



# 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.*

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## STATE UPDATE

### Public Housing Bonds Axed by Pawlenty Line-Item Veto

In the mix amongst the projects that fell victim to Governor Pawlenty's line-item veto of the bonding bill was a measure that would have provided \$10 million for public housing rehabilitation. After legislators presented a \$1 billion bonding bill to the Governor, he excised over \$300 million in projects, leaving many jurisdictions and interests in the lurch.

In justification for the line-time veto of public housing, Pawlenty's letter stated, "In 2009 Minnesota public housing authorities received a nearly \$10 million increase in federal funding over 2008 levels." This statement by the Governor fails to acknowledge the hundreds of million of dollars worth of needed capital repairs in public housing across the state due to years of federal underfunding.

Even though Pawlenty promised to sign a bonding bill as long as it was below \$725 million and funded some of his priorities such as the prison for sexual offenders, he sliced and diced until the bill stood at only \$680 million. DFL legislators estimate that the vetoed sections of the bonding bill would have created 7,000 jobs.

## **Amid Policy Deadlines, Tenant Bill of Rights to Head to Floor Vote**

In a session that has seen many frustrations and challenges on monetary issues, this past week has been a productive one for those working to address tenant issues. On Tuesday, March 16, the Minnesota Tenant Bill of Rights ([SF 2595/HF 2668](#)) emerged from its last committee and heads to the House and Senate chambers for votes. Along the way, the proposal, which began as four bills, has been consolidated into one. This bill largely represents a negotiated consensus among many stakeholders.

If the bill passes, tenants in Minnesota will see: 1) cap of late fees at no more than 8% percent of rent, 2) landlords required to provide receipts for rent paid in cash, 3) tenants entitled to repayment of attorney fees in cases where landlords are currently entitled to attorney fees, 4) landlords limited to collecting only one application fee at a time and required to notify prospective tenants of selection criteria, 5) landlords liable to tenants for improper division of utility charges, 6) increased penalty when landlords do not return the proper amount of a security deposit, and 7) tenants living in foreclosed properties ensured the right to the term of their lease or 90 days beyond the redemption period, whichever is longer. The last item brings Minnesota law into alignment with federal law. [Click here](#) for more information.

## **House Housing Budget Released; New Bonding Proposal Made**

Last week, the House's Housing committee released its proposed budget cuts to Minnesota Housing. Like the Senate's and Governor's proposed cuts, the programs that take a hit in the House are Preservation Affordable Rental Investment Fund (PARIF) and the rental Rehab Loan Fund. In sum, the House budget proposal cuts \$4.9 million from both the current 2010-11 budget and the 2012-13 base budget. In comparing the House, Senate, and Governor's budget proposals, the Governor's version makes the shallowest cuts this biennium and the deepest permanent cuts to the base in future years. The Senate's version makes the deepest cuts this biennium and the shallowest permanent cuts. The House version falls in the middle. See [MHP's side-by-side comparison](#) for more detail.

Meanwhile, Rep. Clark introduced a bill in the House to authorize \$30 million in "Challenge Bonds". The bonds in this bill, [HF 3678](#), would be used for projects eligible for Minnesota Housing's Challenge Program, which is the most flexible of the Agency's housing production programs. However, the biggest hurdle to passage is finding money for debt service for these bonds. Clark has proposed the use of Minnesota Housing's Challenge Program funding to service the debt. There is not consensus among advocates regarding the use of Minnesota Housing program funds to fund debt service for bonds.

## **Bits & Bytes**

### **Renters' Credit Ducks Cuts**

On March 16, the House Tax Committee passed its tax bill without any cuts to the [renters' credit](#). This is a step in the right direction for housing, with advocates working to prevent a proposed permanent cut to the renters' credit made by the Governor. This cut would result in \$106 million less for nearly 300,000 low- and moderate-income households in FY 2012-13. Meanwhile, last week, advocates were alerted to an [agricultural property tax refund bill](#) which would have been funded by a cut to the renters' credit. In the Senate property tax committee on March 10, Senators Skoe, Dibble, and Ortman all spoke to concerns they had about making such a cut to the renters' credit. Luckily, the bill's authors and advocates were not particularly committed to using the credit

as the funding source. Michael Dahl with HOME Line and Nan Madden from the Minnesota Council of Nonprofits used the hearing as an opportunity to testify about the importance of renters' credit across the state.

## Foreclosure Bills Up Against Policy Deadlines

Policy deadlines often make for a hectic couple of weeks at the Capitol with long lists of bills on the agenda and many hours watching the committees at work. With the first policy deadline having passed on March 12 and the second deadline of March 19 quickly approaching, housing advocates worked to ensure the proposals jumped the necessary hurdles to make it out of committee. Among the proposals expected to meet deadlines is a bill that clarifies the redemption rights of homeowners in foreclosure ([SF 2430-Scheid](#))/[HF 2699-Hilstrom](#)) with hearings scheduled this week in Civil Justice on March 17 and Commerce and Labor on March 18. In addition, the SAFE Act ([SF 2643-Scheid](#)/[HF 2600-Mullery](#)) heads to Senate Economic Development and Housing Budget Committee March 17. The SAFE Act requires licensing of mortgage originators but ensures qualified non-profit entities, such as Habitat for Humanity, can continue to meet such standards in a cost effective manner.

## FEDERAL UPDATE

### *Choice Neighborhood Initiative (CNI)*

HUD released its second version of the Choice Neighborhood Initiative (CNI), which funds redevelopment of high poverty areas, in advance of an upcoming March 17 hearing in the House Financial Services Committee. This [CNI draft](#) designates more clearly the proportion of funding which must go for housing versus community services, such as education programs.

### *Housing Preservation*

On March 11 Financial Services Committee chair Barney Frank (D-MA) released his draft for a comprehensive housing preservation program, "Housing Preservation and Tenant Protection Act of 2010." The bill contains numerous provisions related to preserving HUD and USDA Rural Development housing. The draft includes a controversial first right of refusal in which HUD or its designee could purchase affordable housing properties at fair market value to prevent them from being lost permanently to the private market. Frank plans to introduce the bill March 17, with a first hearing March 24. Click here for a [section-by-section explanation](#) of the bill.

### *Tenant Rights in Foreclosure*

Minnesota's Keith Ellison (D-MN) introduced a bill ([HR 4766](#)) to extend protections for renters in foreclosed properties. The law would make permanent the existing protections, which were also authored by Ellison. The tenant rights in the bill, which are currently scheduled to sunset at the end of 2012, require buyers of foreclosed rental properties to honor preexisting leases, unless the buyer will occupy the home. In such cases, tenants must be given at least 90 days to vacate.

### *MN Advocates Step Up for Federal Low Income Housing Tax Credits; 9% Exchange Expected*

On March 10 MHP delivered a [sign-on letter](#) to Representatives Ellison and McCollum requesting that they co-sponsor the Sanchez (D-CA) bill for low income housing tax credits. Thirty-seven Minnesota non-profit, for-profit and government agencies added their names to the letter. The Sanchez bill would extend the exchange of nine-percent low income housing tax credits by one year *and* allow for the exchange of four percent credits. In related news, the Senate passed a jobs bill March 10 which includes the one-year exchange of nine percent credits. With the House having passed a jobs bill earlier, the extension of the nine-percent credit should soon be signed into law.

## Heard Under the Capitol Dome

*Legislators Sound off about the Line-Item Vetoes of the Bonding Bill:*

“Can you explain to me what the right priorities are when he decides to cut public housing, but fund a volleyball center, zoos, and all these cultural institutions?”—*Moderate rural Republican who also lost a project in home district.*

“I don’t get this about the right priorities. He cut all the funding for transit and MNSCU (State colleges & universities) while giving the okay to cultural projects?” – *Urban DFL leader*

“This administration was going to end homelessness, but vetoed funding for public housing?” – *Suburban legislator*

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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](mailto: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](mailto: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.