



# MHP Capitol Update

Volume 4, Issue 16

23 March 2009



We invite you to forward, quote, or cite anything within **The MHP Capitol Update** as long as you reference it as the source. Thank you!

## State Update

- [House Budget Released](#)
- [Challenge Program: Stepping Up](#)
- [No Big Surprises in Governor's Revised Budget](#)
- [Senate Subcommittee Hears Housing Bills](#)
- [Non-Profit Housing Bonds- A Big Maybe](#)
- [Bits & Bytes](#)
- [Heard Under the Marble Dome](#)

## 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

### House Budget Released

The House released its budget plan last week and it takes the middle ground, foregoing the Senate's across-the-board cuts but accepting the Governor's "education shift" into the next biennium. This mix of cuts, shifts, federal dollars and increased revenue seeks to balance the budget this biennium, but not into the next biennium. Programs and agencies will be cut approximately \$850 million, while K-12 and higher and early education funding is left intact. House Democrats also plan to raise \$1.5 billion in new revenue.

So how did housing do? The House the target for Representative Karen Clark's committee, which includes MHFA and DHS housing and homelessness programs, as well as other health programs, was set \$16 million below the recommendations of the Administration. This target will lead to additional programs cuts, with the Challenge Program the most likely victim. The Agency's budget already dealt Challenge a \$10.7 million cut (69% less than last biennium). This decrease in funding will alone reduce housing production by about 1,000 units. However, with Minnesota Housing's budget representing about 35% of Clark's committee's budget, another \$5.5 million could be cut, which would slow much needed affordable housing production further.

**How can you help? [Take the Challenge Challenge Quiz](#)**

## **Challenge Program-- Stepping Up**

The Challenge Fund, the primary vehicle for building and/or rehabbing affordable housing, stands to take the biggest cut of all the housing programs this session. Challenge funds both the Community Revitalization Program (CRV) and the Economic Development and Housing Challenge Program (EDHC). The Challenge Fund is a flexible source of funds for rental, ownership, new construction, and rehab of existing units. With a housing market in flux, this flexibility is essential to meeting local housing needs as they evolve, especially in Greater Minnesota. Moreover, Challenge dollars can be used to meet specific and diverse community needs statewide while federal foreclosure dollars are restricted to areas of highest foreclosure need.

With the Governor's \$11 million, or 69% cut to Challenge, the Senate threatening an additional \$2 million in cuts, and the House potentially whacking \$5 million or more off the Governor's budget, the call to act is urgent. House leadership especially needs to hear from folks now. MHP has compiled Challenge fact sheets, a list of recently funded single and multi-family Challenge projects, and more information for how to take action. Please visit <http://www.mhponline.org/?q=node/400>. And while you're there, take the [Challenge Challenge Quiz!](#)

## **No Big Surprises in Governor's Revised Budget**

The Administration's supplemental budget was released this week with very few changes, except for accounting for stimulus money. The plan continues to rely on a number of one-time fixes, including education funding shifts and a "bonds for cash" deal to balance the budget. The spending cuts in Health and Human Services remain significant, but the plan to cut 80,000 people from health care has been postponed two years as a result of federal stimulus requirements. In an effort to soften some of the blow, money was added to both K-12 and higher education, in contrast to the Senate's "share the pain across all sectors" approach. Budgets for housing programs appear unchanged from the Governor's original proposal.

## **Senate Subcommittee Hears Housing Bills**

Last Friday, the Senate Housing Subcommittee heard a number of housing items. Among the items heard: a bill for \$100 million in non-profit housing bond authorization (see next story), modifications and appropriations for the Runaway and Homeless Youth Act, modifications to the manufactured home relocation trust fund provisions, and a number of others. In addition, the committee heard the Neighborhood Renewal Act (S.F. 1552), which simplifies the process of acquiring and rehabilitating vacant and blighted properties in neighborhoods. The act requires property owners to rehabilitate blighted properties or to appoint a receiver to do the same. Receivers recover the costs of rehabilitation through a "receiver's certificate", which acts as a first lien on the property and must be paid within 90 days. To follow these and other housing bills, check the [MHP Bill Tracker](#).

## **Non-Profit Housing Bonds- A Big Maybe**

Bills which call for the sale of \$100 million in Minnesota Housing bonds (H.F. 1354/S.F. 1382) progressed through committees in the House and Senate and await possible inclusion in budget bills. For these bonding bills, the state must budget approximately \$8 million per year for term of the bonds to service the debt on the bonds. Initially viewed as mechanism to supplement the Challenge Program, it remains unclear whether bonds will be authorized as expected.

When non-profit bonds were first established last session to assist in the development of long term supportive housing, the debt service on these bonds was paid by the Finance Agency (now Office of Management and Budget). However, House leadership is now inclined to shift that debt service to the housing committee target. If this occurs, housing resources would be spread even more thinly among a number of housing priorities. To avoid having the debt service come out of the same small pie, advocates must convince legislative leaders and the Administration to support the bonding proposal through additional general fund dollars. Without a successful offensive, legislative champions may opt to leave this push for another day.

## Bits & Bytes

### Deadline Madness Approaching

Friday, March 27<sup>th</sup> marks the first committee deadline, at which point legislation must have passed all policy committees in one body or the other in order to remain “alive”. Legislators then have until April 7<sup>th</sup> to get the legislation through policy committees in the other body. Committee agendas and schedules will be long, fluid and almost impossible to follow. If you have something in play, watch it, track it, and stay on top of it.

The April 16<sup>th</sup> budget deadline is also approaching, which is when finance divisions in both bodies must have finished omnibus appropriations bills and sent them on to House or Senate Finance committees. Consider it our 7<sup>th</sup> inning stretch. If you step up – we might be able to position housing for some dollars to do all those projects waiting in the wings. Check out the [Challenge Challenge Quiz](#) so we can position housing for more dollars.

### Budget Bills in the Works

Targets have been set in both the House and Senate, so expect a lot of behind the scenes activity as budgets are cobbled together within the next week or so. We hope to keep the damage to housing to a minimum and attempt to position the issue for one more push for funds.

## Heard Under Marble Dome

*“This is like eating the seed corn.” – A housing advocate discussing with a legislator the decision by House leadership that debt services for non-profit housing bonds be paid from existing housing funds*

*“Maybe someone could convince the Governor to convene a meeting with a number of the state’s largest corporations and get them to buy up the tax credits so we could get the housing market moving again.” – A surprising conversation with someone at Capitol who understands low income housing tax credits*

## Federal Update

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

Congressional action was limited on affordable housing this past week. Housing advocates have not been idle, though and have made progress on three fronts: expanding the Community Reinvestment Act (CRA), increasing volunteerism, and coordinating transportation, housing and land use planning.

First, the CRA Modernization Act (H.R. 1479) was introduced. It expands coverage of the current Act to non-bank financial institutions such as insurance companies and securities firms. No action is currently scheduled. To expand federally supported domestic volunteerism, a priority of the Obama administration, H.R. 1388 and S. 277 were introduced. The House bill increases the number of national service volunteers from 75,000 to 250,000 people. Both bills include affordable housing-related placements as priority placements for volunteers. The Senate is expected to take up its bill this week, while the House should take action prior to the April 3<sup>rd</sup> recess. Finally, the secretaries of HUD and the Department of Transportation announced the formation of a new federal, bi-agency taskforce to better integrate housing and transportation planning. The goal is for every major metropolitan area in the country to coordinate their land use planning and investment in housing and transportation within four years to better support “location efficiency” in housing and transportation choices.

---

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 MHP at [info@mhponline.org](mailto:info@mhponline.org) or 651-649-1710.

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 [click here to subscribe](#) to *The Bulletin*, or contact MHP at (651) 649-1710 or email [info@mhponline.org](mailto:info@mhponline.org).

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.