



## Minnesota Legislative Session for 2010: How Housing Fared

It will come as no surprise that the state's fiscal environment dominated the 2010 Legislative Session, with lawmakers required to address a \$3 billion shortfall this biennium, let alone the looming \$6 billion deficit projected for 2012-2013. The session was also marked by the start of the election season, including the gubernatorial race. At least 10 legislators engaged in gubernatorial campaigns while the Governor's aspiration to run for president also colored the session. Finally, throughout the session, many observers noted that "everyone was holding their collective breaths" as we awaited the Minnesota Supreme Court ruling on 2009 unallotments and hoped to see the impact of a slow, lumbering economic recovery.

It was within this context that housing advocates worked to advance a number of policy initiatives to create and preserve affordable housing in our state. Among the most significant was the launch of the *HousingJobs Campaign* which will create 10,000 additional units of housing to meet the demand for affordable housing, create jobs, stabilize communities and increase local revenues. *HousingJobs* introduced a number of bills with hopes of passage within three years. In addition, the following housing related issues advanced this session.

### BUDGET

- Minnesota Housing budget: The full loss to the Minnesota Housing budget totaled \$4.7 million in 2010-11 (5.4% of total budget) and \$5.4 million in 2012-13 (6.2% of budget).
  - For 2010-11, \$4.7 million in cuts included \$4.2 million split between the PARIF (Preservation Affordable Rental Investment Fund) and the Rental Rehab Loan Program. An additional \$512,000 was cut from the Rehab Loan Program when Pawlenty's 2009 unallotment was ratified.
  - For 2012-13, \$5.4 million in cuts was made to the budget for 2012-13, again to PARIF and the Rental Rehab Loan Program.
- Renters' credit: The final budget ratified the \$52 million 2009 unallotment cut to the renters' credit, cuts to subsequent years were avoided. About 300,000 low- and moderate-income renters will see a tax increase of \$129 on average for 2010.
- MFIP penalty: Despite proposals to increase the Minnesota Family Investment Program (MFIP, or cash assistance) penalty, the final bill did not include any changes to the penalty for the MFIP recipients. The existing MFIP penalty is a \$50 monthly reduction in MFIP assistance for those who also receive federal housing subsidies such as public housing or Section 8. However, the \$50 bonus for families leaving MFIP has been reduced to \$25.

### BONDING

- The final bonding bill totaled \$680 million. The legislature originally passed a \$1 billion bonding bill, but the Governor line-item vetoed over \$300 million in projects, including \$10 million in General Obligation (GO) for public housing rehabilitation.
- The bonding legislation increased by \$6 million the authority of Minnesota Housing to issue non-profit housing bonds for permanent supportive housing. The measure also allows the option of using this \$6 million, in addition to any of the as-yet-unspent \$30 million issued in 2008, for remediation of vacant or foreclosed homes for rental housing.



## TAXES

- Historic Preservation Tax Credit allows property owners to receive a state income tax credit equal to 20% of the cost of rehabilitating a qualifying historic property or a grant equal to 90% of the allowable federal rehabilitation tax credit through 2015. The program mirrors the federal rehabilitation tax credit, which requires properties to be listed in the National Register of Historic Preservation. Homesteaded residential projects are not eligible.
- Sales tax exemption: The provision enables limited liability companies owned by nonprofit developers to be exempt from sales tax on construction materials for sales and purchases made after June 30, 2010.
- Manufactured housing park co-op property taxes: The language provides manufactured home park cooperatives homestead treatment, defined in the following way: if a manufactured home cooperative has a membership rate among occupied units of 50% or more, the park is entitled to the 4d tax class rate (0.75%) on property taxes. If membership is below 50%, they receive a 1% rate.
- Tax Increment Finance (TIF) provisions increase the number of properties that can be placed in a scattered site TIF district, and allows for up to 75% recovery of acquisition and holding costs. This is a very important change that will help cities recover from foreclosure.

## POLICY

- Tenant Bill of Rights enacts a set of reforms that strengthens the rights of tenants in the following ways: 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.
- Minnesota SAFE Act enacts safeguards to guard against predatory and exotic loan products while exempting organizations like Habitat for Humanity and the MN Home Ownership Center from the individual bonding/licensing requirements due to prohibitive costs for such organizations. However, these SAFE Act exemptions are subject to HUD allowing states to create such exemptions.
- Comp Plan Law Changes allow a governing body to change its Comprehensive Plan with a simple majority vote, if the change is for the purpose of affordable housing. Previously, changes to Comprehensive Plans required a super majority (two thirds) vote of the governing body.
- Reverse Mortgage Protections require applicants for reverse mortgages to receive counseling from an independent housing counseling agency approved by HUD and allowing applicants a short period of time to rescind on reverse mortgage agreements. The bill also requires a notice of the right to redemption and foreclosure advice for homeowners facing sheriffs' sales.