



MHP Capitol Update

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State Update

- [MHP's 2008 Legislative Priorities](#)
- [2008 Session Prep Gains Momentum](#)
- [Deficit Reality Check: It's Only 1 Percent](#)

Federal Update

- [HUD Budget Action Needed!](#)
- [Advocates Create National Housing Trust Fund Senate Strategy](#)

Organization Opportunities and Tips

- [Anoka County Affordable Housing Coalition Starts 2008 Session Organizing with Success](#)

State Update

MHP's 2008 Legislative Priorities

Last week, Minnesota Housing Partnership board of directors approved MHP's 2008 state legislative priorities. Over the next few weeks, MHP will be working with its partners to hone specific action and legislation around these priority areas. We will also be releasing research reports early in 2008 on both manufactured homes and public housing which will help guide MHP's legislative initiatives. The **Capitol Update** will keep you up-to-date as things develop. MHP's 2008 legislative priorities are as follows.

Preserving Affordable Housing

- 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). 430 properties would be impacted by the proposed modifications to the 4d classification with a preponderance located in Greater Minnesota (79 properties in the Twin Cities Metro and 351 in Greater Minnesota).
- 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 blighted properties, and modifying the state's foreclosure statutes. During 2007, the number of homes entering foreclosure reached its highest point in 28 years, and this trend is expected to continue for the next 36 months as existing variable rate mortgages reset.
- Preserve manufactured homes 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 represents nearly 50,000 unsubsidized affordable units located in 915 parks across the state. It is estimated that over 180,000 Minnesotans live in manufactured housing comprised primarily of low- and very low-income households.
- Preserve public housing by providing increased funding for operations and capital and opening up the PARIF (Preservation Affordable Rental Investment Fund) program to public

housing. Research indicates that over 35,000 individuals live in approximately 20,000 units of public housing across the state. 64.6% of public housing households in Minnesota have an elderly and/or disabled resident. The mean (average) household income for all public housing households in Minnesota is \$12,200.

Creating Affordable Housing

- Support increased state bonding for supportive housing. In 2003, the state of Minnesota created a Business Plan to End Long-Term Homelessness. The plan's centerpiece is the development of 4,000 supportive housing opportunities by 2010, with a portion of the funding provided by the sale of general obligation (GO) bonds. To meet the plan's funding goals, Minnesota Housing has requested that the Legislature issue \$30 million in GO bonds to create supportive housing.
- Support the sales tax exemption on materials purchased by limited partnerships with nonprofit general partners. This sales tax expansion will save Minnesota nonprofit housing developers approximately \$700,000 per year. This bill was successfully included in the Omnibus Tax Bill in 2007, and MHP plans to build on this success during the 2008 legislative session.
- Support new revenue sources for affordable housing. Based on 2006 American Community Survey data, there are in over 200,000 households in Minnesota paying over one-half their income for housing. Public funding is the most important resource for addressing the lack of affordable housing. A 2006 MHP study calculated that the state needs an additional \$568 million per year over the amounts committed for housing in the period from 2000-2005 to meet the most severe housing needs in the state.
- Support a state donor tax credit to match private contributions used to create affordable housing.

2008 Session Prep Gains Momentum

The second year of the biennium, usually when most of the state's bonding is created, is often referred to as the "short session" or the "bonding session." Over the past few years, the pace of the short session has been increasingly hectic and more stressful than in the past. This year we expect to sprint from the opening bell. Add to the crazy-mix a budget shortfall, last session's failure to produce a tax bill, and continued rocky relations between legislative leadership and the administration and we have a perfect legislative storm again this year.

Even though Minnesota's 2008 legislative session doesn't start until February 12, January will be a very busy month. Legislators and lobbyists alike will be busy with pre-session hearings focusing on reports from agencies, recommendations from various task forces, and legislation that will be moved during session. Although no official action can be taken on a bill prior to session, pre-session hearings provide legislators and advocates the time to talk through issues, a luxury they don't have during session.

MHP has already requested a hearing in the House and Senate Tax Committees on the Revenue Department's "Assessment and Classification Practices Report: Class 4d low-income rental housing." This report not only demonstrates Revenue's support for MHP's proposed 4d modifications, but it also lays the groundwork for future discussions on other property tax relief initiatives for affordable property owners. At a recent meeting, the chair of the house tax committee and the revenue commissioner discussed introducing a policy-only, revenue neutral tax bill early in session. MHP is following this proposal very closely in order to include its 4d modifications if the bill is introduced. MHP is also aiming

to have hearings on its new manufactured home and public housing reports in late January or early February.

Deficit Reality Check: It's Only 1 Percent

Based on the November financial forecast, state economists are not predicting a recession. Instead they believe that we will have one or two quarters of slow or no growth before a slow and steady rise. The next budget forecast is at the end of February. The February forecast will help the governor and the legislature set supplemental budgets.

The November forecast is predicated on a weaker US economic outlook driven by high oil prices, a continuing slide in the housing sector, and a tight credit market. The truly troubling aspect of this forecast is that the numbers for job creation in the state are down, leaving government leaders stumped.

To read about the budget deficit in the press, one would think the sky is falling. The state's biennial budget, which began on July 1, is \$34.5 billion. When put in a multi-billion-dollar perspective, a \$373 million deficit is not a big deal. We expect to see a plan put forth that manages this budget without causing undue harm to the general fund budget. The state has a budget reserve of \$653 million and an additional cash flow account of \$350 million. These amounts cover about three months of state expenses. Additionally, there is a \$33 million reserve for case management in the Department of Human Services.

In the [last Update](#) we talked about the capital budget and that there are \$4 billion of bonding requests, but only \$1 billion of funding capacity. That now changes with the revenue forecast. The state holds indebtedness to 3 percent of general fund revenues, so when revenues drop, the ability to finance debt drops. Therefore, prior to the November forecast, policy makers were expecting to authorize up to \$1.2 billion in a bonding bill. That amount is now decreased to roughly \$960 million. This is the last year of bonding requests for the state's plan to end long-term homelessness, for which Minnesota Housing has made a \$30 million request. While the competition for bond funds is always highly competitive, it became more so with the state's reduction in bonding authority.

Federal Update

HUD Budget Action Needed!

Since early this fall, Congress has been struggling to produce spending bills that the president will sign. To address significant funding shortfalls, including a \$1.2 billion funding deficit for FY2007 project-based Section 8 contracts, both the House and Senate proposed modest increases for HUD's budget. President Bush, with the support of many Republican lawmakers, has vowed to veto any spending increases above the levels proposed in his budget, which significantly cuts funding for HUD. Congress and the administration were unable to come to consensus and Congress was unable to secure veto-proof spending bills by the beginning of FY2008, which started on October 1. Meanwhile, programs covered under the 11 unfinished spending bills, including HUD, have been funded with a continuing resolution which allocates funding based on last year's spending levels.

On November 14, the House passed the Transportation, Housing and Urban Development and Related Agencies (THUD) FY08 conference agreement. A form of the conference agreement, which was the compromise between the individual House and Senate THUD appropriations bills, is part of an omnibus spending bill that went to the House floor on December 11. The Senate is expected to take up the bill later this week.

This omnibus spending bill includes all 11 unfinished FY08 spending bills, including the THUD bill. The bill also represents compromises made by congressional leadership to reduce spending by \$10.6 billion, splitting the difference between the amounts originally approved in the 11 appropriation bills and the President's initial budget request. The Democratic leadership is proposing these reductions to attract Republican support to overcome the President's threatened veto.

While the exact nature of the proposed cuts is not known at this time, and may not be available until shortly before consideration by the House, the funding levels for HUD will be close to those provided in the THUD conference agreement and exceed those requested by the President.

It is essential that the omnibus bill pass the House with a veto proof majority. If this majority is not achieved, then HUD programs and other important social services programs could be subject to extensive cuts. The President's FY08 HUD budget request was lower than the amounts currently available to HUD. Reducing FY08 spending to the levels proposed in the President's budget would have devastating results for housing programs. Please call Minnesota's Senators and your Congressperson now and urge them to support the omnibus spending bill. Click [here](#) and enter your zip code under "Contact Congress" to find out who represents you. [Article from National Low Income Housing Coalition]

Advocates Create National Housing Trust Fund Senate Strategy

Thanks to Minnesota Representatives Walz, Ramstad, McCollum, Ellison, Peterson and Oberstar for co-sponsoring the National Housing Trust Fund (NHTF) in the House. Since the legislation was passed in the House, advocates are now implementing a NHTF Senate strategy, which includes attracting bipartisan authors, like Minnesota's very own Sen. Norm Coleman. At the end of November, the Minnesota Federal Housing Action Coalition and over 70 organizations in Minnesota drafted a letter to Senator Coleman asking him to consider co-sponsoring the Trust Fund legislation. Advocates expect the NHTF bill to be introduced in the Senate sometime this month. This bill is important for all housing advocates as it establishes a national housing trust fund with dedicated sources of funding for the production, preservation, and rehabilitation of 1.5 million affordable homes over the next 10 years. If passed, the Trust Fund would be one of the most significant federal housing bills passed in decades.

Organization Opportunities and Tips

Anoka County Affordable Housing Coalition Starts 2008 Session Organizing with Success

The Anoka County Affordable Housing Coalition started its 2008 session organizing last week when it hosted six Minnesota legislators at its meeting on December 4. The coalition used the meeting to introduce their representatives to their constituent's interests and vice versa. The no-pressure atmosphere provided all participants the opportunities to get to know each other before the chaos of session when legislators have the time and energy to really talk about issues. Many thanks to everyone who braved the snowiest day (yet) of December to participate, including Rep. Jim Abeler, Rep. Denise Dittrich, Sen. Leo Foley, Rep. Paul Gardner, Rep. Carolyn Laine, and Rep. Kathy Tingelstad. Please contact [Barb Jacobs](#) at MHP if you would like assistance coordinating a similar meeting in your area.

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.