

## Annual Meeting and Board Elections

Special thanks to those who attended Metro Cities' Annual Meeting last Thursday evening. We were pleased to have a record turnout for the meeting, held this year at the Como Zoo Conservatory. Guest speakers were St Paul and Minneapolis Chambers of Commerce Presidents Brenda "B" Kyle and Jonathan Weinhagen respectively, who discussed their visions for their chambers and how they work with businesses and local officials.

Member city officials elected Mary Gaasch, Mayor-Lauderdale as President, and Mark McNeill, City Administrator-Mendota Heights, as Vice President. Members also elected Mary Hamann-Roland, Mayor-Apple Valley, and J. Thomas McCarty, City Administrator-Stillwater as new Board members. Myron Bailey, Mayor-Cottage Grove, Lisa Laliberte, Councilmember-Roseville, and Rebecca Noecker, Councilmember-St. Paul, were elected to second Board terms. Congratulations to new board members and officers!

Metro Cities would also like to thank outgoing board members Anne Mavity, Past President, and Candy Peterson for their service on the Board and commitment to the organization.

## Omnibus Supplemental Finance Bills Moving Through Legislative Process

Omnibus supplemental finance bills are moving through the committee processes in both the House and Senate. Below is a summary of provisions of interest to Metro Cities in omnibus supplemental bills.

Bills in the House are moving separately, while we expect omnibus bills in the Senate to be rolled into one large omnibus finance bill.

## Omnibus Transportation Bills

The Senate Transportation Committee and the House Transportation Finance Committee passed omnibus Transportation Finance and Policy Bills. The Senate bill, [SF 3806](#) passed the Senate Finance Committee on Monday. The House Bill, HF 4160 was passed to the Ways and Means Committee. The House set its transportation budget target at \$101 million (general fund revenue). To view the delete-all amendment to HF4160, click [here](#).

*Funding provisions in HF 4160 include:*

- \$75.2 million to the Highway User Tax Distribution Fund. This includes:
  - \$6.6 million new Municipal Street Aid (MSA) funding in FY 2019
  - \$7 million for Small Cities Assistance Account in 2019 and \$16 million in FY 2020-21)
  - \$25.2 million for CSAH (county state aid highway) in FY 2019
- \$2.5 million to Suburban Transit providers for capital costs and \$1 million in operating costs. (Funds are for a suburb to suburb project).
- \$9 million in FY2018-19 and \$18 million in 2020-21 for reimbursements to deputy registrars for costs related to the MNLARS rollout.
- \$5 million in 2019 for a new Freight Rail Economic Development program. All government units, including cities, would be eligible to apply.
- \$145 million in trunk highway bonds for the Corridors of Commerce Program.

*Policy provisions in HF 4160 include:*

- Provisions to improve data sharing between the Department of Human Services and Metropolitan Council to create efficiencies in special transportation services, including the Metro Mobility program.
- Defines allowable state funded operating costs related to light rail transit for daily operations and maintenance only; disallows costs for new buildings or facilities, new vehicles, or technology improvements.
- Prohibits state funding for capital costs related to light rail projects.

*Policy changes in HF 4160:*

- Changes the frequency that the Metropolitan Council must report transportation financial records to the Legislative auditor from quarterly to biannually.
- Directs the Council to report any changes to its budget to the Legislature.
- Requires the Metropolitan Council to develop a financial overview and forecast in conjunction with state budget forecasts and specifies financial overview content, including identification of budget numbers for the previous four years and anticipated financials for the forecast period.
- Extends the required coverage area of Metro Mobility to include Lakeville and allocates \$1.8 million from the General Fund for this purpose.
- A requirement to former CTIB counties to report annually to the legislature on local option sales tax use.
- A change to trip frequency on the Northstar Commuter Rail that would shift funding for expanded service to St. Cloud. Directs MNDOT to negotiate with BNSF Railway to extend the line to St. Cloud.

*Funding provisions in SF 3806 include:*

- \$9 million in 2018 for reimbursements to deputy registrars for costs related to the MNLARS rollout.
- \$15.1 million for MNLARS development and quarterly review by a proposed MNLARS steering committee.

*Policy provisions in SF 3806 include:*

- A requirement that at least 49 percent of Corridors of Commerce program funding be allocated in the metro area and 49 percent to greater MN. MNDOT would have discretion on the remaining 2 percent.
- A prohibition on collocating a light rail line in the same rail corridor as a freight rail line. (Southwest and Bottineau projects currently plan for collocation).
- Requires the Metropolitan Council to develop a financial overview and forecast in conjunction with state budget forecasts and specifies financial overview content, including identification of budget numbers for the previous four years and anticipated financials for the forecast period.
- Directs the Metropolitan Council to report any changes to its budget to the Legislature.
- Requires the Metropolitan Council include three specific components in its report to the legislature and requires the Council to identify budget assumptions used to prepare the report, provide copies of any reports or applications that were submitted to the Federal Transit Administration and identify the assumptions made in those reports, and explain the impact of the identified assumptions on the Metropolitan Council's budget forecast.
- Requires the Metropolitan Council to include three revenue scenarios in the Transportation Policy Plan (TPP).

- Limits light rail operating costs to existing system. (the Council has testified that this language would cap service levels at the time of enactment, limiting the ability to increase frequency or service hours in the future).
- Removes state 50 percent share of LRT operating costs for Bottineau or other future LRT lines. A similar provision has already been included into law restricting state funding for Southwest LRT.

### **Omnibus Jobs & Housing Bills**

The House and Senate Jobs and Housing committees released, debated, amended and passed their respective bills that contain policy and budget changes to economic development programs at DEED and housing programs at Minnesota Housing Finance Agency. The Senate bill was debated in the Senate Finance Committee Monday and amended into the supplemental omnibus finance bill. The House Jobs bill is scheduled to be taken up by the House Ways and Means committees this week, then sent to the floor for debate and passage.

*Senate Jobs Bill* – [SF3945](#), Miller

- Moves \$2 million from \$12.5 million Minnesota Investment Fund to Redevelopment & Demolition Loan Grant Program in FY19. Maintains \$12.5M MIF base.
- Directly appropriates funds for two MIF projects.
- Funds border to border broadband grant program at \$15 million in FY2019.

*Senate Housing* – [SF2893](#), Westrom

- Includes five consensus areas on state's tax-exempt bonding for affordable housing.
- Requires MHFA report "on the effects of local regulation, fees and zoning decisions that raise the cost of development of affordable housing."
- Does not include expansion/clarification of matching requirements for local housing trust funds. No state matching funds were included in the bill.
- Adds Housing Infrastructure Bond eligibility for seniors.
- Adds manufactured home eligibility in Challenge Program, Housing infrastructure bonds – infrastructure, acquisition and manufactured home relocation trust fund.
- Adds several additional changes related to manufactured and modular homes, including: allowing modular homes to be placed in manufactured home parks and classified as a manufactured home with prior approval of a manufactured home park owner; requiring manufactured homeowners who are making an offer to meet the cash price for the manufactured home park to covenant and warrant that the land will be continued as a manufactured home park for at least six years after sale; increasing the minimum balance amount in the manufactured home relocation trust fund to trigger an assessment on manufactured homes to \$3 million from \$1 million; increasing the maximum relocation payment for relocation of a single manufactured home section within a 25-mile radius to \$9,000 (up from \$7,000); broadening the use of the manufactured home park redevelopment program to include all ownership types; and adds land acquisition as qualifying for manufactured home park infrastructure grants.

*House Jobs & Housing* – [HF4289](#), Garofalo

- Cuts \$12.5 million Minnesota Investment Fund by \$5 million and directly appropriates \$3.5 million to projects, leaving \$4 million for statewide projects in FY2019.
- Cuts \$8.5 million Job Creation Fund by \$7 million, leaving \$1.5 million for statewide projects in FY2019.
- Funds border to border broadband grant program at \$15 million in FY2019.
- Includes tip credit language to minimum wage statute.

- Includes five consensus areas on state's tax-exempt bonding for affordable housing, plus two non-consensus items that would eliminate the single family home set aside Minnesota Housing uses to provide down payment assistance and other mortgage services to first-time homebuyers.
- Allows the legislature to review a state agency code change (building, energy, plumbing, electrical) that could raise the cost of a residential housing unit by \$1,000 or more.
- Prohibits a city from implementing a rent control ordinance. Currently, cities, towns, and counties can pass local rent control measures if the measure is approved in a general election and allowed by special legislation.
- Retroactively allows funds received by a local government from loan repayments under the Minnesota investment fund to be committed to a business revolving loan fund partially funded by the federal government, until July 1, 2018. Clarifies that funds committed in this way may then be used for any purpose allowed by the federal program that provided that partial funding.
- Renames MIF to the "North Star Opportunity and Development Account."
- Adds several additional changes related to manufactured and modular homes, including: allowing modular homes to be placed in manufactured home parks and classified as a manufactured home with prior approval of a manufactured home park owner; requiring manufactured homeowners who are making an offer to meet the cash price for the manufactured home park to covenant and warrant that the land will be continued as a manufactured home park for at least six years after sale; increasing the minimum balance amount in the manufactured home relocation trust fund to trigger an assessment on manufactured homes to \$3 million from \$1 million; and increasing the maximum relocation payment for relocation of a single manufactured home section to \$9,000 (up from \$7,000).

Metro Cities testified to oppose cuts to MIF in both bills and the JCF cuts in the House bill. While Metro Cities supports funding for the Redevelopment Grant Program, we are concerned the funds come from an existing appropriation for successful economic development programs rather than new funding.

The House omnibus bill contained concerning language capping city application fees on macro cell installation. Metro Cities and the League of Minnesota Cities opposed this provision. Several cities submitted letters in opposition and the language was removed from the final bill.

Contact Charlie Vander Aarde at [charlie@metrocitiesmn.org](mailto:charlie@metrocitiesmn.org) or 651-215-4001 with any questions.

### **State Government Finance Bills**

The House State Government Finance bill, HF 4016, which is making its way through the committee process, contains language from HF 3273-Albright, that would restructure the Metropolitan Council to require it to be made up of local officials. The bill language also increases the size of the Council from 17 to 28 members, and eliminates the Transportation Advisory Board. The bill has passed the State Government Finance Committee and Taxes Committee and was sent to Ways and Means. Metro Cities opposes this language and has testified in opposition to these provisions in HF 4016 as the bill continues to move through the process.

### **Omnibus Tax Bills**

The House Taxes Committee on Tuesday passed a 2018 omnibus tax bill, [HF 4385](#) that is largely composed of federal tax conformity provisions, and includes several items of interest to Metro Cities.

*Of interest to Metro Cities:*

The bill includes reverse referendum and notification provisions for municipal franchise fees. If a city imposes a franchise fee that raises revenue beyond the costs associated with utility

operations, a referendum is triggered if 5% of registered voters petition for it. The bill also includes a reverse referendum requirement for lease-purchase agreements entered in by cities with EDAs, HRAs or similar entities, with a referendum triggered by 10% of voters at the last general election. The bill also prohibits taxes and fees on food containers. Metro Cities testified in opposition on the provisions.

*Other provisions in the bill include:*

- One-time LGA increase for Lilydale and Hermantown
- Sales tax exemptions for several communities including Inver Grove Heights, Minnetonka, Eko New Market, Melrose and Virginia
- TIF law provisions for Minneapolis, Champlin and Bloomington
- Local sales tax changes for Cloquet and Saint Cloud
- Prohibition on local spending or use of eminent domain related to the construction of passenger rail between Rochester and the Twin Cities
- Requirement that Hennepin County share a portion of its transportation sales tax revenue with cities of Plymouth and Maple Grove
- Requirement that moves local referendums to the first Tuesday after the first Monday in November

The bill does not include a provision that passed the Property Tax Division that required offsets to local government aid (LGA) for sanctuary city activities, and does not include a proposed LGA increase that was heard by the Property Tax Division. The tax bill will be heard in the Ways and Means Committee today before being sent to the floor. The Senate has not yet released an omnibus tax bill.

Questions? Contact Patricia Nauman at [patricia@metrocitiesmn.org](mailto:patricia@metrocitiesmn.org).

## **Housing Development Costs Discussed at Governor's Task Force on Housing, at Legislature**

Housing supply and shortages of affordable housing units available to a range of Minnesotans at a range of incomes, were discussion topics at all three task force meetings of the Governor's Task Force on Housing in recent weeks. The Homeownership, Rental Housing and Housing Stability & Opportunity Work Groups all discussed housing supply issues at the below 30 percent, 50 percent and 80 percent area median income levels.

Housing cost drivers have also been discussed at the legislature. A bill allowing legislative review of building code changes that have a \$1,000 impact on housing costs was included in the House Jobs bill and committees have heard presentations from builders and MHFA on cost drivers across the state.

Responding to these broad conversations in the legislature, the governor's housing task force as well as a recent commentary in the Star Tribune, Metro Cities, the League of Minnesota Cities, Association of Small Cities and the Coalition of Greater Minnesota Cities submitted their [own commentary](#) clarifying city roles in housing.

Metro Cities will continue to monitor conversations and proposals around local roles and local fees and respond to potential legislation and task force recommendations in a manner consistent with its policies.

Contact Charlie Vander Aarde at [charlie@metrocitiesmn.org](mailto:charlie@metrocitiesmn.org) or 651-215-4001 with any questions.

## **TAB Approved Draft Transportation Policy Plan Release for Public Comment**

Last week, the Transportation Advisory Board (TAB) recommended approval of a draft Transportation Policy Plan (TPP) for public comment. The TPP plays a central role in the regional transportation planning process and is updated every four years. See the draft [here](#).

The draft includes updated sections on electric cars and a metro mobility task force report. Corridors of Commerce projects, expected to be announced in this month, will be added in June. The public comment will begin in July. After the public comment period, the TAB will consider final approval in September, followed by the Metropolitan Council's consideration in October.

## **Met Council Committees Consider Wastewater Reuse Amendment**

The Met Council met as a Committee of the Whole to consider amendments to the Water Resource Policy Plan (WRPP) to address wastewater re-use projects and criteria. The Environment Committee also met this week, and approved an amendment to the WRPP. The amendment is a result of the work of a Wastewater Reuse Policy Task Force that reviewed regional wastewater reuse policies and made recommendations to address potential opportunities and regional/local partnerships for re-use opportunities. Metro Cities participated on the task force and submitted comments on the proposed amendment. To view a previous article on the Task Force, click [here](#).

After receiving public comments, Council staff have drafted an amendment for full Council consideration that would include: (1) setting reclaimed water cost on a case by case, cost of service model, (2) having the Metropolitan Council cooperate and partner with local communities, and (3) pursuing non-Council funding for re-use opportunities. The amendment would apply a regional cost share based on identified benefits to the wastewater system, or that the project would be inhibited by a prolonged water appropriation permit process. The amendment would cap the regional cost share at 0.75% of total annual municipal wastewater charges.

The amendment will be considered by the full Met Council on May 9<sup>th</sup>. To view the public comments, click [here](#). To view the draft amendment, click [here](#). For more information on the draft amendment, click [here](#).

Questions? Please contact Steve Huser at [steven@metrocitiesmn.org](mailto:steven@metrocitiesmn.org) or 651-215-4003.

## **Gov. Dayton Submits Opportunity Zones to Treasury**

Gov. Mark Dayton last week recommended 128 low-income census tracts in Minnesota to be designated as Opportunity Zones. As Metro Cities has reported, Opportunity Zones were introduced as part of 2017's federal tax reform changes. 50 opportunity zones were designated in the metro, including cities in Anoka (three census tracts), Dakota (three census tracts), Hennepin (25 census tracts), and Ramsey (19 census tracts) counties. [Click here for a map](#) of the metro and statewide designations.

The state does not have a role in Opportunity Zones beyond this initial step. Once approved by the U.S. Department of Treasury, projects in Opportunity Zones will be eligible for funding through Opportunity Funds. Opportunity Funds are an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in an Opportunity Zone and that utilizes the investor's gains from a prior investment for funding the Opportunity Fund. Guidance for opportunity funds are being developed by the Treasury Department and the Internal Revenue Service and should be available later this year.

## **FUNDING: Contamination Cleanup Applications Due May 1**

DEED's Brownfields and Redevelopment Unit is accepting applications for grant funding for contaminated site projects through the Contamination Cleanup and Investigation and RAP Development grant program. See the [call for applications](#). Detailed information on the Contamination Cleanup and Investigation Grant program and application instructions and forms, can be [found on DEED's website](#).

### **EVENT: Metro Meetings of Governor's Housing Task Force Scheduled**

The Governor's Task Force on Housing wants to hear from housing stakeholders in the metro region. As part of Governor Dayton's initiative to review the current housing landscape and make recommendations about affordable housing, a series of forums are being held across Minnesota. Two forums will be held in the metro. The meeting locations are ADA accessible. If you wish to request another type of accommodation due to disability or for language services, please indicate this on the registration form at 72 hours in advance of the meeting.

#### **Thursday, April 26**

6:00 - 9:00 p.m.

Brookview Golden Valley  
316 Brookview Parkway South  
Golden Valley, MN 55426

[Register here](#)

#### **Thursday, May 10**

6:00 to 9:00 p.m.

Continuing Education Center  
University of Minnesota, Saint Paul campus

[Register here](#)

### **Bills of Note**

[SF 3969](#), Chamberlain: waters; creating certification program for new wastewater treatment technology; appropriating money.

[SF 3982](#), Chamberlain: A bill for an act relating to various taxation; tobacco sales, homestead classification.

[HF 4417](#), Runbeck: mass transit; requiring a legislative report on light rail transit projects.

[HF 4418](#), Runbeck: traffic regulations; authorizing certain local road authority adjustment of speed limits.

[SF 4013](#), Senjem: capital investment; authorizing spending to acquire and better public land and buildings and other improvements of a capital nature with certain conditions; modifying previous appropriations; establishing new programs and modifying existing programs; authorizing the sale and issuance of state bonds.

[SF 4017](#), Weber: A bill for an act relating to local government aid; modifying the city formula; increasing the appropriation.

[HF 4445](#), Schomacker: A bill for an act relating to local government aid; modifying the city formula; increasing the appropriation.

[SF 4020](#), Anderson B: A bill for an act relating to local government; prohibiting annexation of a designated area by means other than those identified in an orderly annexation agreement; prohibiting annexation of the designated area by nonparties.

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