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Equal Opportunity Housing and Equal Opportunity Employment

Legislative Summary 2010

The 2010 legislative session dealt with the state budget much more than a typical bonding year. The capital investment bill was signed in March, leaving a supplemental budget as the primary remaining task. While typically the capital investment bill is the main event at the capitol in an even-numbered year, the supplemental budget bill was also needed because of the forecasted additional \$1 billion deficit. The projected deficit assumed the unallotments made by Governor Pawlenty in June, 2009 remained in place. At the beginning of May, the Minnesota Supreme Court ruled 4-3 that Governor Pawlenty violated state law by using unallotment for \$2.7 billion prior to the enactment of a balanced budget. While the court's ruling related to the unallotment for a small human services program, it opened the door for the other unallotments to be held invalid. With this complication to address, negotiations stalled and an agreement was not reached until late on the final night of the session. A special session was used to pass the budget-balancing bill on the final day of the 2010 regular legislative session. While this balances the budget given the current biennium's deficit, a larger deficit is projected for the next biennium, fiscal years 2012-2013. Detailed below are summaries of legislation passed in the 2010 state legislative session that impact the agency.

Capital Investment (Bonding) (Chapter 189)

Nonprofit Housing Bond Authority Increase (Section 45)

The legislation includes an increase to the nonprofit housing bonds (appropriations bonds), authorized in 2008, from \$30 million to \$36 million. The increase allows the agency to maximize lower interest rates and does not change the amount of debt service appropriated to pay off the bonds. The additional \$6 million in appropriation bond proceeds may be used for either permanent supportive housing or for acquisition and/or rehab of foreclosed or vacant properties to be owned by a nonprofit organization and rented to low- and moderate-income households.

Public Housing (Section 23) - *vetoed*

The legislature appropriated \$10 million in General Obligation (G.O.) bond proceeds to Minnesota Housing for the purpose of public housing preservation and replacement of units damaged by fire. This appropriation was vetoed by the Governor.

Supplemental Budget Bill (Chapter 215)

Minnesota Housing Appropriation Reductions (Article 7, Section 11)

Because of the increased deficit, the agency's base budget was reduced for the current FY10-11 biennium as well as the next biennium. For FY10-11, \$3.217 million is reduced from the Affordable Rental Investment Fund - Preservation (PARIF) program and \$1 million is reduced from the rehabilitation loan program for multifamily rental properties, a total of \$4.217 million (4.9% base budget reduction). In FY12-13, the budget is reduced by \$4.9 million (5.7% base budget reduction) to \$81.768 million. The programs targeted for reductions for FY12-13 may be changed; next year as part of the biennial budgeting process, the agency may propose a different allocation of the remaining base funding. The reductions for the current biennium are approximately \$400,000 below the Governor's recommendations.

Minnesota Housing Updated Budget, FY2010-2011

| Minnesota Housing Programs | FY 10-11 Budget | FY 10-11 Supplemental Budget Base Change | Unallotment Ratification | % Change w/ Supplemental Budget & Unallotment | Final FY 10-11 Budget |
|-------------------------------------|------------------------|---|---------------------------------|--|------------------------------|
| Challenge | \$14,786,000 | | | | \$14,786,000 |
| Homeownership Assistance (HAF) | \$1,720,000 | | | | \$1,720,000 |
| Preservation (PARIF) | \$17,642,000 | -\$3,217,000 | | -18% | \$14,425,000 |
| Rehab Loans | \$8,574,000 | -\$1,000,000 | -\$512,000 | -18% | \$7,062,000 |
| Family Homeless Prevention (FHPAP) | \$14,930,000 | | | | \$14,930,000 |
| Housing Trust Fund (HTF) | \$21,110,000 | | | | \$21,110,000 |
| High-Risk Adult Demonstration Proj. | \$500,000 | | | | \$500,000 |
| Bridges | \$5,276,000 | | | | \$5,276,000 |
| Homeownership Counseling (HECAT) | \$1,730,000 | | | | \$1,730,000 |
| Capacity Building | \$500,000 | | | | \$500,000 |
| TOTAL | \$86,768,000 | -\$4,217,000 | -\$512,000 | -5.5% | \$82,039,000 |

Assistance for Homeless Veterans (Article 6, Section 3)

The Minnesota Assistance Council for Veterans is appropriated \$100,000 in one-time funds in FY2011 to provide assistance throughout Minnesota to veterans and their families who are homeless or in danger of homelessness, including housing, utility, employment and legal assistance.

Omnibus State Budget Bill (1st Special Session 2010, Chapter 1)

Minnesota Housing Budget Reductions (Article 9, Section 4)

As part of the ratification of the original unallotments from 2009, \$256,000 for each year of the biennium is reduced from the appropriation to the agency for the housing rehabilitation program for rental housing developments.

Lead Base Grant Program Reduction (Article 25, section 4)

For each of FY 2010 and FY 2011, \$25,000 in state funding is reduced from the temporary lead-safe housing base grant program.

Group Residential Housing Supplemental Service Rate Reduction (Article 15, section 13)

Group residential housing (GRH) supplementary service rate is reduced by 5 percent for services rendered on or after November 1, 2009 through June 30, 2011. The general fund reduction is \$467,000 in FY10 and \$706,000 in FY11.

Housing with support services grants (Article 25, Section 3, Subd. 8)

Grants to counties for persons with serious and persistent mental illness were reduced by \$3.3 million for FY 2010.

Jobs and Tax Credit Bill (Chapter 216)

Historic Tax Credit (Section 11)

The Credit for Historic Structure Rehabilitation provides credit against income tax or insurance premium tax liability equal to the amount of the federal historic structure rehabilitation credit for projects that are placed in service during the taxable year. The law also allows the Minnesota Historical Society to pay a grant in-lieu of the credit, equal to 90 percent of the credit. The tax credit expires after fiscal year 2015, with credits issued before then in effect through 2018. The credit is available for taxable years beginning after December 31, 2009 for certified historic structures for which qualified costs of rehabilitation are first paid under construction contracts entered into after May 1, 2010.

Voluntary Energy Improvements Financing Program (Section 4)

Local governments are authorized to establish a financing program to assist owners of qualifying real property to pay for cost-effective energy improvements. The program must be funded with the net proceeds and interest earnings of revenue bonds. The financing program requirements include, but are not limited to, an energy audit or renewable energy system feasibility study be conducted on the property prior to loan approval; inspection after the installation of improvements; work performed by licensed contractors; and disclosures made to the property owner about the risk of borrowing. On-site generation is allowed as permitted in statute. The financing program should cooperate and coordinate with utility conservation improvement activities and other energy improvement programs. Local governments shall provide borrowers a certificate upon completion of a project that states their participation and the energy improvements that were made. The law also authorizes a local government that finances an energy improvement under the program to secure payment with a lien against the property and by special assessment.

Omnibus Tax Bill (Chapter 389)

Manufactured Home 4d Classification (Article 1, Section 15)

For the purpose of property tax assessment, the market value of manufactured home parks has the same class rate as class 4d property if more than 50 percent of the lots in the park are occupied by shareholders in the cooperative corporation or association and a class rate of one percent if 50 percents or less of the lots are so occupied. This provision is effective for taxes levied in 2010, payable in 2011 and thereafter.

Construction Materials for Low-Income Housing Projects (Article 4, Section 6)

The sales tax exemption on construction materials for affordable rental housing to developments is expanded to include a limited liability company if it consists of a sole member that is an eligible nonprofit corporation. This section is effective for sales and purchases made after June 30, 2010

Entitlement Transfer of Allocated Bonding Authority (Article 7, Section 9-10)

Entitlement issuers, including the Minnesota Housing Finance Agency, Minnesota Office of Higher Education, and Minnesota Rural Finance Authority, may transfer allocated bonding authority to one another under agreement by each agency and the commissioner. The total amount of allocations for student loan bonds from the unified pool may not exceed \$25 million per year, an increase from the previous cap of \$10 million per year.

Expanded Authority for Energy Improvements Program (Article 7, Section 11)

Authority to issue bonds under the new voluntary energy improvements financing program for local governments is expanded to include a housing and redevelopment authority, economic development authority, or port authority. This amends language in Chapter 216, the Jobs and Tax Credit Bill, which authorizes local governments to establish a revenue bond financing program for cost-effective energy improvements.

Omnibus Economic Development (Chapter 347)

S.A.F.E. Act (Article 4)

In conformance with the federal law, the Minnesota Secure and Fair Enforcement for Mortgage Licensing Act of 2010 (SAFE Act) provides for the licensing and regulation of an individual engaged in the business of a mortgage loan origination or the mortgage loan business. The Department of Commerce will license and regulate residential mortgage industry employees. Under current Minnesota law, the department licenses the business entities (not their employees) that make mortgage loans and holds the businesses responsible for the honesty and competence of their employees. Under this article, Minnesota would participate in the Nationwide Mortgage Licensing System and Registry, which involves uniform nationwide standards and a nationwide database of individual licensees. The state legislation allows for the exemption of an employee of a

nonprofit organization or a local unity of government that is not otherwise engaged in the mortgage loan business, engaged in the financing of housing for low- and moderate-income households or housing counseling under programs designed specifically for those purposes, subject to United States Department of Housing and Urban Development approval.

Housing Element of Comprehensive Plan (Article 1, Section 24)

A resolution to amend or adopt a comprehensive plan must be approved by a two-thirds vote of all the members, except for amendments to permit affordable housing development. Amendments to a comprehensive plan to permit affordable housing development are now subject to approval by a simple majority of all the members. Affordable housing development is defined as a development in which at least 20 percent of the residential units are restricted to occupancy for at least ten years by residents whose household income at the time of initial occupancy does not exceed 60 percent of area median income, adjusted for household size.

Foreclosure Initiatives

While foreclosure prevention and remediation legislative initiatives were less prominent than in the past couple of years, a few primarily technical provisions passed.

- A conforming change is made to provide for the right to a borrower of a homestead property to obtain a postponement of a foreclosure sale that has a 12-month redemption period, as is now available for a six-month redemption period. This section is effective 30 days after the date of final enactment and applies to foreclosure sales scheduled to occur on or after that date. (Chapter 237)
- Known as the “Tenant Bill of Rights”, the legislation addresses landlord-tenant interactions. Provisions include granting tenants the right to live in foreclosed property to lease terms or 90 days beyond the foreclosure redemption period, further regulating applicant screening fees, caps late fees at 8% of rent, and penalizes landlords for “bad faith retention” of security deposits. (Chapter 315)
- Miscellaneous foreclosure- and mortgage-related provisions are in Chapter 375. Reverse mortgages are redefined to delete the specification that the loan is due once the principal loan amount has been paid. The requirement that the loan be repaid once the lender makes the final installment payment is removed. Political subdivisions are authorized to recover costs associated with obtaining a five-week redemption period. Directions for delivery of foreclosure advice and redemption rights notice to owners are modified. (Chapter 375)

Omnibus Transportation Policy Bill (Chapter 351)

Included in Section 52 of the Omnibus Transportation Policy Bill is a new state policy for Complete Streets. Complete Streets are designed and operated to enable safe access for all users. The goal of Complete Streets is to develop a balanced transportation system that integrates all modes via planning inclusive of each mode of transportation (i.e., transit, freight, automobile, bicycle and pedestrian) and include transportation users of all types, ages and abilities. The legislation directs the commissioner of MnDOT to confer with other stakeholders and agencies in implementing a Complete Streets policy. Local road authorities are encouraged but not required to embrace complete streets.

State Building Code Amended for Lead Certification (Chapter 321)

The state building code relating to residential construction is amended to enforce new federal Environment Protection Agency (EPA) rules for lead certification. Effective February 1, 2011, municipal lead certification verification is required of residential building contractors working on pre-1978 structure. When issuing permits in compliance with the State Building Code to a residential building contractor, residential remodeler, manufactured home installer, or residential roofer, municipalities must verify lead certification qualification of the licensee for renovations performed on residential property constructed prior to 1978.

Ladder Out of Poverty Task Force Established (Chapter 374)

The Ladder Out of Poverty Task Force is established to assist the legislature in identifying policies, strategies and actions to assist residents to escape and avoid poverty through accumulation and maintenance of assets. The task force shall ensure that representatives of organizations that work to address poverty meet with and present their views, including organizations that have as one of their missions combating predatory lending, relevant state and local agencies, and community action agencies. By June 1, 2012, the task force must provide written recommendations and draft legislation necessary to implement the recommendations.

Copies of legislation

To access the language of any of the regular session legislation, go to:

<https://www.revisor.mn.gov/laws/?view=session&year=2010&type=0>

To access the language of the special session legislation, go to:

<https://www.revisor.mn.gov/laws/?view=session&year=2010&type=1>

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