



MHP Capitol Update

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20 years & building



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Federal Update

In addition to MHP Capitol Update, MHP also publishes *The MHP Bulletin*, a newsletter that follows housing trends that affect Minnesota. Click [here](#) to sign up for *The Bulletin*.

State Update

Non-Profit Bonding Questions

MHFA's nonprofit housing bonds generated plenty of discussion from legislators last week during committee hearings. Legislators are especially concerned about the impact of lack of supportive services funding on a number of long-term homeless projects in the pipeline slated to use funds from non-profit bonds. House Capital Investment Committee members expressed concern over the viability of pipeline projects if supportive housing funds are not available. MHFA staff indicated that in a worst case scenario, if long-term homeless projects were to fall through for lack of supportive service funding, a change in statute could allow the bond funds to be used for other types of affordable housing.

Agency staff also stated that if the statute were changed to allow nonprofit bonds to be used for other housing options, homeownership opportunities would be ineligible since properties need to be owned by a non-profit entity. In response, legislators expressed concern that the agency has not yet convened a working group to address potential use of the new nonprofit bonds for foreclosures and vacant properties, despite legislative mandate to do so. They also wanted to know if bond funds could be used to purchase land for land trusts and if governmental ownership would be permissible. Lastly, legislators indicated their willingness to explore utilizing these bonds to access more funding for housing, though they recognize that this would require a long term commitment to paying debt service. We expect this topic to receive more attention in the next few weeks.

Budget Targets on the Horizon

The next gloomy budget forecast will be delivered the first week of March with expectations of more red ink-- probably to the tune of \$1 billion or more. In light of the new forecast and the recently passed stimulus bill, we expect the Administration to recalibrate its initial budget proposal. A revised

proposal should be forthcoming the week of March 9th, at which point the game moves to the legislative bodies.

To date, legislative leadership has yet to reveal proposals for cuts, shifts or revenue raisers. The Governor remains very vocal about “no new taxes”, while legislators roam the state looking for comments, ideas and support for a mixed approach to budget balancing.

After the forecast, legislative leadership will set overall budget targets and divide the pot between the finance committees. These targets will determine the amount of money available to each chair to spend. This year we expect to see cuts, program consolidation and elimination. If leadership decides to follow the Governor’s recommendations, both the MHFA and DHS housing budget items will be cut by 25% from 2008-09 amounts. Housing production will be cut drastically if the Challenge Fund is slashed by \$23.5 million, as proposed. Such a reduction means a decrease in production of about 1,200 rental units and 550 ownership units of housing.

Housing Creates Jobs and Revenue

Last week MHP released [a new study](#) of the economic impact of building affordable housing at a press conference at the capitol. A bipartisan group of legislators including Rep. Karen Clark, Rep. Bob Gunther, and Sen. Ken Kelash as well as Warren Hanson of the Greater Minnesota Housing Fund spoke at the press conference. MHP applied the main findings of the new study to the Challenge Fund, assuming an investment of \$1 million Challenge dollars (\$25,000 per unit) would create 40 new units of housing valued at \$165,000 each, by leveraging other sources of financing. Over five years, the total investment would generate \$16 million in spending, \$8.8 million in wages, and about \$1.1 million in tax revenues, including \$720,000 for the state of Minnesota. The study informing this analysis of the Challenge Fund was authored by Jon Commers of Donjek, Inc. It was commissioned by MHP with additional support from the Builders Association of Minnesota, the Greater Minnesota Housing Fund, Local Initiatives Support Corporation, and the Minnesota Association of Realtors. Visit www.mhponline.org to see the report and related documents.

Bits & Bytes

Public Housing Bonding Bills Introduced: HF 922/SF 725

State House and Senate housing supporters introduced a \$20 million general obligation bond proposal to support capital improvements in public housing across the state. MHP estimates that approximately \$50 million will be awarded to Minnesota public housing agencies through the federal stimulus bill, but this will make only a small dent in the backlog of deferred maintenance projects, which totals over \$317 million for Minneapolis, St. Paul, and Duluth alone. State support may be needed to leverage additional competitive funds, but legislators have not been convinced yet that there are enough “shovel ready” public housing projects in the pipeline to merit state investment.

Senate Outlines Capital Investment Bonding Parameters

Senator Keith Langseth, Chair of the Senate bonding committee, indicated that he wants to support a \$300 million bill for job creation. About half of the funds would address deferred maintenance projects at the state’s colleges and universities, with the remainder to be spent on projects that can be underway by fall. There are indications that the House will follow similar guidelines.

Housing Pipeline List in the Works

MHP, in partnership with the Metropolitan Consortium of Community Developers and NAHRO, has been compiling a statewide housing pipeline list of projects that will be ready to go by September. Please send any information about additional projects to Leigh Rosenberg at

rosenberg@mhponline.org.

Heard Under Marble Dome

"We will be putting together a committee bill to address the various housing needs which is geared toward leveraging federal dollars." – House Republican Housing Committee member indicating a willingness to assemble a bipartisan bill

Federal Update

(Compiled from material provided by National Low Income Housing Coalition)

On February 17th, President Obama gave an overview of his three-pronged initiative to address foreclosures. Under his proposal, Fannie Mae and Freddie Mac would reduce interest rates for mortgages for homes with inadequate equity, but for which the homeowner is current with mortgage payments. The refinanced loans could exceed current value by as much as five percent. Secondly, TARP funds would be used to incent lenders to restructure so that mortgage payments consume no more than 31% of income for homeowners at risk of foreclosure. Finally, the president would seek Congressional approval for an amendment to bankruptcy law to enable courts to modify the terms of home mortgages. Based on the president's estimate of numbers of households nationally which would be assisted, the refinancing programs would reach roughly 100,000 homes here in Minnesota. Details of the foreclosure plan are to become available March 4th when also the mortgage refinancing programs first become available.

In the next couple of weeks Congress is expected to pass the 2009 budget. Since the start of the 2009 fiscal year on October 1, 2008, federal programs have been operating under a Continuing Resolution that extends the prior year's funding amounts, but expires on March 6th. Meanwhile, President Obama's 2010 budget framework is to be presented February 26th, with program specific details to follow in early April.

MHP has now [identified over \\$300 million](#) in federal stimulus dollars available by program area in Minnesota. For housing and community development uses, approximately \$165 million will go to state agencies by formula allocation. Of this, the largest will be \$120 million for weatherization through the Department of Commerce. An additional \$63 million will be distributed by formula to local governments and public agencies. For programs funded through competitive grants, \$54 million would come to the state if Minnesota receives the same proportion of funds that it has received for those programs in past years. Finally, MHP estimates that Minnesota Housing will be able to swap \$38 million dollars' worth of unused 2009 low income housing tax credits for cash. [ADD LINK]

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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.