



MHP Capitol Update

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State Update

2008 Session Summary: “It’s the Economy, Stupid!”

While the 2007 session started with a sizable surplus, 2008 opened with an almost \$1 billion deficit, an ill omen for organizations that advocate on behalf of low-income families. Between June 2007 and February 2008 Minnesota went from having a purported \$2 billion surplus to having an almost \$1 billion deficit. Due to the rapidly eroding economy fed by the implosion of the housing market and ancillary industries, most advocacy groups found themselves in a defensive posture in 2008. Despite increased competition for resources, housing advocates had a relatively successful year.

Please visit MHP’s [state advocacy Web page](#) for details on individual bills, issue campaigns, and 2008 housing accomplishments.

MHP’s 2008 Legislative Priorities

Preserve multi-family affordable rental by expanding the 4d property tax classification to include properties having below 75% affordable units, and properties that receive local government financing (without state or federal funding).

Previously, many affordable housing properties were not eligible for participation in Minnesota’s Low Income Rental Classification (LIRC) 4d tax rate because they are solely funded by local agencies, or fewer than 75 percent of their units are rent-restricted. The 4d modification passed this year preserves about 9,700 publicly-assisted affordable units thru property tax relief. This represents \$6 million in annual tax savings that would help struggling properties regain economic viability and preserve Minnesota’s affordable housing.

Outcome: We’re proud to say that after many years of working on property tax relief for affordable property owners, the 4d modification was signed into law this spring! After last year’s tax bill veto, the Legislature presented the governor with a simplified, mainly-policy tax proposal early in session. Through a coordinated and sustained campaign, MHP, with the help of Metropolitan Consortium of Community Developers (MCCD), and other housing advocates ensured that 4d, one of the few items in the tax package that cost any money, was included in the first omnibus tax bill of session.

Similar to last year, in 2008 there was wide-ranging support for the 4d modification with one exception. Rep. Hilstrom introduced a bill to eliminate the affordable housing tax rate

all together, but the proposal failed to get traction. Hilstrom was, however, successful in helping pass a new “crime free” multifamily pilot program for Brooklyn Center. The pilot requires qualifying 4d properties in Brooklyn Center to participate in program or lose the tax classification. A 4d properties in Brooklyn Center can lose its tax status if, over a two year period, it has 25 percent more police calls than other 4d properties in the community.

Preserve owner-occupied homes facing foreclosure and protect the rights of tenants in investor-owned foreclosed property by increasing funding for counseling, providing capital to restore vacant properties, and modifying the state’s foreclosure statutes.

Outcome: It’s no surprise that the topic of foreclosures made its way onto our priority list this year. What is surprising is that, in a short session that started with strife between the Legislature and the governor, punctuated by the override of the governor’s veto of the transportation bill, over a dozen foreclosure proposals were passed in 2008.

Much of the foreclosure legislation was the culmination of the work of five bipartisan, multi-sector legislative work groups convened by Rep. Joe Mullery. The result was a slate of consensus solutions, ranging from mandatory data collection practices to tenant protections. One of the successful, MHP-led initiatives provides greater consumer protections to manufactured home purchasers.

There were also numerous foreclosure proposals that were not a consequence of the workgroups. One such initiative that did pass will establish a taskforce to consider the use of nonprofit revenue bonds to address vacant properties due to foreclosure. Another initiative, the Subprime Borrower Relief Act championed by Representative Jim Davnie and Senator Ellen Anderson, would have deferred foreclosure for homeowners who were subject to certain subprime loans and whose lenders refuse to negotiate during counseling. Unfortunately, this latter bill was vetoed by the governor.

Preserve Minnesota’s aging public housing by providing increased funding for operations and capital and opening up the PARIF (Preservation Affordable Rental Investment Fund) program to public housing. New MHP research indicates that over 35,000 individuals live in approximately 20,000 units of public housing across the state. Of these households, 64.6 percent include an elderly and/or disabled resident and the average income is \$12,200, making public housing a critical component of Minnesota affordable housing stock.

Outcome: In the waning weeks of the 2007 legislative session, a \$20 million capital bonding request was introduced to help rehabilitate the public housing that resides in over 200 communities across Minnesota. This initiative was supported by NAHRO. Ultimately, this request made no progress in 2008 because Minnesota Housing expressed concerns about the proposal and the bill authors thought it might be more successful in 2010.

Preserve manufactured housing by improving opportunities for financing homes, providing capital for park improvements, and enhancing the purchase rights of residents in the case of a manufactured home park sale. Manufactured housing is an affordable ownership option for over 60,000 households in Minnesota, representing nearly 5 percent of all owner-occupied housing units in the state. Despite its contribution as a substantial source of affordable, unsubsidized homeownership, manufactured homes struggle for recognition as a stable form of housing. Owners of manufactured housing have limited financing options and consumer protections compared to traditional site-built homeowners.

Outcome: A handful of victories were won for manufactured home owners in 2008, including two different tax breaks and a change in the property tax assessment period for manufactured homes. As mentioned earlier, MHP and other advocates hit a homerun by beefing up the consumer rights of manufactured home purchasers. Legislation signed by the governor this spring extends the time of reinstatement from 30 to 60 days after a manufactured homeowner defaults on their home loan. The new law also provides protections against egregious lending practices such as negative amortizations, requires verification of ability to pay, and extends foreclosure counseling to owners of manufactured homes. Unfortunately, no advances were made this year in the right of first refusal or the relocation-fund campaigns.

Support increased state bonding for supportive housing. This year, the state needed \$30 million in bonding to fulfill its last capital financing commitment for the plan to end long term homelessness. The request will help create over 250 units for people who have been living on the streets and cycling through expensive emergency systems for extended periods of time.

Outcome: A \$30 million supportive housing bonding bill was introduced the last week of the 2007 session. This early bill introduction allowed the House and Senate Capital Investment committees to get a first hand look at supportive housing projects across the state during the interim. "It...really woke people up to the need for supportive housing in Greater Minnesota—great presentation, good materials, and knowledgeable staff. We wanted to stay longer," said a key legislator regarding a visit to a supportive housing project in St. Cloud. Although the governor ruffled feathers with many of his line item vetoes, housing proposals in the bonding bill remained untouched. Minnesota Housing's \$30 million bonding proposal and an additional \$1 million advocate bonding proposal for emergency shelters, temporary transitional housing and for publicly owned permanent rental housing were signed into law in early April.

Notably, the state's bonding request included a rather technical statute change that allows Minnesota Housing to sell bonds which will be repaid with the state's general fund dollars. Thus, the state can support projects that aren't owned by a public entity, and nonprofit or for-profit developers can own bonded projects directly. With the agency's successful history of raising capital for projects through the sale of bonds, this change has great potential for creating more affordable housing in Minnesota.

Support the sales tax exemption on materials purchased by limited partnerships with nonprofit general partners. This will assist in the development of approximately 250 units of new affordable housing per year starting June 30, 2009.

Outcome: This was another multi-year advocacy victory. Even though this proposal garnered enough support to make its way into the vetoed 2007 tax bill, prospects for the exemption in early 2008 seemed dim. The giant swing from "surplus" to deficit did not bode well for any spending increases, including tax expenditures like this one.

The passage of 4d proposal gave advocates momentum and a little more time to work on other issues. When both the House and Senate unveiled their second tax bills at the end of March, neither contained the exemption.

By pitching the proposal as a "technical change" directly to the Chair of the House Tax Committee during the last hours of tax-bill-two negotiations, MHP's never-say-die lobbying team worked the exemption into the legislation. Then, shortly before the tax conference committee adjourned, Rep. Davnie introduced an amendment making the language more inclusive. The rest is history.

Support a state donor tax credit to match private contributions used to create affordable housing.

Outcome: Unfortunately, there was little support for tax credits in the House and this legislation didn't even make it out of the starting gate, despite exploration of new uses for this credit such as foreclosure mitigation. Like last year, the lack of support is partly due to leadership's contention that this would be a significant budget item, not a selling point during a deficit year, and a philosophical dislike for the overall policy approach of providing businesses tax credits.

Support dedicated revenue sources for affordable housing.

Outcome: Advocates continued their efforts to pass the Housing Solutions Act. Knowing that it will take a few tries to secure its passage, they chose to spend most of their time reaching out to new supporters, including realtors, developers, low-income tenants, and service providers. Advocates also worked closely with the chair of the Senate Tax Committee around the merits of establishing a dedicated funding stream for affordable housing.

In addition to reaching out, many advocates used the Housing Solutions Act as a vehicle to persuade lawmakers to maintain most of Minnesota Housing's 2007 appropriation gains. Only \$200,000 was taken from the agency's \$114 million budget. This is no small feat given that all other state agencies suffered more significant cuts.

A Thank You is Worth 1000 Emails!

We've said this many times before, but can't be stressed enough: thank yous are extremely effective advocacy tools. Please take some time over the next week or so to send the governor, your state senator, and your state representative a thank you for the important housing legislation that was passed this year. You can find a sample thank you on MHP's Web site.

<http://mhponline.e-actionmax.com/showalert.asp?aaid=3318>

Many thanks to everyone that helped with MHP advocacy this year, especially Representative Joe Mullery and Senator Mee Moua for keeping the 4d issue alive and Representative Ann Lenczewski and Representative Jim Davnie for making the sales tax exemption change happen.

Looking Forward

In order to have another successful session in 2009, we'll need to work diligently over the break. This is mainly due to the fact that because much of the "rainy day fund" was spent this session to fill budget gaps. This means that the source of the deficits still remain and will plague us next session. Most analysts agree that 2009 will be faced with a deficit of around \$2 billion leading to significant competition for resources at the Capitol. MHP is already looking for ways to pull together key housing allies to strategize for the brutal appropriations fight we expect to see in 2009. We highly recommend that other housing organizations do the same. Here are a few areas that we anticipate will need attention next year.

- **Minnesota Housing's budget:** In 2007, the Legislature approved the largest affordable housing appropriation in almost a decade. Even though the funding provided to the agency by the Legislature account for only one quarter of one percent of the state budget, in 2008 advocates spent a significant amount of time protecting this funding as lawmakers were looking under every little pebble for money to fill the deficit. We can expect this mad dash for money to amplify in 2009 with a deficit over twice the size of 2008's, but with no reserves to raid.
- **Addressing vacant, foreclosed properties:** Significant progress was made in the front end of the foreclosure process this year. New laws will provide increased protection for consumers, help counsel families faced with the ugly prospect of foreclosure, and mandate the tracking mechanisms needed to target the foreclosure problem. Unfortunately, vacant, foreclosed homes, which represent the other end of the equation,

were left unaddressed. This is mainly due to the fact that advocates were slow to produce a comprehensive solution to this problem and legislators' lack of enthusiasm for spending money in a deficit, non-budget year. To be sure, a large infusion of funding will be needed to adequately address vacant, foreclosed properties, which will likely plague us for many years to come.

- **Public housing capital funds:** Minnesota's public housing stock is conservatively valued at \$2 billion. It is also aging (much of it is over 3 decades old) and requires large capital improvements to continue to operate. Every year that these investments are neglected, we lose dozens of affordable homes to sale or demolition. If Minnesota wants to maintain its status as one of the most well-housed states, it cannot wait for the federal government to fill the capital funding gap. The state must find ways to help these properties now.
- **Manufactured homes:** Manufactured homes represent one of the largest sources of unsubsidized, yet affordably priced, housing for Minnesotans. Yet, manufactured home owners do not enjoy the same rights as site-built home owners. MHP will be releasing research on this shortly. The research will be followed up with a variety of policy recommendations.
- **New, dedicated, revenue sources for housing:** The fact that the Housing Solutions Act did not make headway this year does not in any way, shape, or form mean that we no longer need dedicated, reliable funding for housing. This will continue to be an important topic, especially as we experience tough economic times.

Federal Update

ACTION ALERT UPDATE: National Housing Trust Fund Passes Senate [excerpts from the National Low Income Housing Coalition]

Thanks to your help, a broad government sponsored enterprises / foreclosure prevention bill was passed by the Senate last week. This bill included a Housing Trust Fund that would produce and preserve housing for extremely low and very low income households. If the Housing Trust Fund becomes law, it will be one of the most significant and important pieces of affordable housing legislation to pass in decades.

Due to complex congressional procedures, the entire bill must be treated as three separate parts. One of those parts is a modified version of Senator Dodd's GSE/FHA reform bill that includes the housing trust fund. It passed overwhelmingly by 79 to 16 on June 25. The other two parts still need to be passed, which is expected to take several days during the week of July 7.

The White House issued a veto warning, objecting to the bill's inclusion of \$3.9 billion in funding for states and localities to buy abandoned, foreclosed properties to rehab and sell or rent. Notably, the bill requires that 25 percent of the money target households with incomes below 50 percent of the area median income. This fund may be the target of an amendment. NLIHC opposes any amendments that might be introduced to eliminate this fund or to weaken the income targeting.

Once the full bill passes the Senate, it will be sent back to the House. Because of remaining differences between the Senate and the House versions, a conference committee will be required to iron them out before final passage of a bill to go to the President.

What You Should Do

Stay tuned for developments as they emerge. Also, please thank your senators who voted to support the Housing Trust Fund, and urge them to keep doing so. [Click here](#) to see how your senators voted on June 25.

You may use this toll free number, 1-877-210-5351, for the congressional switchboard and ask to be connected to the housing staffers in your senators' offices. You can also click on the blue "Take Action" link above to enter your zip code and find the names and numbers of your senators.

For background information on the current situation surrounding the bill and for general information on the National Housing Trust Fund Campaign, go to www.nhtf.org.

Thank you for your time and support.

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.

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.