MHP Capitol Update

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Minnesota Housing Partnership

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STATE UPDATE

Bits & Bytes

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

No Resolution after Unallotment Ruling; Housing May Take another Hit

On Monday, the House and Senate passed a budget bill that would have ratified most of the Governor's unallotments from last year, made additional cuts the next biennium, and raised revenues to help balance the budget. On Tuesday Pawlenty vetoed the bill, objecting to a provision that would have raised $435 million in new revenues, primarily through a 4th tier income tax on the state's highest-income residents. With the Governor holding firm on avoiding revenue increases, more cuts may be forthcoming, especially if $400 million in federal health care dollars fail to materialize after session ends.

The Governor and DFL-controlled Legislature differ on how to treat the $400 million in federal health care funds that may or may not reach Minnesota after session. DFLers would prefer to retain programs, and resort to cutting them if the dollars do not turn up. Pawlenty would like to cut the programs up front, assuming the funds will not be available, and to reinstate them upon receipt of the funds.

Because parts of the vetoed bill are likely to resurface as negotiations continue, it's useful to look at items of concern to housing advocates, namely the renters' credit and the Minnesota Housing budget.

First, the budget bill would have ratified the unallotment resulting in reduction in the renters' credit by $51 million. This provision would mean that 300,000 low- and moderate-income renters would see, on average, a one-year $129 tax increase. The bill also included ratification of unallotment cuts to state agencies, including the Minnesota Housing Finance Agency. With respect to Minnesota Housing, the bill included ratification of the original unallotment of $512,000 for FY 2010-11, but also extended that same cut to the FY 2012-13 biennium. These cuts would have amounted to a 1% reduction to the Agency's overall appropriations and would apply specifically to the Rehab Loan Program.

Also of concern to housing: the bill would have ratified $293 million in unallotment cuts to local government aid unallotments in FY 2010-11.

Cuts to Health and Human Services are in a separate bill which currently includes $114 million in program reductions.

Tenant Bill of Rights Signed into Law

Housing advocates can be proud of a big win this year. Even in the midst of budget cuts and vetoes, renters will benefit from greatly improved protections. Last week, the Tenant Bill of Rights passed with strong bi-partisan support with votes of 100 – 30 in the House and 56-6 in the Senate. The bill was signed into law on May 11.

The final bill is a result of negotiations between advocates for renters and landlords, and enacts the following:

- Caps late fees at 8% of rent;
- Ensures that tenants will be given a rent receipt for cash payments;
- Entitles tenants to attorney fees if the lease entitles the landlord to attorney fees when he/she wins a case;
- Ensures a fair and consistent process for tenant screening and application fees;
- Penalizes landlords for improper division of utility costs;
- Penalizes landlords for "bad faith retention" of security deposits;
- Grants tenants the right to live in foreclosed property to lease terms or 90 days beyond the foreclosure redemption period, whichever is longer;
- Requires landlords to hold on to abandoned property left by a tenant for 28 days and penalizes them for illegal disposal.

For more details on the Tenant Bill of Rights and effective dates, please visit HOME Line's policy blog. Congratulations to HOME Line and all the advocates who worked on this bill!

A Strong Show of Support for Deed & Mortgage Revenue Capture in Senate

After a unanimous vote for the Housing/Jobs bill [SF 3304 (Cohen)/HF 3725 (Marquart)] in the House Housing and Public Health Committee, the same bill was heard on May 5 in the Senate Economic Development and Housing Committee. The bill passed out of committee, again with unanimous bipartisan support, hours after the Supreme Court announced its decision on the Governor's preemptive unallotments. The bill is expected to create 1,000 units of additional affordable housing per year by capturing the increase in mortgage and deed tax revenues collected over 2011, starting in 2012 as the market improves. The mortgage and deed tax rates do not change.

Amidst the unsettled atmosphere after the court's decision, Sen. Cohen made his case for the bill: it ensures people have access not only to housing but also to jobs. He pointed out the added benefit of additional state revenues and stabilized property tax bases.

Chip Halbach of MHP testified that SF 3304 strengthens communities by providing housing options for workers, addresses the job loss in the construction industry, and restores the wellbeing of Minnesotans who need affordable housing. Halbach also spoke to severe housing cost-burden of Minnesotans, unprecedented foreclosures due to job loss, and increases in families experiencing homelessness. Harry Melander, President of Minnesota State Building Trades Council, also testified to the recent loss of construction jobs. Kristin Beckmann, Twin Cities Habitat for Humanity, affirmed that the bill generates more property taxes, and that money invested will return to the state's General Fund through revenues.

A few Senators clarified that the bill was not metro-centric, asserting that housing challenges are felt statewide. The committee also discussed fiscal impact of the bill, which was decided to be minimal, especially in light of the benefit it brings to the state.

Patricia Nauman, Metro Cities, explained that the cities are struggling to meet statutory affordable housing requirements and can benefit from state assistance. Jeff Von Feldt of Duffy Development Company, which has developed hundreds of units of affordable housing in the Metro area in partnership with the state, explained that most of the company's housing supports families working in the medical and public sector.

After the case was made for a state investment in housing, Senator Tomassoni, the Chair of the committee, halfway joked about doing an omnibus housing bill. (If only he were serious!) The senators expressed strong support for the creative attempts to fund housing in the midst of a housing, jobs, and budget crisis.

Non-Profits & Foreclosure Counselors Likely to Get Important SAFE Act Exemption

If you did not already know this, housing policy can be complicated. The Minnesota SAFE Act proves the point. This past week, the bill [SF 2643 (Scheid)/HF 2600 (Mullery)] was in conference committee for final negotiations. Among its many protections, the Minnesota SAFE Act requires individuals engaged in the mortgage loan business to be licensed and bonded and to receive ongoing education. Minnesota is one of the last states to enact such legislation, which adopts uniform nationwide standards found in the federal SAFE Act and requires participation in a nationwide database of individual licensees. This bill enacts important safeguards impacting mortgage originators and national lenders to guard against another housing bubble fueled by predatory loans and exotic loan products.

Unfortunately, the federal SAFE Act also swept up foreclosure counselors and non-profit mortgage lenders such as Habitat for Humanity as part of the nationwide system of protections. The inclusion of these entities under the Act are cost prohibitive for non-profit and local government programs and would have significantly impacted their ability to deliver their services.

While in conference committee this past week, an important SAFE Act exemption was added to the bill for employees of qualified non-profits and local units of government which are "engaged in the financing of housing for low and moderate income households or housing counseling under programs designed specifically for those purposes." However, exempted programs (and their employees) must be approved by Minnesota's Department of Commerce, with further approval by HUD also needed.

Assuming passage and the Governor's signature, the SAFE Act will enact safeguards in the mortgage origination and loan business while ensuring that qualified non-profit and local governments foreclosure counseling programs can still operate effectively.

Bits & Bytes

Fate of Omnibus Tax Bill Still Unclear

If signed into law, the second omnibus tax bill would benefit manufactured home park cooperatives and nonprofit affordable housing developers. The bill now sits in conference committee. Advocates are hopeful that the Governor will sign, since he has not yet spoken against the bill.

The bill includes language that would lower the tax rate and ensure homestead tax treatment for manufactured home park co-ops. Differences between the House and Senate versions must still be ironed out.

In addition, the bill would include a sales tax exemption for nonprofit developers as an important technical fix to the existing exemption. The bill enables limited liability companies owned by nonprofit developers to receive exemption from paying sales tax on construction materials. See last week's Capitol Update for details.

FEDERAL UPDATE

Low-Income Housing Tax Credit Legislation Introduced in Senate
NLIHC reports that Senator Maria Cantwell (D-WA) introduced legislation on May 6 to improve the low income housing tax credit (LIHTC) program. The Job Creation and Housing Act of 2010 (S. 3326) would make it possible for developers to exchange 4% tax credits for cash from the Treasury. To increase marketability of the credits, the bill expands the ability of investors to apply tax credits to five years of past profits. Tax credits have faced problems with marketability with the decline of the housing market in the last couple of years. This Senate bill language is similar to proposals introduced in the House but is not a companion to any single House bill. National advocates believe the best chance for getting tax credit legislation passed this year is to get into the "small business jobs bill." This legislation is expected to be heard this week.

HAMP Appeals Process Legislation Introduced
On May 4 Senator Franken introduced an amendment to the big Wall Street Regulatory Reform bill. Franken's amendment would create an effective appeals process within the Home Affordable Modification Program (HAMP) program. The amendment establishes the Office of the Homeowner Advocate within the Treasury department, and is modeled after the very successful Office of the Taxpayer Advocate within the IRS. The proposed office

would have three functions: 1) assist homeowners, housing counselors, and housing lawyers in resolving problems with the HAMP program; 2) identify areas where homeowners, housing counselors, and housing lawyers are having problems in dealing with the HAMP program; and 3) identify possible administrative and legislative changes to HAMP. The HAMP program enables borrowers at risk of default to have their mortgage loans modified so that payments do not exceed 31% of income.

Distributed weekly during the Minnesota legislative session and periodically 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 Rick Bernardo at Rick.Bernardo@mhponline.org or 651-925-5549.

Minnesota Housing Partnership also publishes and distributes *The MHP Bulletin* monthly, which includes affordable housing news and trend information, new research, publications, and upcoming events. Please click here to subscribe *The Bulletin*, or contact Rick Bernardo at (651) 925-5549 or at Rick.Bernardo@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.