



# MHP Capitol Update

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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

### **Governor Releases Budget - Housing Productions and Preservation Take a Hit**

The governor's budget recommendation released today is a major blow to funding for Minnesota Housing. Recommended allocations total \$85.4 million for 2010-11, down 25% from the \$114 million appropriated for 2009-10. The Challenge Grant program, the primary funding source for housing development and restoration takes the biggest hit. Last biennium's Challenge Grant allocation amounted to \$34 million, \$15 million of which was one-time money. This biennium, less than \$11 million (all base dollars) is proposed for Challenge, a 68% reduction. These cuts would reduce housing production from this funding source by 1,200 rental units and 550 owner-occupied units compared to last biennium. PARIF, which funds preservation of rental units, also faces the chopping block, to the tune of 12% this biennium.

In previous years the Challenge program has borne the brunt of budget cuts within the agency, but grassroots advocacy has successfully restored or increased Challenge funds. It's essential to fund programs that maintain housing stability and prevent increases in homelessness. Now is also the time to increase housing production to help stimulate the economy. MHP intends to advance an effort to increase production of housing this session. If you have a project ready to go and do not have the funds wrapped up for it, don't expect it to happen unless you step up to advocate! The economic crisis is a great opportunity for affordable housing advocates to make their voices heard.

### **Non-Profit Housing Bonds - Ace in the Hole**

As mentioned last week, one of the major restrictions on the use of state general obligation (G.O.) bonds is that the building, land or project must be publicly owned. Therefore, public

housing is about the only housing that can be funded with G.O. bonds. In order to utilize bonding more widely for housing, last year MHFA with support from MHP, gained legislative authority to sell \$30 million in non-profit 501(c)(3) bonds for supportive housing. The non-profit revenue bonds have advantages: they not only eliminate the need for public ownership, but the debt service that must be repaid by the state is not computed into the 3% guideline discussed last week. The agency is required to provide a report to the legislature on the use of these bonds for other housing related capital investments, which was one of the main reasons for MHP support last year. The hope is that non-profit bonds will have their day in the sun as a powerful tool to bring more bonding money to a range of affordable housing development.

### **Housing Caucus Convening**

Senator Mee Moua and Representative Karen Clark, the ringleaders behind the creation of the housing caucus, have mapped out a four-meeting schedule for the next two months that focuses primarily on educating legislators on housing issues, locally and nationally. Senator Kelash, Chair of the newly formed housing sub-committee in the Senate, will be working closely with them. Now is the time to contact your legislator and ask him or her to participate in these meetings. Your "ask" of your representative or senator is simple: join the caucus, or at minimum participate in the meetings to increase understanding of the issue. Don't be disappointed if your legislator doesn't want to join the caucus; legislators have many interests and only so much time. Caucus meetings are scheduled for February 4: 11:30am - 12:30pm, Capitol Room 118 (closed to the public) and February 10, 17 & 24, 5:30 - 7:30pm, League of Minnesota Cities, St. Croix Room.

### **Tenant Issues - More Attention**

There appears to be more interest this year in tenants, with growing awareness about the impacts of the foreclosure crisis on renters and threats to the renters' credit. A number of bills related to tenants and foreclosure are being prepared, including clarifying proper notice in cases of foreclosure and protections for tenants with rent/lease-to-own and contract for deed arrangements. Around the state, tenants with lease-to-own contracts or contracts for deed are vulnerable to property owners who have found creative ways to get around local laws, regulations and financing requirements. Meanwhile, the renters' credit has often been the target of cuts when the state budget has been tight. This year is no exception with the governor-proposed reduction in the renters' credit. The renters' credit assists low income people and seniors in meeting basic needs. Where homeowners get to deduct interest paid on mortgages, renters rely on this credit. Look for a sign-on letter in support of the renters' credit. For more information about tenant issues and advocacy, contact Julie Johnson at [jjohnson@mhponline.org](mailto:jjohnson@mhponline.org) or 651-925-5548.

### **Bits & Bytes**

#### *Lights - On Bill Chatter*

There has been a fair amount of rumbling already about a "lights-on" bill to keep government running if a budget agreement can't be reached. Even before the budget was introduced, folks were already speculating. In part, this early chatter is probably in response to the Governor's very public pronouncements that he will not raise revenue, either taxes or fees. But insiders will tell you that there doesn't seem to be a way out of this budget crisis, even with federal help, without some "revenue enhancers". Stay tuned – it could be a long one.

### *Housing and Jobs Message Seems to Work*

After completing some of early go-rounds with legislators, the message that housing is economic development (i.e. jobs) is resonating. We have been preaching two other related messages: “a housing crisis is the wrong time to cut funding for housing” and “keeping people in their homes is more cost effective than having them on the street.” But the winner so far is the housing-creates-jobs message of Fix Housing – Fix the Economy. Legislators are being besieged from all sides. Whether that message rises above that din is your call. Stand up for yourself to be heard, and don't rely on your hired guns!

### **Heard Under the Marble Dome**

“Everyone is telling me the same thing, but at least you can show that you can create jobs” – House Finance Chair responding to the statement that housing programs make up less than one-half of one percent of the state budget

“We established this committee to promote housing as a critical issue. We pushed the bounds to set this thing up. The housing community had better produce, with a presence beyond the usual suspects. Let's see some bills. This is your opportunity, so don't blow it” – Legislative staffer providing “advice” relative to the new Senate Sub-committee on Housing

“My muffler fell off on the way to this event and the sound of my car drew a lot of attention. It reminded me that housing advocates are going to have to make a lot of noise this year so that legislators can hear you.” Housing and Public Health House Chair speaking at the Session Preview

## **Federal Update**

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

Last week, [the Capitol Update](#) covered the housing programs included in the House federal economic stimulus package. This week we take a look at the Senate numbers dedicated to housing. The Senate proposed substantially less than the House, with \$13.1 billion of its \$365 billion in spending recommendations directed to housing programs. By contrast, the House directed \$16.1 billion of its \$550 billion in spending for housing.

The significant differences between the two packages pertain to the Neighborhood Stabilization Program (House at \$4.19 billion, Senate at \$2.25 billion); assisting privately owned, federally assisted housing (House has \$2.5 billion for repairs, Senate has \$2.1 billion to ensure Section 8 payments to owners throughout the full year); and the HOME program (\$1.5 billion in the House package and \$2.25 billion in the Senate package). For public housing and emergency shelter grants, the House and Senate are in line with one another, each proposing \$5 billion for public housing and \$1.5 billion emergency shelter grants.

Not included among the Senate proposals are the House's initiatives for Native American Housing and rural housing. Also, both Senate and the House have different fixes for the stagnant low income housing tax credit market. The House authorizes states to swap a portion of tax credits for cash to move forward stalled projects, while the Senate provides for rule changes, such as allowing credit to offset taxes in past years, to increase the value of tax credits. See [www.mhponline.org](http://www.mhponline.org) for a table comparing House and Senate stimulus bills.

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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](#) *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.