



# MHP Capitol Update

Volume 4, Issue 14

10 March 2009



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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*.

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## State Update

### **Housing Revitalization Proposal - \$100 Million in Non-Profit Housing Bonds**

Representative Karen Clark introduced H.F. 1354, an MHP-supported funding bill involving non-profit housing bonds directed at creating more affordable rental housing. The funding plan would offset the significant reduction in Challenge program funding and help stimulate the depressed housing construction market.

The proposal would authorize the sale of Minnesota Housing bonds, with debt service to be repaid by the state estimated at about \$8 million for 20 years. The bonds require non-profit ownership of the projects, which in general limits the bill's application to rental housing development. Land trusts may also be positioned to take advantage of the funds for land purchase. Legislators are in the process of determining whether these funds could be used to address acquisition of vacant properties. Senate authors are currently being recruited.

Limited political support for reinvesting in the Challenge Fund has created the need to look to other funding sources, such as bonding. While convincing leadership to make an investment in affordable housing is still a major challenge, we hope that floating a variety of proposals will encourage stronger support of critical housing investments.

### **\$440 Million Dollars' Worth of Housing Projects Ready to Roll**

MHP, the Metropolitan Consortium of Community Developers (MCCD) and Minnesota NAHRO have together compiled a list of housing projects ready to break ground by September, 2009, pending funding. This list, while not comprehensive, includes data from about 40 affordable housing developers, HRAs, CDAs and EDAs. Over 100 separate projects are on the list and involve nearly 7,900 homes and apartments. Over 88% of the units involve rehab work, and about 85% are for rental units. 44% of the units are located outside the 7-county metro.

Development costs for these projects are substantial, totaling \$440 million. Based on findings from recent economic studies of housing development in Minnesota, if all of this development were to occur, it would generate 6,200 housing development jobs, nearly \$260 million in wages, \$29 million in state revenues from income, sales, mortgage, and deed taxes, and \$3.5 million in local tax revenues—not to mention improving or creating 7,900 units of housing—all in the year of construction.

All of the projects on this list require at least some public funding, and many can leverage additional public and private funds. Please contact Leigh Rosenberg at MHP at [rosenberg@mhponline.org](mailto:rosenberg@mhponline.org) or 651-925-5543 for more information and for a full list of projects in the six-month pipeline.

### **Foreclosure Bills Move Forward**

The legislature continues to address foreclosures and the related issues of vacant properties, contract for deed sales and notification of impacted parties. A full list of foreclosure related bills can be found of the [MHP Bill Tracker](#). Noteworthy bills include Foreclosure Notice Provisions (H.F. 995/S.F. 1302) which passed out of the House Judiciary on Monday. This bill requires that occupants are notified when a sheriff's sale is postponed and notified of the date of the end of the redemption period (when the property must be vacated). On Tuesday, Senate Commerce considers Homeowner-Lender Mediation Act (H.F. 354/S.F. 340) which requires good faith, court-supervised mediation proceedings before the foreclosure of a homestead property. On Wednesday, House Labor and Commerce will consider modifications to Contract For Deed provisions for residential property and residential leases with an option to purchase. With the tight credit market, contract for deed arrangements are becoming more prevalent; this bill establishes a disclosure requirement, notice provisions and purchaser's right to cancel.

### **Renters Credit Still Threatened**

Advocates are working hard to preserve the renters' credit, the only tax benefit for low income renters, many of whom are disabled or elderly. Legislators have been sympathetic to preserving the renters' credit and have objected to the 27% cut proposed in the governor's budget, but they have emphasized the difficulty of preserving it while balancing the state's budget. Since the high cost of property taxes is funneled to renters through their monthly payments, the state enacted the credit to relieve Minnesotans whose rent is high relative to their income. Now that times are tough, we are facing a more regressive tax hitting lower income people the hardest. The Minnesota Council of Nonprofits is ramping up the fight and urging organizations, especially those who serve Greater Minnesota and the disabled, to sign on to an [organizational letter](#) opposing the cuts. They would also appreciate help with their lobbying efforts. To sign on to the letter or to help lobby, contact Sean Skibbie at [skibbie@mncn.org](mailto:skibbie@mncn.org).

### **Bits & Bytes**

#### Housing Solutions Act

Senator Dick Cohen reintroduced the Housing Solutions Act in the Senate (S.F. 1132). The bill 1) increases the deed tax from 0.33% to 0.5% of the property being registered, and 2) directs the funds to the Challenge Fund, the Housing Trust Fund, and a new leveraged opportunity fund to encourage local units of government to increase production of affordable housing. A companion bill should be introduced in the House this week. The Governor remains opposed to all tax increases, including this deed tax increase. It is still unclear whether legislative leadership will put this item into play, given the state's budget and revenue situation.

#### Challenge Fund – Stirring the Pot

Advocates are grasping that the Challenge Fund is in serious trouble, with recent Challenge Fund recipients and potential recipients creating a bit of a stir at the capitol. As letters and phone calls noting the importance of this program come in, legislators are beginning to note the importance of this program. There is no better way to FIX HOUSING – FIX THE ECONOMY than through the Challenge

Fund. If you haven't weighed in yet, plan on starting now and keeping the pressure on for the next two months. Contact Julie Johnson at [jjohnson@mhponline.org](mailto:jjohnson@mhponline.org) or 651-925-5548.

### Budget Surplus?

The infusion of federal funds has created a potential \$236 million budget surplus for the remainder of this biennium, but legislators, fearing a continuing decline in revenues through June 30<sup>th</sup> will be loath to spend those funds. At the same time, there's no better place to put some cash on hand to good use than spending it on housing. This cash could be rolled forward or even put to use in the current biennium through the Challenge Program. Housing development creates jobs, state and local tax revenues, and affordable housing to boot— a real life trifecta.

### **Heard Under Marble Dome**

"Can't you get the housing community to speak up? The Challenge Fund cut was brought up in caucus, and we were hoping that legislators would howl about cutting this program. But there was barely a whimper. I'm worried Challenge will be gone, especially if we need to make another round of cuts." - DFL House Housing Leader

## **Federal Update**

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

The big federal housing news this past week was the Obama administration's release of details on its new mortgage foreclosure relief plan, which would enable borrowers to refinance or modify mortgage loans on primary residences. To refinance to today's lower interest rates under the initiative, borrowers would have to be current on their loan, the loan balance could not exceed 105 percent of the current market value of the home, and the loan must be owned or guaranteed by Fannie Mae or Freddie Mac.

To modify a loan, the borrower must have trouble paying a mortgage loan originated prior to January, 2009. This could be due to rising mortgage payments, loss of income, or an unexpected rise in other expenditures, like health care. Under the plan, the lender must first reduce mortgage payments to 38 percent of income. Then, the federal government and lender would share costs to bring the payment down to 31 percent of income. There is no restriction on loan-to-value ratio but the loan size is capped (\$417,000 in MN). The government would also offer additional financial incentives to the borrower, loan servicer, and lender to avoid foreclosure. See [this link](#) for details and a self-assessment tool for borrowers.

Also this past week, Congress failed to reach agreement on the FY 2009 budget by the expiration of the continuing resolution (CR) on March 6. To keep the government functioning, Congress extended the current CR to March 11. The spending plan before Congress for FY 2009 increases HUD's budget by ten percent.

On March 5, the House approved a version of the Administration's proposal to enable bankruptcy judges to reduce mortgage balances. The original proposal was modified to include a requirement that borrowers negotiate with the lender pre-bankruptcy. It also allows the lender to share in any profits on the sale of a home within four years of a bankruptcy judgment. The House bill, H.R. 1106, was passed on a largely partisan 239-191 vote. The proposal faces a tougher challenge in the Senate, where the companion bill, S. 61, is expected to come up this week.

## Stimulus Dollars to Minnesota

Be sure to check MHP's Federal Advocacy web-page at <http://www.mhponline.org/?q=node/116> for a table with revised numbers detailing federal stimulus dollars headed to MN for housing. MHP updates these numbers on an ongoing basis to reflect details as they emerge.

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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.