



MHP Capitol Update

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State Update

House Tax Bill Includes 4d Modifications

The House released its initial tax bill this week which included the Low Income Rental Classification (a.k.a. 4d), demonstration that the hard work advocates put into advancing the proposal paid off. The modifications lower the credit-qualifying threshold from 75 percent to 20 percent of units in a property that must be affordable. Projects solely funded by local government were also added as qualifying properties.

These changes represent \$6.8 million in property tax relief. The 4d modification lowers property taxes by 40 percent for approximately 9,700 units of affordable housing state wide. The majority of units (7,000) that benefit from this proposal are located in Greater Minnesota. We expect the Senate to include the 4d modifications as well.

Also included in the House's tax bill is a controversial utility class rate that was opposed by the administration last year. This provision threatens to derail the entire bill, as the original intent of the first tax bill of 2008 was to be non-controversial, low- or no-cost legislation with pre-agreed upon contents. Hopefully, the utility provision is stricken before the bill goes to the governor—if it isn't, we may find ourselves where we were at the end of last session: with a bill vetoed for reasons unrelated to our proposal.

There were a few other minor items in tax bill that will benefit affordable housing development. First, the Minneapolis housing replacement tax increment finance (TIF) district was increased by 200-400 parcels. Second, the Hennepin and Ramsey County deed and mortgage tax, which expired 12/31/07, was extended to 2013. The legislation was also extended to include St. Louis and Dakota Counties. The proceeds from this tax fund brownfield clean ups.

Bonding Bills Take Shape This Week

It will be another mad week at the Capitol as legislators, lobbyists, and advocates all try to get a piece of the bonding pie. Bonding requests compared to available funding are running 4-to-1 and the pie will probably shrink by \$10 to \$20 million at the end of the week when the budget forecast is released. The governor's inclusion of about \$400 million for roads, bridges, and transit projects and the inevitable showdown over the transportation finance bill will also impact the final bonding allocations. Alone, the Central Corridor LRT line is requesting \$160 million in bonding—this amount is roughly 15 percent of all 2008's available general obligation bonding funds.

The good news is, last week, the Housing Committee in the House recommended over \$32 million of general obligation (GO) bonds for housing projects. The committee also voiced strong support for Minnesota Housing's request to establish 501(c)(3) revenue bonds that would be repaid by on-going general fund appropriations. Notably, the agency's proposal does not have the public ownership of property requirement that general obligation bonds hold. The

administration will provide the first \$2.4 million in annual debt service for its 501(c)(3) proposal in its supplemental budget bill.

The committee's GO bonding recommendations include \$20 million for public housing, \$10 million for transitional and supportive housing and homeless shelters, and \$2.5 million for the Heading Home Hennepin campaign to develop homeless service centers.

We expect the 501(c)(3) provision to be included in the House bonding bill. We are less confident that the other provisions will be included in the House bonding bill, as competition for bonding dollars is incredibly intense this year. If you have an interest in any of these proposals, now is the time to tell your legislators!

Foreclosure Bills Move in Senate, But Not In House

So far, no fewer than eleven bills resulting from the five legislative work groups on foreclosure have been introduced in the Senate. Many of the Senate foreclosure bills have already passed their first committees. Although it is expected that similar measure will be taken in the House, no bills addressing foreclosure have been introduced to date, with the exception of Rep. Clark's land trust legislation. [Click here to go to MHP's bill tracker and review foreclosure legislation.](#)

Doom and Gloom Budget Forecast

The Finance Department will release its latest budget forecast this week and things aren't lookin' good. Many expect that the current biennial budget will come up *at least* \$700 million short, a deficit double the size of what was projected in November. Although the long term deficit projection is a crap shoot, some expect that the next forecast in 8 months will send agencies scrambling again to balance their budgets. We noted in previous **Updates** that the administration has directed agencies to prepare 3 percent cuts across the board. Fiscal committee chairs in the House and Senate are also getting budget cut targets. So far Minnesota Housing has dodged the budget-bullet, but that could change quickly this week.

Governor's Supplemental Budget Request Expected Shortly

Supplemental budget requests tend to cover shortfalls in funding and support new initiatives of the governor midway through a biennium. At the end of this week the budget forecast will be released and a supplemental budget recommendation will follow shortly. This supplemental budget is critical for housing supporters as the debt-service funding for Minnesota Housing's 501(c)(3) revenue bonds will be contained in these recommendations.

There is already a lot of chatter among legislators questioning why the administration would fund new initiatives when other programs receive deep cuts. It is expected that Health and Human Services will take a huge hit and there will probably be more raiding of "dedicated" funds, like the Health Care Access Account, to fill in budget gaps.

Bits and Bytes

Transportation Funding Bill Stuck in Traffic Jam

A number of legislative proposals were gridlocked last week as the passage of the transportation funding bill took up an entire day of floor work, canceling dozens of hearings. The most notable impact was on the bonding bills, causing delayed recommendations to the

Capital Investment committees from the various finance divisions. The same can be expected today as the veto override is scheduled for floor action.

Industry Reacts to Federal Action

The National Association of Home Builders announced last week that it was withholding all PAC contributions from members of Congress. They are upset with the Congress over lack of any action on the growing foreclosure problem.

Heard Under the Marble Dome

'I'll be happy if the deficit is only \$700 million. Remember, we are in the middle of the biennium so those cuts are actually twice as big.' – *Senate Finance Chair commenting to constituents about the coming budget forecast and how big the deficit is because it represents only the second half (read, one year) of the biennium.*

"We should have pushed harder for the public housing bonding proposal. You [should] always ask for more than you expect. Plus, once the 501(c)(3) bonds came into play, we could have made the argument that housing deserved something out of the bonding bill." —*Comments by two housing committee legislators on bonding strategy.*

Hot Links to the Legislature: Schedules

As we explained last week, the Minnesota Legislature's Web site is a virtual cornucopia of Capitol information. For those of you that need, or like, to keep up on committee hearings and schedules the following links will be indispensable for you. According to Politics in Minnesota, the Legislature's listservs are the most up-to-date schedule source.

- House Schedule email list
<http://www.house.leg.state.mn.us/list/join.asp?listname=houseschedule>
- All Senate mailing lists, including Schedules and Daily Order of Business
<http://www.senate.mn/schedule/subscribe.php>

Federal Update

Project Based Section 8 Stories Needed!

Since last summer, HUD's Project-Based Section 8 program has experienced significant funding problems. Many advocates are concerned about the stress these funding issues have caused property owners.

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. In addition, HUD delayed Housing Assistance Payments (HAPs) for several months to landlords across the country. In Minnesota, many owners were forced by HUD to have up to 2 month delays in HAP payments. Click here to learn how you can take action on this issue. <http://mhponline.e-actionmax.com/showalert.asp?aaid=3078>

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