactured Housing** - [H.F. 3477\(Gardner\)](#)/[S.F. 2917\(Marty\)](#): regulates manufactured home lending practices and amends default regulation provisions. Extends time of reinstatement from 30 to 60 days, provides protections against egregious lending practices such as negative amortizations, requires verification of ability to pay and requires loan refinancing to be signed by loan counselor. Signed by governor 5/5.
- **Utilities Disconnection Notice** - [H.F. 3229\(Nelson\)](#)/[S.F. 2775\(Foley\)](#): requires disconnection notice to cities for customer gas or electric service shutoff. It was signed by the Governor on April 30, 2008.
- **Contract for Deed** - [H.F. 3236\(Davnie\)](#)/[S.F. 2881\(Scheid\)](#): regulates contracts for deed and mortgage lending, increases the maximum amount of loan covered from \$100,000 to \$300,000. Presented to governor on 5/5.
- **Tenant Utilities** - [H.F. 3428\(Gunther\)](#)/[S.F. 2909\(Olseen\)](#): gives tenants the right to take over utilities payment when a landlord is in default. Conferenced bill passed Senate 5/5.
- **Foreclosure Assistance** - [H.F. 3346\(Davnie\)](#)/[S.F. 3073\(Higgins\)](#): increases and indexes the cap for the amount of mortgage foreclosure assistance provided to a household under the Minnesota Housing Finance Agency's Foreclosure Prevention Assistance Program. In conference committee.

- **Foreclosure Deferment - [H.F. 3612\(Davnie\)/S.F. 3396\(Anderson\)](#)**: defers foreclosure for homeowners who meet the criteria & who were subject to subprime loans. Passed Senate 5/5.

Link directly to these bills and more at <http://www.mhponline.org/?q=node/244>.

Bits and Bytes

Budget Deal Done?

Legislative leaders and the governor met over the weekend to reach a budget deal. It's a moving target, but one that has to happen in order to wrap up the session. The biggest sticking point remains the use of the Health Care Access Fund for deficit reduction.

Policy Deadline

There was frantic scrambling at the Capitol over the weekend as legislators worked to get policy items hammered out for yesterday's deadline. Of particular interest were supplemental budget items. Legislators wanted to finish these provisions so that once a deal was reached with the governor, the bills can move forward quickly. MHP has tried in vain to track these items. We're convinced that you'd need a PhD in forensics to figure out where all the policy provisions were sent. As you may recall, all policy items were stripped from the budget bill and relocated to other bills.

Time is Short, but the Number of Legislative Days is Shorter

The legislature is limited to meeting 120 days during a biennium. As of today, there were 8 legislative days left in the biennium. Since no votes can be taken on the last day of session, there are only 7 days on which floor action can occur. If a budget deal isn't cut this week, look for sessions to be postponed, especially in the House where there are a pile of bills awaiting action. You can also expect extremely long floor sessions.

Tax Conference Committee Expected at End of week

Later this week, plan on weighing in on a number of housing related items in the House tax bill. We'll be in contact with you regarding the conferees and an analysis of tax related items impacting housing.

Federal Update

The effort to create a National Housing Trust Fund is finally coming to a head!

The U.S. Senate Banking, Housing, and Urban Affairs Committee will take up a major housing bill this week, or next, to address the foreclosure crisis. The bill is expected to include the Senate's version of regulatory reform of Fannie Mae and Freddie Mac, including the creation of an Affordable Housing Fund. This fund will be the first source of dedicated funding for the National Housing Trust Fund.

HOWEVER, as of yet, there is no commitment to take up S. 2523 (the Kerry-Snowe National Affordable Housing Trust Fund Act of 2007) as part of this major housing bill. The Kerry-Snowe bill lays out the principles and structure for a National Housing Trust Fund. Unless the Kerry-Snowe bill is included, there is no assurance that 100% of the funds will go to housing, and no

assurance that any of the funds will be targeted to extremely low income people. Minnesota's Senators have yet to take a vocal position this legislation. Click here for more information and to take action.

Foreclosure Legislation Moves in House This Week

This week, the U.S. House of Representatives is considering H.R. 5818, the Neighborhood Stabilization Act of 2008. The legislation establishes a \$15 billion loan and grant program for the purchase and rehabilitation of owner-vacated, foreclosed homes. You can get updates on this legislation on the Library of Congress' Web site.

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 or 651-649-1710 ext. 117.

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