



MHP Capitol Update

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State Update

Minnesota Braces for Budget Cuts

The state is facing a small budget shortfall this year of about \$380 million, roughly 1 percent of the overall budget. Next biennium, the state is facing a significantly larger deficit, prompting legislators and staff to review budget-balancing options including budget cuts. Advocates need to be ready to defend affordable housing and homelessness programs in the event that the funding for these programs is cut.

Housing advocates' worked hard last year helped increase funding for Minnesota Housing by over 60 percent. This includes a 25 percent increase in the "base budget," a funding commitment that will be included in all future budgets, unless the program receives cuts. The other increases were "one time" money (funding that is not committed to future budgets), making this budget a good target for cuts.

MHFA also received a \$16 million infusion to provide flood relief in Southeastern Minnesota. As the agency operates on a grant cycle that extends over a two year period, a significant amount of those funds have not been committed yet. In other words, that money has a bull's-eye on it, too.

It may seem counter intuitive for policy makers to be talking about cuts in housing support while we are in the midst of a foreclosure and housing crisis. However, not everyone engaged in the budget game at the Capitol understands those issues, or are supportive of affordable housing efforts.

To maintain funding levels, advocates need to beat everyone else to the punch and engage legislators in a discussion about allocating additional resources for housing. As they say on the gridiron, "the best defense is a good offense." To help with this effort, MHP will be convening a work group to address this year's budget situation. If you are interested in participating, or would like more information, please contact Julie Johnson at jjohnson@mhponline.org.

Supportive Housing Bonding Gets Twist

Yesterday, the governor released his bonding recommendations supporting an agency request of \$30 million for the plan to end long-term homelessness. As expected, the proposal calls for Minnesota Housing to sell \$30 million of 501C3 bonds with the debt being paid by the state's general fund. The general fund debt repayment will be included in the supplemental budget released next month.

In the past, the agency requests bonds that the state issues and services. The "old" approach requires that all capital projects are publicly owned, a challenge for many nonprofit developers that create supportive housing. When Minnesota Housing sells its own bonds the public ownership requirement does not apply. This "new" approach simplifies the development process, cuts overhead fees, and is similar to the bonding approach taken for the Gophers Stadium.

This proposal should be well received by legislators. Even though there is considerable competition for bonding dollars this year—one available dollar for every four dollar in requests--the agency's bonding proposal operates independently of the general obligation (GO) bonding race. This frees the agency from the competition as well as debt limits pertaining to GO bonds. The downside to the "new" approach is that lawmakers may have to deal with procedural hurdles. However, if it works, this approach could pave the way for the use of bonding resources in a wide variety of affordable housing projects.

The only other complication at this time relates to the legislative process it must follow. We're not sure if it will follow the bonding route, the appropriation route, or both. Stay tuned and be ready to chime in with support.

Property Tax Relief for Affordable Housing is Well Positioned

Given the political and budgetary climate, MHP will be pursuing property tax relief for affordable housing property owners early in session. The Low Income Rental Classification (LIRC, also known as 4d) proposal is positioned very well right now. It has small fiscal implications for the state as well as wide-ranging support demonstrated by last year's success (it was included in last year's final tax bill that was vetoed for reasons unrelated to 4d). In addition, the Department of Revenue and Minnesota Housing support the changes as well.

The proposed modifications extend the classification eligibility to include properties where at least 20 percent of units are rent-restricted (the current threshold is 75 percent). The changes would also extend eligibility to affordable projects that are funded solely by local governments. If ratified, the modification would extend the reduced property tax class rate to over 9,000 additional affordable units across the state.

The 4d modifications are a priority issue this session. We expect it to be included in this year's tax bill again, but as was proven last session, nothing is a given. Please contact Julie at jjohnson@mhponline.org if you would like to engage in this effort.

Housing Crisis Drags Down Economy and State Revenue

Housing supporters are well aware of the impacts of the foreclosure crisis on people and communities across the state. The most recent foreclosure-fallout includes the downward dive of the state's economy which, in turn, feed the deficit projections.

Over the last few weeks, MHP has talked with a wide variety of folks who study the state's economy. It has become evident that the housing bubble burst is a significant contributor to the downturn in state

revenues. While there have been some blips in the med-tech area, most parts of the economy seem to be operating about normal. Even, fragile economies, like the Iron Range and farming, are doing very well. The majority of the problem lies in housing-related fields.

The housing market downturn and foreclosure situation has had a significant impact on related industries like construction, building supplies, and home furnishings. Minnesota has a large wood products industry which feeds those ancillary housing industries. This characteristic, coupled with the aforementioned industries slowdown, make Minnesota's current economy vulnerable to loss. Minnesota's revenue watchers already note significant declines in these areas.

At the federal level there are calls to try to stimulate the economy, but it is unlikely the response will be aimed at these industries. State efforts to address the foreclosure crisis are directed at foreclosure prevention, counseling, and consumer protection.

It's obvious that a significant infusion of dollars will be needed if we are to make any inroads in this area. Projected budget shortfalls make new and big requests for public dollars a dicey issue, but a number of legislators appear ready to at least consider it.

Bytes and Bits

Saying Thanks

A recent breakfast meeting with a strong housing supporter led to a conversation about "just saying thanks." It was noted that, at a couple of open houses and groundbreakings, often, legislators were not recognized for their assistance in securing money for affordable housing. It wasn't sour grapes, just a desire to be recognized for hard work. "The money just doesn't arrive out of nowhere – you know how hard we have to work to get it. There are a lot more popular and splashy issues around the Capitol that we have to compete with," the support explained.

A Visit Worth a Thousand Words

"It was the best stop on our tour and 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." —Feedback from a key legislator on the impact of a visit to a supportive housing project in St. Cloud.

Federal Update

HUD FY2008 Appropriations Dramatically Under-funds Project-Based Section 8 Program (Again)

Shortly before Christmas, after a months-long standoff between Congress and the administration, President Bush signed the \$555 billion appropriation bill containing HUD's 2008 funding allocations. Although some HUD programs received modest increases, the project-based Section 8 program appropriation was \$1.9 billion short of what is necessary to meet the program's contractual obligations with participating landlords. The deficit accounts for almost a quarter of the program's annual \$8.1 billion in obligations.

FY 2008 is the second consecutive year that the administration has not requested enough funding to meet all project-based Section 8 contracts. In 2007, to keep the program running, HUD resorted to emergency stop-gap measures such as transferring funds from other accounts and asking property owners to sign short-term (3- or 4- month) contracts.

Faced with another year of unpredictable payments from HUD, property owners are increasingly likely to opt out of the program rather than gamble the solvency of their properties. Such action could lead to displacement of low-income tenants. In Minnesota, initial estimates suggest that almost 7,000 households are made more vulnerable due to HUD's inability to fund full renewals of Section 8 contracts.

In response to these serious concerns, advocates are urging Senator Coleman and Senator Klobuchar as well as congressional leadership to approve \$1.9 billion in emergency supplemental appropriations. In addition, advocates are asking lawmakers to provide enhanced vouchers to protect tenants who lose their homes if HUD terminates these contracts due to lack of payment.

In Minnesota, we are aware of an owner who has recently proposed exiting three of his project-based Section 8 contracts, affecting low-income renters in several rural areas. The owner's justification for opting-out of his contracts: The HUD funding shortfall and ensuing bureaucratic mess. This funding crisis is already causing damage in Minnesota—action is needed promptly in order to further avoid more owners proposing to exit their project-based Section 8 contracts due to the lack of a full funding commitment from HUD.

Organization Opportunities and Tips

[Letter to the Editor Advice from Scott Gillespie](#)

Few advocacy tactics are as effective as a well-timed letter to the editor. Recently, advocates of all types have been capitalizing on advances in email tools have made it incredibly easy to submit huge volumes of letters to any given paper. However, as Star Tribune editorial page editor Scott Gillespie opined in December, this may not be to our (advocates') benefit. Editors can smell a canned LTE from miles away. Though not mentioned in the article, this wise advice extends to contacting legislators as well: canned phone, email, or letter-writing campaigns are not only ineffective, but they've been known to backfire (Last year we saw one group of advocates turn legislators OFF to their issue when they swamped lawmakers' email boxes with hundreds of the exact same message). So what is the most effective letter-writing campaign approach? Utilize authentic voices.

"Know 'em before you need 'em!": Housing Tours

Over the past few months, the Corporation for Supportive Housing (CSH) has taken the above idiom to heart and engaged a number of legislators in discussion. Last summer, they determined to take a more proactive approach to obtaining support for a \$30 million bonding request for supportive housing projects.

CSH extended invitations to a number of legislators to visit and speak at their Supportive Housing Institute. In attendance at the October session in Central Minnesota were a number of legislators from both sides of the aisle, including a few who have never expressed an interest in supportive housing. A Finance Committee chair and the ranking member from a housing and bonding committee attended a Twin Cities Metro session.

CSH's hard work really paid off in November when two legislators from Central Minnesota successfully pitched the idea of touring a supportive housing project in St. Cloud to the chair of the Housing Capital Investment Committee. Even though the property they toured was not funded with state bond dollars, the legislators got an up-close and in-person look at how supportive housing works. The tour also provided an opportunity to point out the significant need for supportive housing in Greater Minnesota.

CSH has discovered over the last few years that many legislators view homelessness as an urban issue and this trip allowed them to address that fallacy head on.

Important Dates

January 24

[Capitol Lab](#), 1:30 - 4 p.m. at the Minnesota State Capitol, Room 318. Join the Minnesota Council of Nonprofits as they tour the Capitol and share their insider knowledge about where to find resources and how to find your way around. This event is free, but registration is required.

January 29

[Stormy Weather Ahead? A budget briefing with State Economist Tom Stinson](#), 2 - 3 p.m. at the Minnesota Humanities Center, 987 Ivy Ave East, St. Paul. The state's November Economic Forecast revealed a budget deficit for the current budget cycle. To help explore the forecast and what it means for the 2008 Legislative Session, the [Minnesota Budget Project](#), an initiative of the Minnesota Council of Nonprofits, is hosting a free briefing with State Economist Tom Stinson.

January 31

2008 Housing Policy Showcase, 9:00 a.m. to 11:30 a.m., location TBA. Join us for a 2008 Session Preview: Policy Showcase for Affordable Housing Supporters and Advocates. Highlights include legislative perspectives on what to expect in 2008; affordable housing leaders' policy agendas and priorities; report on Minnesota housing trends; and coffee and bakery bar. Registration opens tomorrow: for registration details and location, please visit www.mhponline.org. Space is limited, so RSVP soon!

February 1

Conference Call with Congressman Walz's Office, 9:00 a.m. to 10:00 a.m.

Join the Minnesota Federal Housing Action Coalition (HOME Line, Housing Preservation Project, Metropolitan Consortium of Community Developers, Minnesota Housing Partnership, Minnesota Tenants Alliance) for a conference call with Congressman Colin Peterson's new staffer, Brian Kessler. The briefing will help educate Congressman Peterson's office on the federal housing issues and policies that affect Minnesota. The call offers constituents that live and work in Congressman Peterson's district (CD 1) to share these concerns directly with their representative. Feel free to join the call at one of four call sites located in Bemidji, Fergus Falls, Moorhead, and Willmar. For more information, please contact Linda Harris at 612-728-5770 x 106. RSVPs are requested by January 28, 2008.

February 24-26

[NLIHC Annual Policy Conference and Lobby Day](#), Capital Hilton, 1001 16th St., NW, Washington, DC. Complete details, including hotel and registration information as well as a conference brochure with workshop topics and conference events, are now available on NLIHC's website: www.nlihc.org/conference.

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.