Increased affordable housing tax breaks sought

Housing advocates outline priorities for 2008 session

BY CHARLEY SHAW
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Assistant Senate Majority Leader Tarryl Clark, DFL-St. Cloud, spoke last Thursday to housing advocates in St. Paul. She said new spending for housing programs will be difficult to find in 2008 because the state's budget faces a projected shortfall. (Photo by Bill Klotz)

Skyline Tower in St. Paul and the Shingle Creek development in north Minneapolis both provide affordable housing for low-income Minnesotans.

But only Skyline, which was built in 1971 and overlooks I-94, qualifies for a state property tax break for affordable housing.

CommonBond Communities of St. Paul, part owner of Skyline, receives $100,000 in reduced property taxes each year because it qualifies for the so-called 4-D property tax classification for low-income housing, according to Deb Lande, CommonBond's director of community relations. Skyline has 504 units that are home to about 1,000 people, many of them recent immigrants from Africa and South East Asia who have found affordable housing in the high rise.

CommonBond, which says it's the largest nonprofit provider of affordable housing in the Upper Midwest, would like to get the same tax break for its Shingle Creek property.

But under current state law, it can't.

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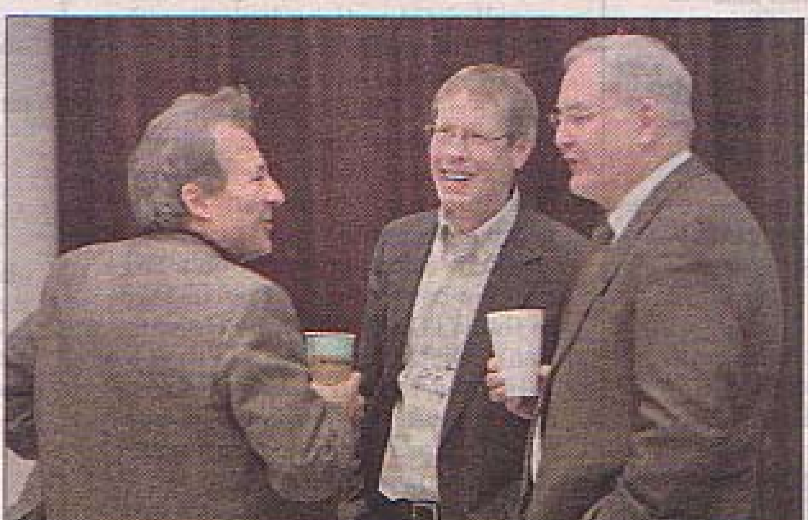

Lobbyist Julian Loscalzo, left, Minnesota Housing Partnership Executive Director Chip Halbach, center, and state Rep. Lyndon Carlson, DFL-Crystal, chatted last Thursday at the Housing Partnership's 2008 legislative priorities event in St. Paul. The Housing Partnership is calling on lawmakers to fund housing to end long-term homelessness and policies that expand affordable housing. (Photo by Bill Klotz)

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Housing: Foreclosures have become a significant concern.

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Shingle Creek has 75 housing units for senior citizens, but unlike Skyline, only one quarter of those units qualify as affordable housing.

That distinction means Shingle Creek can't receive the 4-D tax classification for the portion of units that qualify as affordable housing. Lande would like state lawmakers to expand the 4-D tax classification.

"If they could make the law so that any property that has an affordable component to it can have access to the (4-D) tax break, then we'd all be better off because there would be more mixed-income developments built," Lande said.

State housing advocates who held a legislative preview event last Thursday at the Skyline said expanding 4-D is one priority for the 2008 legislative session, which starts Feb. 12.

Under current law, properties must have 75 percent or more of their units as affordable housing in order to receive the preferable 4-D tax classification. Properties must also receive state or federal funding to qualify, therefore local government financing doesn't qualify as 4-D.

The current 4-D law is more expansive than it was earlier this decade – the classification was eliminated as a result of the 2001 property tax reforms during Gov. Jesse Ventura's administration. In 2005, lawmakers restored the 4-D law to its current state.

Shannon Guernsey, the Minnesota Housing Partnership's vice president for programs, said she hopes lawmakers will expand the program further this year.

"We're hoping that is something that can be tackled and taken care of in a very short session," Guernsey said.

During the legislative preview event, housing advocates cited other priority proposals, including borrowing to pay for the state's on-going efforts to provide permanent housing for people experiencing long-term homeless. Other proposals address the more recent spike in mortgage home foreclosures.

State lawmakers told the group of housing advocates that new money for programs will be difficult to find amid the state's projected $373 million budget shortfall for the biennium.

Senate Assistant Majority Leader Tarryl Clark, DFL-St. Cloud, said the downturn in the economy will make new spending for housing programs difficult to pass.

"I'm going to be honest, if it's got a high price tag, I'm not sure we're going to do that," Clark said.

In fact, Clark implored the audience of housing advocates to be in "preservation mode" and guard against programs that might get cut.

Tonja Orr of the Minnesota Housing Finance Agency said the agency's "major focus" in 2008 will be winning $30 million in bonds to build 200 new housing units for people at risk of experiencing long-term homelessness. Gov. Tim Pawlenty made the $30 million proposal with an unusual twist: the bonds would be issued through the Housing Finance Agency rather than through the Minnesota Finance Department like other projects funded in the bonding bill. The change allows nonprofit developers to create supportive housing paid by the state's capital investment dollars. If done the normal way, only public entities can own the homes.

"A lot of communities are not used to owning residential housing. They're used to owning a library or a fire station," Orr said.

Minnesota Housing Partnership Executive Director Chip Halbach said the bonding plan moves the state closer to its business plan to create new permanent housing with supportive services.

"This is really a significant piece of bringing that plan to fruition. It's very important that the Legislature approve this bonding request," Halbach said.

Home foreclosures have become a significant concern for housing advocates since the nationwide housing market downturn and spike in home foreclosures.

Housing advocates formed several committees this summer to craft policy solutions to the foreclosure problem. Ron Ellwood of Minnesota Legal Aid said more than 20 proposals have come out of the working groups that range from enhanced prosecution for mortgage fraud to early intervention for homeowners at risk of foreclosure. He said the legislative effort to get the bills through the legislative process in a short session is daunting.

"We're going to try the speed-dating concept," Ellwood said.