



MHP Capitol Update

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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

What's in the Minnesota Housing Affordable Housing Plan?

As Minnesota faces fallout from the housing crisis, Minnesota Housing's bi-annual housing plan is the subject of attention around the state. As a sign of increased interest, this year, there will be a joint House/Senate hearing on the content of the plan.

The Minnesota Housing Affordable Housing Plan outlines how the Agency will distribute funds from state appropriations, federal grants, land sales, and its net earnings. Minnesota Housing has solicited feedback from its board and the housing community for the plan's direction.

The plan will likely emphasize affordable housing preservation and foreclosure crisis response. The Agency faces record-low earnings this year due to the financial crisis, as well as a need to extend the Plan to End Long Term Homelessness. This context will significantly impact both the budget and activities of the Agency over the next two years.

On August 27th, the Agency will present a first draft of its plan to its board. The legislative hearing is scheduled for **September 14th at 11 a.m.** The plan will be finalized on September 24th and will go into effect on October 1st. Contact Julie Johnson at jjohnson@mhponline.org for more information about the legislative hearing on September 14th.

Bonding: 2010 Request and AAA Rating

In mid-July Minnesota Housing submitted a \$40 million bonding request for 2010 to the Governor. The three components of the request include:

- \$27.5 million for acquisition and rehab of foreclosed homes into rental units and for supportive housing (non-profit 501c3 bonds)
- \$10 million for public housing rehabilitation (general obligation GO bonds) and
- \$2.5 million for land trusts for foreclosed and vacant properties (non-profit 501c3 bonds)

Overall, bonding requests to the Governor total \$2.65 billion to date. The budget for debt service is approximately 3% of general fund revenues, which corresponds with the bonding guidelines of the Minnesota Management and Budget (MMB) office.

In other bonding news, this month, the three major bond agencies confirmed that Minnesota's general obligation (GO) bonds will retain their AAA rating. However, the outlook for future ratings was listed as "negative".

According to [Business Wire](#), "Minnesota's 'AAA' GO rating reflects the state's excellent debt structure, broad-based economy with above-average wealth levels, and track record of management that is sensitive to changes in the state's fiscal environment, with regular reviews of revenue forecasts. However, the state's revenue system is subject to volatility, finances are pressured by a large responsibility for local units, and the state has been experiencing significant weakness in economic and revenue performance."

FEDERAL UPDATE

LIHTC Update and Sign-On

With Congress on break, supporters of the federal Low Income Housing Tax Credit program are seeking endorsements for a consensus position to extend the exchange of tax credits with the Treasury and to encourage investment in tax credits. MHP is a local endorser of the tax credit proposal.

The current tax credit exchange program (TCEP), passed in the stimulus bill, allows states to exchange a portion of 2008 and 2009 credits allocated to them for cash. With the current drop off of investor interest in tax credits with the recession, TCEP was designed to minimize stalled projects. Despite the continued lack of investors for tax credits, credits allocated for 2010 are not eligible for TCEP. Most rental housing developers are still facing a difficulty in obtaining direct investment in their projects, despite stimulus funding.

In response, the coalition of tax credit supporters has proposed a [three-part solution](#). First, Congress would extend the exchange program for nine-percent credits one additional year, and simultaneously provide for an exchange of the as-yet-ineligible four-percent credits. The four percent credits, used in conjunction with tax exempt bonds, finance the same type of projects as do the nine-percent credits, but are less valuable.

Secondly, the proposal would make it possible for investors to use credits to offset taxes paid as much as five years prior to project completion. This gives assurance to recession-leery potential investors, who are unsure that they will earn profits in the next few years, that the tax credits will be of value to them. Currently, credits cannot be used to offset taxes from previous years.

The final part of the proposal encourages investment by expanding the types of corporations that can take advantage of the tax credits. At present, the credits are available only to organizations that pay corporate taxes directly. The change would enable other types of entities, such as limited liability corporations (LLCs), in which tax liability rests with their investor owners, to offset their taxes with the low income housing tax credits.

Members of the coalition hope to get Congress to adopt these LIHTC changes when it considers end of fiscal year tax legislation.

Cap & Trade & Housing

In late June, the American Clean Energy & Security Act (ACES), also known as “cap and trade,” squeaked through the House by a vote of 219-212. While this legislation sounds far afield from housing, there are important opportunities for affordable housing as well implications for low-income households contained in this bill.

In general, this complex bill sets a “cap” on the amount of pollution allowed by polluters, and requires polluters to purchase and trade permits to pollute. Proceeds from the sale of permits then fund an array of programs.

With respect to housing, the bill coming out of the House would result in \$65 million for energy retrofits in public and assisted housing. For low-income households, this bill would give a full “energy refund” to households up to 150% of poverty and partial refund to those up to 160% of poverty. The energy refund is designed to mitigate the disproportionate impact on low-income households of higher energy costs resulting from cap and trade.

The Senate bill is to be considered in September, for now ceding center stage on Capitol Hill to health care reform. Advocates for low-income families are seeking to extend energy refunds to households beyond 160% of poverty (which comes to about \$35,000 for a family of four). Meanwhile, housing advocates are seeking a commitment of \$750 million per year for weatherization for public and assisted housing.

For more information, NLIHC provides a recent [analysis](#), the Center on Budget and Policy Priorities has a [climate change bill page](#) and discussion of [low-income households](#), and

the Pew Center on Global Climate Change covers [myths and realities of ACES](#). The [Minnesota Budget Project](#) is active on this issue in Minnesota.

Bits & Bytes

MNFHAC Adds Tools to the Trade

The Minnesota Federal Housing Action Coalition (MnFHAC) has resumed its monthly *Federal Affordable Housing Update*. The *Federal Affordable Housing Update* aims to unpack for readers convoluted housing programs and policies to explain what's most important right now. Next month MnFHAC member HOME Line will also begin a website blog for advocates to provide "hot off the presses" updates on state and federal affordable housing policy. To receive the *Federal Affordable Housing Update* or ask about the housing policy blog, contact Michael Dahl, HOME Line Public Policy Director, at michaeld@homelinemn.org.

Public Meetings during Congressional Recess

Congress is now in its August recess and will return to business on September 8th. For updates on public meetings of Minnesota's delegation members during recess, check the individual websites of Minnesota's [Representatives](#) and [Senators](#).

Gubernatorial Candidate Forum September 29

A Gubernatorial Candidate Forum on housing, homelessness, and poverty is set for September 29th (6:30–8:30 P.M.) at the Minneapolis Hilton. The forum is presented by the Minnesota Coalition for the Homeless, Minnesota Housing Partnership, and A Minnesota without Poverty. Cosponsors include Minnesota REALTORS Association, Joint Religious Legislative Coalition, Metropolitan Interfaith Council on Affordable Housing, Lutheran Social Service of Minnesota, Youth Moving Forward Coalition, and Davey Law. For more information visit www.mnhomelesscoalition.org or contact Liz Kuoppala, MCH Interim Executive Director, at 218.248.5963 or kuoppala@yahoo.com

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 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 email 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.