

2024 Housing & Economic Development Committee Members

Brett Angell	Community Development Director	Rogers
Karen Barton	Community Development Director	St. Louis Park
Michelle Basham	Economic Development & Housing Director	Brooklyn Park
Tim Benetti	Community Development Director	Apple Valley
Josh Berg	Councilmember	Elko New Market
Kim Berggren	Community Development Director	Brooklyn Park
Jenn Brewington	Community & Economic Development Director	Victoria
Kirt Briggs	Mayor	Prior Lake
Connie Buesgens	Councilmember	Columbia Heights
*Heather Butkowski	City Administrator	Lauderdale
Aaron Chirpich	City Manager	Columbia Heights
Kissy Coakley	Councilmember	Minnetonka
Jeffrey Dahl	City Manager	Wayzata
Ryan Evanson	Councilmember	Fridley
Inderia Falana	Government Relations Representative	Minneapolis
Mitchell Forney	Community Development Director	Columbia Heights
James Fritts	Housing & Economic Development Coordinator	Woodbury
Ryan Garcia	City Administrator	South St. Paul
Andrew Gitzlaff	Community Development Director	Oakdale
Tom Goodwin	Councilmember	Apple Valley
Ben Gozola	Asst. Director of Community Assets and Development	New Brighton
Derek Gunderson	Councilmember	Victoria
Janice Gundlach	Community Development Director	Roseville
Maurice Harris	Councilmember	Golden Valley
Stephanie Hawkinson	Affordable Housing Development Manager and Planning	Edina
Chris Heineman	City Administrator	Little Canada
Steven Huser	Government Relations Representative	Minneapolis
Cheryl Jacobson	City Administrator	Mendota Heights
Rachel James	Councilmember	Columbia Heights
Marvin Johnson	Mayor	Independence
Daniel Lightfoot**	IGR Representative	League of MN Cities
Deb McMillan	Mayor	Victoria
Loren Olson	Senior Government Relations Representative	Minneapolis
**Hannah Pallmeyer	Government Affairs Liaison	Metropolitan Council
Danette Parr	Community Development Director	Maplewood
Eric Petersen	IGR Director	St. Paul
Julie Pointner	Councilmember	Plymouth
Rebecca Schack	Councilmember	Minnetonka
Cara Schulz	Councilmember	Burnsville
Eric Searles	Asst. Community Development Director	Woodbury
Alex Sharpe	Planner & Economic Development Specialist	Apple Valley
Tracy Shimek	Housing & Economic Development Coordinator	White Bear Lake
Lori Sommers	Senior Planner	Plymouth

Mike Supina	Councilmember	Eagan
Jeff Thomson	Community Development Director	Burnsville
Katie Topinka	IGR Director	Minneapolis
Julie Urban	Housing & Redevelopment Manager	Richfield
Jason Wedel	City Manager	Prior Lake
Kimberly Wilburn	Councilmember	Minnetonka
**Owen Wirth	IGR Representative	League of MN Cities
Julie Wischnack	Community Development Director	Minnetonka

*Committee Chair **Guest/Non-City Official

July 31, 2024

TO: Housing and Economic Development Policy Committee Members
FROM: Heather Butkowski, City Administrator, City of Lauderdale
SUBJECT: Meeting Notice and Agenda

Wednesday, July 31, 2024
1:00 p.m. – 3:30 p.m.
Hybrid Meeting: Lake
Superior Room/LMC Building
Or
Join Zoom Meeting:

◆ Thank you for agreeing to be a policy committee member!

Attached are the materials for the first Housing and Economic Development Policy Committee meeting. Please take the time to read through the policies before the meeting and come with your ideas and suggestions.

AGENDA

1. Call to order. (Heather Butkowski, Chair)
2. Committee Member Introductions.
3. Policy Committee Process and Protocols. (Patricia Nauman, Executive Director)
4. Policy Committee Memo Review (Ania McDonnell, Government Relations Specialist)
5. Review 2024 legislative session. (Ania McDonnell)
6. Presentation from Metropolitan Council staff on draft 2050 Housing Policy Plan.
7. Discuss policies and suggested modifications to policies. (Ania McDonnell)
8. Discuss new issues for future consideration and speaker suggestions.
9. Other business.
10. Adjourn. (3:30 pm)

Future Committee Meetings:

Wednesday, August 28, 2024

Wednesday, September 25, 2024

To: Metro Cities Policy Committees
From: Patricia Nauman, Executive Director
Re: Policy Development Process and Protocol

General

Welcome to Metro Cities' policy development process. Each year, four legislative policy committees meet to recommend Metro Cities' legislative policies. Policies are then transmitted to the Metro Cities Board of Directors for adoption and forwarded to Metro Cities' membership for final adoption. Policies serve as the foundation for Metro Cities' work at the Legislature, Executive Branch and Metropolitan Council.

Purpose of Legislative Policies

Legislative policies reflect common needs, interests and goals of metropolitan municipalities and are adopted by consensus. General core principles that inform Metro Cities' policies are the need for sufficient local flexibility to address local public needs and services, opposition to state mandates that erode local control, and the need for a strong state and local partnership that recognizes the needs of metropolitan cities and the role they play in ensuring the state's economic and social well-being.

Speakers

Committees often host speakers to provide information on topics of pertinence to the work of the committee and may be suggested by committee members and staff. All speakers must be approved by Metro Cities' Executive Director.

Committee Participation and Voting

Members. Elected or appointed officials and staff of any member city may serve on any committee by indicating interest in email or through the sign-up process provided in advance of the committee process each year.

Members are encouraged to contribute ideas, feedback, and questions during the committee process. All comments and questions should be addressed through the Chair.

City officials and staff may serve on one or more committees but for voting purposes, each city has one vote on policies. Votes are made by acclamation unless a roll call vote is requested.

Guests. Non-members are welcome to attend committees as guests. Non-member attendees may observe meetings and provide general observations but may not vote on policies or raise specific issues for the committee's consideration.

Committee Etiquette

Discussion, feedback, and questions are welcome and should be addressed through the committee chair. Meetings will be held in a hybrid format. Members participating remotely should use the chat or hand raise function to raise a question or comment. Remote participants are asked to name yourself and your city, and to identify yourself when speaking.

July 24, 2024

To: Metro Cities Housing and Economic Development Policy Committee
From: Ania McDonnell, Government Relations Specialist
Re: July 31 Policy Committee Memo

Welcome to all new and returning members of the Housing and Economic Development Policy Committee. I look forward to working with you on the committee this year.

The 2024 session was not a budget setting year, and the focus for legislators was largely on policy related bills. Legislators also considered a capital appropriations bill, but no agreement was reached for a bill. This session was notable for a procedurally chaotic finish and passage of a 1,400-page omnibus bill that contained policy, funding and tax provisions.

Housing discussions included changes to the Local Affordable Housing Aid program by adding eligible uses, as well as requiring that cities use the aid to create new, or to expand existing housing programs. Modest housing supplemental budget funding passed, focused on capital for additional Housing Infrastructure Bonds, and supportive services and financial assistance through the FHPAP program.

There was significant discussion on bills that would preempt local decision-making authority over zoning and land use. These bills ultimately did not pass.

The certified 2024 Local Affordable Housing Aid (LAHA) for cities was published in early July, and the first payment was made to cities on July 20, 2024. A list of the aid amounts for all eligible metropolitan area cities over 10,000 in population is attached to the packet. We will discuss this further during the meeting.

The Metropolitan Council is working on its Regional Development Guide for 2050 titled *Imagine 2050*. The Council's draft Housing Policy Plan will be released in mid-August for public comment, as well as the Draft 2050 Land Use Policy, which includes density policy for the region.

Economic development discussions this session included broadband safety legislation, as well as technical policy changes to the Innovative Business Development Public Infrastructure Grant program and Job Creation Fund program. Additionally, legislation was considered in the House that would have allowed for local governments to require franchise fees from a provider furnishing broadband, however this legislation did not pass.

Please come with your ideas for speakers, policy updates, and new policies, and be sure to review existing policies and other information prior to the first meeting.

We look forward to seeing you next week.

HED-1 TO HED-10: INTRODUCTION

While the provision of housing is predominantly a private sector, market-driven activity, all levels of government – federal, state, regional and local – have a role in facilitating the production and preservation of affordable housing in Minnesota.

Adequate affordable housing is a significant concern for the metropolitan region and effective approaches require participation from all levels of government, the private sector, and nonprofit groups.

HED-1 CITY ROLE IN HOUSING

Cities in Minnesota are responsible for most ground-level housing policy, including land use planning, code enforcement, rental licensing, and often the packaging of multi-level financial incentives. Cities are responsible for ensuring local health and safety and the structural soundness and livability of the local housing stock through building permits and inspections.

Cities are charged with providing public infrastructure to serve current and future residents and must assess the effects of a new development on parks, local roads, water, sanitary sewer, and stormwater capacities to ensure that additional needs for infrastructure are assumed by the new development and not current taxpayers. It is the city that assumes the future financial responsibility, management, and maintenance for improvements and infrastructure after a developer has completed a project.

It is also the responsibility of cities to periodically review local requirements such as land use regulations and ordinances, and make long range plans consistent with state statute, to ensure that they are consistent with these purposes. While local government financial resources constitute a relatively small portion of the total costs of providing housing, many cities take on a significant administrative burden by providing financial incentives and regulatory relief, participating in state and regional housing programs, and supporting either local or countywide housing and redevelopment authorities and community development agencies.

When a developer seeks to advance a development proposal that does not meet straight housing and mixed-use zoning codes and requirements, the developer may request a planned unit development (PUD) agreement with a city. PUDs, where appropriate, can provide zoning flexibility to develop a site that is otherwise not permitted by a city code. The use of PUDs may allow for more variety and creativity in land uses, increased density on a site, internal transfers of density, construction phasing, reduced setbacks, and a potential for lower development costs.

In the interest of adhering to local long-range plans and managing local health, safety, viability, and welfare needs, a city may request certain public benefits from a developer, including but not limited to additional open space, preservation of wooded land and environmentally sensitive areas, landscaping along major roadways, providing a mix of housing types, and enhanced design and landscaping features. Cities may also provide a developer with credit for investments in public infrastructure greater than would be minimally required, including water, sanitary sewer, stormwater, or road infrastructure.

Metro Cities opposes any effort to reduce, alter or interfere with cities' authority to carry out these functions in a locally determined manner.

Metro Cities supports exceptions to the land use timelines in Minn. Stat. § 15.99 in the event of extenuating local and state circumstances. Metro Cities supports local authority determination when exercising the use of exceptions, recognizing projects may be in different stages of approval. If a state of emergency limits the ability of city staff to complete a land use review, it should not result in de facto approval of an application.

2024 Legislative Update:

Legislation that would pre-empt local decision-making authority over zoning and land use to create more 'middle housing' received hearings in the House and Senate. The bill contained several preemption provisions. It required cities to allow for increased densities on any residential lot, authorized accessory dwelling units by right, set minimum lot size requirements, prohibited cities from requiring more than one off street parking space per residential unit, created an expedited design review process, and limited local aesthetic mandates. This legislation did not pass.

Another bill that included various provisions pre-empting local decision-making would require cities to approve or deny a building permit request within 60 days, allow multifamily residential developments as a permitted use in any zoning district that allows for commercial uses, restricts height requirements for multifamily housing developments, and allows for affordable multifamily developments to exceed one or more maximum dimensional standards imposed by city zoning controls. The legislation would have required that a multifamily residential development must be approved by a city if it is consistent with the comprehensive plan on the date of submission and complies with all state and municipal standards. This legislation was seriously considered in both bodies but did not advance out of the Senate State and Local Government Committee.

HED-2 CITY ROLE IN AFFORDABLE AND LIFE CYCLE HOUSING

Metro Cities supports housing that is affordable and appropriate for people at all stages of life. A variety of housing opportunities are important to the economic and social well-being of local communities and the metropolitan region. The region faces challenges in meeting the existing and future housing needs of low and moderate-income residents.

Existing housing stock is aging, with over half older than 40 years old, according to the U.S. Census Bureau. Older housing stock can be more affordable; however, it requires investments to remain viable.

Private investors have purchased subsidized and unsubsidized rental units, made improvements, and charged higher rents that have made access to previously affordable units prohibitive for low and moderate-income residents. This investor ownership has converted owner-occupied houses to rental houses, which has impacted the ability of lower-income renters to become homeowners and build wealth. Neighbors and cities have seen a lack of investment in these rental homes that has led to the deterioration of the housing stock.

The Metropolitan Council has projected the region will add nearly 60,845 households earning up to 50 percent area median income between 2020 and 2030 that will need affordable housing. Senior households bring the number of low-income households up significantly, with the number of age 65+ households growing by 51,691 during that time-period.

Cities should work with the private and nonprofit sectors, counties, state agencies and the Metropolitan Council to ensure the best use of new and existing tools and resources to produce new housing and preserve existing affordable housing. Cities can facilitate the production and preservation of affordable and life cycle housing by:

- Applying for funding from available grant and loan programs;
- Using city and county funds to support affordable housing. This can include creating a local or regional housing trust fund to support affordable housing;
- Providing information, encouraging and incentivizing participation in the Section 8 Housing Choice Voucher program to landlords;
- Working with developers and residents to blend affordable housing into new and existing neighborhoods, including locations with access to amenities and services;
- Working with the state and Metropolitan Council to recognize the relationship between housing and mobility options, including transit and pedestrian routes;

- Periodically examining local requirements, policies and review processes to determine their impacts on the construction of affordable housing;
- Considering criteria under which a city may change its fee structure in support of additional affordable housing;
- Supporting housing options that meet a city's current and future demographics, including family size, age, mobility, and ability levels;
- Supporting housing design that is flexible, accessible and usable for residents with varied abilities at multiple stages of life;
- Supporting housing with supportive services for people with disabilities;
- Employing innovative strategies to advance affordable housing needs such as public- private partnerships or creative packaging of regulatory relief and incentives;
- Using available regulatory mechanisms to shape housing communities;
- Recognizing the inventory of subsidized and unsubsidized (naturally occurring) affordable housing, and working collaboratively with buyers and sellers of naturally occurring affordable housing to retain affordability;
- Tracking the impacts of investor-owned homes on the housing market, and enacting local strategies and policies that support home purchases by owners who reside in the homes;
- Supporting policy solutions that provide cities with tools to mitigate any negative impacts on city housing stock and prospective homebuyers due to investor- owned purchasing of homes.

2024 Legislative Update:

Legislation was heard that would prohibit corporate entities from owning 10 units or more of single-family housing. There was disagreement on how many units a corporation should be allowed to own under this bill. This legislation did not pass.

In Chapter 127, changes were made to the Local Affordable Housing Aid program, which provides aid to cities over 10,000 in population in the metropolitan area. The legislation expands the uses of the aid to include financing operations and management of financially distressed residential properties, funding of supportive services or staff of supportive services providers for supportive housing, and costs of operating emergency shelter facilities, including the costs of providing services.

HED-3 INCLUSIONARY HOUSING

While Metro Cities believes there are cost savings to be achieved through regulatory reform, density bonuses as determined by local communities, and fee waivers, Metro Cities does not believe a mandatory inclusionary housing approach can achieve desired levels of affordability solely through these steps. Several cities have established local inclusionary housing policies, in some cases requiring the creation of affordable units if the housing development uses public financial assistance or connecting the policy to zoning and land use changes. The Metropolitan Council, in distributing the regional allocation of housing need, must recognize both the opportunities and financial limitations of cities. The Council should partner with cities to facilitate the creation of affordable housing through direct financial assistance and/or advocating for additional resources through the Minnesota Housing Finance Agency.

Metro Cities supports the location of affordable housing in residential and mixed-use neighborhoods throughout a city. Metro Cities supports a city's authority to enact its own inclusionary housing policy. However, Metro Cities does not support passage of a mandatory inclusionary housing state law imposed on local governments that would require a certain percentage of units in all new housing developments to be affordable to households at specific income levels.

2024 Legislative Update:

No relevant legislative updates.

HED-4 METROPOLITAN COUNCIL ROLE IN HOUSING

The Metropolitan Council is statutorily required to assist cities with meeting the provisions of the Land Use Planning Act (LUPA) under Minn. Stat. § 473. The LUPA requires cities to adopt sufficient standards, plans and programs to meet their local share of the region's overall projected need for low and moderate-income housing. The Council's responsibilities include the preparation and adoption of guidelines and procedures to assist local government units with accomplishing the requirements of the LUPA.

The Metropolitan Council also offers programs and initiatives to create affordable housing opportunities, including the Livable Communities Act programs and operation of a metropolitan housing and redevelopment authority.

Unlike parks, transit and wastewater, housing is not a statutory regional system. The Metropolitan Council's role, responsibilities and authority are more limited in scope, centered on assisting local governments by identifying the allocation of need for affordable housing, projecting regional growth and identifying available tools, resources, technical assistance and

methods that cities can use to create and promote affordable housing opportunities in their communities.

The Metropolitan Council should work in partnership with local governments to ensure that the range of housing needs for people at various life cycles and incomes can be met. Metro Cities opposes the elevation of housing to “Regional System” status. Metro Cities supports removing the Metropolitan Council’s review and comment authority connected to housing revenue bonds under Minn. Stat. § 462C.04.

In 2014, the Metropolitan Council released its first housing policy plan in nearly thirty years. A Metropolitan Council housing policy plan should include defined local, regional, and state roles for the provision of housing in all sectors, identify the availability of and need for tools and resources for affordable and life-cycle housing, be explicit in supporting partnerships for the advocacy for state and federal resources for housing, and encompass policies, best practices, and technical guidance for all types of housing. A plan should also recognize the diversity in local needs, characteristics, and resources.

Metro Cities supports strategies such as regional and sub-regional cooperation and the sharing of best practices among local governments and other entities and partners to address the region’s affordable housing needs.

A policy plan should allow for ongoing research and analysis by the Metropolitan Council to provide communities with timely and updated information on regional and local housing needs and market trends as regional and local needs change and evolve. Metro Cities supports the solicitation and use of local data, inputs and analyses and local governments’ review of such data.

Metro Cities supports continued city representation in any updated or new regional housing policy plan and other regional housing policy considerations.

2024 Legislative Update:

The Metropolitan Council is in the process of writing their 2050 Housing Policy Plan. This will be released for public comment in mid-August 2024.

HF 4009, Kraft/SF 3964, Mitchell, would have imposed a one-size fits-all mandate, and eliminate regional and local processes that determine metropolitan densities for the purposes of determining needs and timing for providing regional infrastructure. This legislation did not pass.

HF 4010, Kozlowski/SF 3980, Pha, would have allowed for multifamily residential developments as a permitted use in any zoning district that allows for commercial uses, among other provisions. This legislation would have required that a multifamily residential development must

be approved by a city if it is consistent with the comprehensive plan on the date of submission and complies with all state and municipal standards. This legislation did not pass.

HED-5 ALLOCATION OF AFFORDABLE HOUSING NEED

The affordable housing need allocation methodology determines the number of needed affordable housing units for the metropolitan region and distributes the need by assigning each city its fair share through an affordable housing need number. Minn. Stat. § 473.859 requires cities to guide sufficient land to accommodate local shares of the region's affordable housing need. Metro Cities supports additional Metropolitan Council resources to assist cities in meeting cities' share of the region's affordable housing needs.

Metro Cities supports the creation of a variety of housing opportunities. However, the provision of affordable and lifecycle housing is a shared responsibility between the private sector and government at all levels, including the federal government, state government and Metropolitan Council. Land economics, construction costs, labor costs, and infrastructure needs create barriers to the creation of affordable housing that cities cannot overcome without assistance.

Therefore, Metro Cities supports a Metropolitan Council affordable housing policy and allocation of need methodology that recognizes the following tenets:

- Regional housing policies characterize individual city and sub-regional housing numbers as a range of needs in the community;
- Cities need significant financial assistance from the federal and state government, as well as the Metropolitan Council, to make progress toward creating additional affordable housing and preserving existing affordable housing;
- Metropolitan Council planning and policies must be more closely aligned to help ensure that resources for transportation and transit are available to assist communities in addressing their local share of the regional affordable housing need and to ensure that all populations have adequate mobility to reach jobs, education and other destinations regardless of where they live;
- The Metropolitan Council will not hold cities responsible if a city does not meet its affordable housing need number. However, efforts to produce affordable housing may be considered when awarding grants;
- The Metropolitan Council, with input by local government representatives, should examine the allocation of need methodology with respect to the relationship between the regional allocation and the local share of the need. The formula should also be routinely evaluated to determine if market conditions have changed or if underlying conditions should prompt readjustment of the formula;

- The Council should use a methodology that incorporates data accumulated by individual cities and not limited to census driven or policy driven growth projections;
- The formula should be adjusted to better reflect the balance and breadth of existing subsidized and naturally occurring affordable housing stocks; and
- The Council should work with local governments through an appeals process to resolve any local issues and concerns with respect to the need allocations and the plan review process.

2024 Legislative Update:

Metro Cities staff participated in a Metropolitan Council Housing Policy Plan Technical Advisory Group. This group discussed the affordable housing need allocation and calculation methodology.

HED-6 HOUSING POLICY AND PRODUCTION SURVEY

The Metropolitan Council annually calculates a city's housing production. Production information is collected through an annual city survey as well as Council data. Cities participating in Livable Communities programs are required to include their housing action plan and ALHOA funding amounts in their survey responses. Beginning in 2022, the Council began compiling the data in a report to share city practices and funding sources that support the creation of new affordable housing units.

Metro Cities supports a regular review of the survey questions and use of data, with city input. Any proposed new, deleted, or expanded uses or programs in which data from the Housing Policy and Production Survey would be used should be reviewed by local officials and Metro Cities. Metro Cities supports a consistent schedule for sending the annual housing production survey to cities.

2024 Legislative Update:

No relevant legislative updates.

HED-7 STATE ROLE IN HOUSING

The state must be an active participant in providing funding for housing, including direct funding, financial incentives, and initiatives to assist local governments and developers to support affordable housing and housing appropriate for people at all stages of life. State funding is a major and necessary component for the provision of housing. Current resource levels are insufficient to meet the spectrum of needs in the metropolitan region and across the state.

Primarily through programs administered by the Minnesota Housing Finance Agency (MHFA), the state establishes the general direction and prioritization of housing issues, and financially supports a variety of housing, including transitional housing, privately and publicly owned housing, supportive housing, senior housing, workforce housing, and family housing.

Minnesota's low-income rental property classification, commonly known as class 4d(1), allows landlords to certify qualifying low-income rental property. The state must continue to be an active partner in addressing life cycle and affordable housing needs.

Workforce housing is generally defined as housing that supports economic development and job growth and is affordable to the local workforce. A statewide program, administered through the Minnesota Housing Finance Agency, supports workforce homeownership efforts in the metropolitan area. State policies and funding should recognize that affordable housing options that are accessible to jobs and meet the needs of a city's workforce are important to the economic competitiveness of cities and the metropolitan region. In addition, significant housing related racial disparities persist in Minnesota, especially as it relates to the percentage of households of color who pay more than 30 percent of their income in housing costs and as it relates to the significant disparity gap in homeownership rates.

Metro Cities supports:

- Increased, sustainable and adequate state funding for new and existing programs that support life cycle, workforce and affordable housing, address homeownership disparities, address foreclosure mitigation, address housing for families with children, and support senior, transitional and emergency housing for the metro region;
- An ongoing state match for local and regional housing trust fund investments and local policies in support of affordable housing. State funds should be issued on a timeline that works with a city's budget process;
- Private sector funding for workforce housing;
- Housing programs that assist housing development, preservation and maintenance of existing housing stock, including unsubsidized, naturally occurring affordable housing that is affordable to residents throughout the low-to-moderate income range;
- State funded housing assistance programs to help with affordability;
- Housing programs designed to develop market rate housing in census blocks with emerging or high concentrations of poverty, where the private market might not otherwise invest, as a means of creating mixed-income communities and reconciling affordable housing with community development goals;

- Continuing the policy of using the Minnesota Housing Finance Agency's investment earnings for housing programs;
- City input into state legislation and administrative policies regarding distribution of tax credits and tax-exempt bonding;
- Exemptions from, or reductions to sales, use and transaction taxes applied to the development and production of affordable housing;
- Consideration of the use of state bond proceeds and other appropriations for land banking, land trusts, and rehabilitation and construction of affordable housing;
- Programs that help avoid foreclosures, improve homeownership rates and reduce racial disparities through homeownership assistance programs and counseling services, including down payment assistance and pre-purchasing counseling to improve financial wellness and inform homeowner and potential homeowners of their rights, options, and costs associated with owning a home;
- State tenant protection policies as well as a city's ability to enact tenant protections to support access to affordable housing and housing stability for tenants;
- Prohibiting landlords from denying housing opportunities to residents based on their source of income;
- Housing stability for renters through policies that mitigate the impact of or reduces the number of evictions filed;
- Policies that encourage public housing authorities and owners of federally assisted housing to consider a holistic approach to selecting tenants during the application and screening process, and avoid excluding tenants solely based on criminal records;
- Exploring best practices toward increased housing affordability for residents, housing maintenance standards and providing quality housing for residents. Cities should work with rental housing owners and operators when establishing best practices;
- Any program expansion proposals for state mandated class-rate reductions should include a full analysis of the impacts to local property tax bases before their enactment. Metro Cities opposes any changes to the 4d(1) program that substantially increases the tax responsibility for residents and businesses or increases the tax benefit for landlords without including increased benefits for renters of 4d(1) units. Metro Cities supports a property owner being required to receive city approval where the property is located, for all 4d(1) property that has not in whole or in part been classified as 4d(1) property. Metro Cities also supports ongoing 4d(1) aid, and

lowering the threshold of eligibility for cities to receive 4d(1) aid. Metro Cities supports the continuation of a reporting process for landlords benefitting from the 4d(1) class rate reduction to ensure deeper affordability or property reinvestment, and a sunset period for any changes made to the program to evaluate the range of impacts that expanding the program may have;

- The state housing tax credit to support local governments and the private sector to help spur construction and secure additional private investment; and
- Maintaining existing municipal authority to establish a housing improvement area (HIA). If the Legislature grants multi-jurisdictional entities the authority to create HIAs, creation of an HIA must require municipal approval.

2024 Legislative Update:

Chapter 127 included the capital for an additional \$50 million in Housing Infrastructure Bonds. The bill reallocated \$7 million from the Housing Challenge program towards the Community Stabilization program. This funding is set aside for a subset of programs, including single-family naturally occurring affordable housing (NOAH), and multi-unit rental NOAH.

In Chapter 127, changes were made to the Local Affordable Housing Aid (LAHA) program to require the aid under the program to be used to supplement, not supplant, locally funded housing expenditures so that the recipient is using the funds to create new, or to expand existing housing programs. Locally funded housing expenditures are defined as funded from the recipient's general fund, a property tax levy of the recipient or its housing and redevelopment authority, or unrestricted money available to the recipient, but not including tax increments.

LAHA recipients are required to provide an annual report to certify their compliance with this new legislation. This requires accounting of locally funded housing expenditures in the prior fiscal year. In the first report provided on December 1, 2025, a city must document its locally funded housing expenditures in the two prior fiscal years. If a city reduces one of its locally funded housing expenditures, the recipient must detail the expenditure, the amount of the reduction, and the reason for the reduction.

Clarifications were made to the program that states that funds are considered spent if they are committed to a qualifying project by December 31st in the third year following the year after the aid was received, and expended by December 31st in the fourth year following the year after the aid was received. The aid may not be used to reimburse a city for prior expenditures.

Finally, Chapter 127 requires MHFA to report to the Legislature by February of 2027 to summarize the reports received by cities receiving LAHA.

Chapter 127 included language that will require the Minnesota Housing Finance Agency to produce a report on senior renters residing in properties financed by tax credits, also known as Section 42 properties. This legislation passed in lieu of proposed legislation this session that would have changed the rental increase for these properties to match the annual Social Security inflation adjustment in lieu of the area wide median income.

Chapter 118 is an omnibus tenant protection bill that was passed this year. The bill contains a variety of provisions, including language to protect a tenant's right to call for police or emergency assistance for mental health or health crises, protects a tenant's right to organize, allows for a tenant to use an individual taxpayer identification number (ITIN) in lieu of a social security number, protects victims of domestic violence from eviction, and provides tenant remedies for new construction delays, among other provisions. The domestic violence provisions take effect 30 days after the passage of the bill, and the remaining provisions will take effect January 1, 2025.

Chapter 127 includes some policy changes to Minnesota Housing programs, including to the Community Stabilization program (NOAH), to expand eligible uses for this program to include recapitalization of distressed buildings, and include deeply affordable unit prioritization for recapitalization. The language also clarifies eligible projects.

Chapter 127 creates a working group to study common interest communities and homeowner's associations. Additionally, legislation passed that creates a task force on long-term sustainability of affordable housing, to evaluate issue and provide recommendations for affordable housing sustainability. A report is required to the Legislature and MHFA by February 1, 2025.

Chapter 107 provides protections for tenants living in shared-metered residential buildings, including requiring utility bills provided by landlords to tenants be based on submeter readings, provides for how a utility bill will be calculated, and prohibits the disconnection of utility service from a failure to pay for the service. The law is effective January 1, 2025.

Legislation that would prohibit landlords from discriminating against a tenant based on their use of federal, state, or local government rental assistance, including section 8 housing vouchers was heard, but did not pass. Metro Cities supported this legislation.

HED-8 FEDERAL ROLE IN AFFORDABLE AND WORKFORCE HOUSING

Federal funding plays a critical role in aiding states and local governments in their efforts to maintain and increase affordable and workforce housing. Providing working families access to housing is an important piece to the economic vitality of the region. Metro Cities encourages the federal government to maintain and increase current levels of funding for affordable and workforce housing. Federal investment in affordable and workforce housing will maintain and

increase the supply of affordable and life cycle housing as well as make housing more affordable through rental assistance programs such as the Section 8 housing choice voucher program.

In July 2015, the U.S. Department of Housing and Urban Development (HUD) released a final rule on affirmatively furthering fair housing (AFFH) with an aim to provide communities that receive HUD funding with clear guidelines to meet their obligation under the Fair Housing Act of 1968 to promote and reduce barriers to fair housing and equal opportunity. HUD has since provided new guidance to comply with the AFFH rule.

Metro Cities supports:

- Preserving and increasing funding for the Community Development Block Grant Program (CDBG) and the federal HOME program that are catalysts for creating and preserving affordable housing;
- Preserving and increasing resources and incentives to sustain existing public housing throughout the Metro Area;
- Maintaining the federal tax credit program to help spur construction and secure additional private investment, including making the four percent Low Income Housing Tax Credit a fixed rate as was done with the nine percent credit in 2015;
- Creating and implementing a more streamlined procedural method for local units of government to participate in and access federal funding and services dealing with grants, loans, and tax incentive programs for economic and community development efforts;
- Additional resources to assist communities to meet obligations to reduce barriers to and promote fair housing and equal opportunity;
- Maintaining and increasing resources to Section 8 funding and to support incentives for rental property owners to participate in the program;
- Federal funding programs for renters with limited income or fixed income;
- Rental increase caps when the rent increase exceeds a 5-year running average; and
- Federal funding to provide short-term assistance for HRAs to facilitate the sale of tax- exempt bonds.

2024 Legislative Update:

Chapter 127 includes language that applies prevailing wage requirements to low-income housing tax credit (LIHTC) allocations for multifamily housing projects consisting of more than

ten units. This applies to developments selected for tax credit awards or allocations to be on or after January 1, 2025.

HED-9 VACANT, BOARDED, AND FORECLOSED PROPERTIES AND PROPERTIES AT RISK

Abandoned residential and commercial properties can harm communities when vacant buildings result in reduced property values and increased crime. The additional public safety and code enforcement costs of managing vacant properties are a financial strain on cities.

Metro Cities supports solutions to vacant and boarded properties that recognize that prevention is more cost effective than a cure, the causes of this problem are many and varied, requiring a variety of solutions, and cities must not be expected to bear the bulk of the burden of mitigation, because it is not simply a “city” problem. Further, Metro Cities supports:

- Registration of vacant and boarded properties;
- Allowing cities to acquire vacant and boarded properties before deterioration and vandalism result in unsalvageable structures, including providing financial tools such as increasing eminent domain flexibility;
- Improving the ability of cities to recoup the increased public safety, management, and enforcement costs related to vacant properties;
- Improvement of the redemption process to provide increased notification to renters, strengthen the ability of homeowners to retain their properties, and reduce the amount of time a property is vacant;
- Expedition of the tax forfeiture process;
- Increasing financial tools for neighborhood recovery efforts, including tax increment financing; and
- Year-round notification by utility companies of properties not receiving utility service.

2024 Legislative Update:

No relevant legislative updates.

HED-10 HOUSING ORDINANCE ENFORCEMENT

A Minnesota State Supreme Court ruling, *Morris v. Sax*, stated that provisions of the city of Morris’ rental housing code were invalid because there were subjects dealt with under the state building code and the city was attempting to regulate these areas “differently from the state building code.”

Minn. Stat. § 326B.121, subdivision 1 states: “The State Building Code is the standard that applies statewide for the construction, reconstruction, alteration, repair, and use of buildings and other structures of the type governed by the code. The State Building Code supersedes the building code of any municipality.” Subdivision 2 states: “A municipality must not by ordinance, or through development agreement, require building code provisions regulating components or systems of any structure that are different from any provision of the State Building Code. This subdivision does not prohibit a municipality from enacting or enforcing an ordinance requiring existing components or systems of any structure to be maintained in a safe and sanitary condition or in good repair, but not exceeding the standards under which the structure was built, reconstructed, or altered, or the component or system was installed, unless specific retroactive provisions for existing buildings have been adopted as part of the State Building Code. A municipality may, with the approval of the state building official, adopt an ordinance that is more restrictive than the State Building Code where geological conditions warrant a more restrictive ordinance. A municipality may appeal the disapproval of a more restrictive ordinance to the commissioner.”

Metro Cities supports the ability of cities to enforce all housing codes passed by a local municipality to maintain its housing stock.

2024 Legislative Update:

No relevant legislative updates.

HED-11 to HED-13 INTRODUCTION

The economic viability of the metropolitan area is enhanced by an array of economic development tools that create infrastructure, revitalize previously developed property, provide incentives for business development, support technological advances, support a trained workforce, and address disparities in economic development and workforce development. It should be the goal of the state to champion development and redevelopment by providing adequate and sustainable funding to assure competitiveness in a global marketplace. The state should recognize the relationship between housing and economic development. Access to affordable childcare supports working families and allows parents to enter or remain in the workforce. Economic development and redevelopment are not mutually exclusive – some projects require a boost on both counts. The State of Minnesota should recognize cities as the primary unit of government responsible for the implementation of economic development, redevelopment policies, and land use controls.

HED-11 ECONOMIC DEVELOPMENT

For purposes of this section, economic development is defined as a form of development that can contain direct business assistance, infrastructure development, technical assistance, and policy support with the goal of sustainable job creation, job retention, appropriate state regulation or classification, or to nurture new or retain existing industry in the state. The measure of return on investment of public business subsidies should include the impact (positive or negative) of “spin- off development” or business development that is ancillary and supportive of the primary business.

A strength of the regional economy is its economic diversity. Multiple industry clusters and sectors employ a specialized, trained workforce and support entrepreneurs in developing new businesses. Partnerships and collaborations among the state and local levels of government, higher education and industry should continue to develop, to commercialize new technologies and to support efforts to enhance the economic vitality of the region.

While cities are the unit of local government primarily responsible for the implementation of economic development, counties have an interest in supporting local economic development efforts. Any creation of a county CDA, EDA or HRA with economic development powers should follow Minn. Stat. § 469.1082 that requires a city to adopt a resolution electing to participate. Cities can work with the public and private sectors to support the region’s economic growth by reducing barriers to economic participation by people of color.

Metro Cities supports state funded programs that support new and expanding businesses, infrastructure development and public-private partnerships. This includes the Minnesota Investment Fund, Job Creation Fund and Angel Tax Credit. Programs using statewide funding should strive to award funds balanced between the metro region and greater Minnesota. Metro Cities supports competitive funding for statewide grant programs such as the Minnesota Investment Fund (MIF) as opposed to direct legislative appropriations for projects from these funds. Metro Cities supports a percentage of MIF loan repayments to cities. The state should provide administrative support and technical assistance to cities that administer these programs. Applications for state MIF funds should allow a city to indicate support for a MIF grant or a loan.

Metro Cities supports economic tools that facilitate job growth without relying solely on the property tax base; green job development and related innovation and entrepreneurship; programs to support minority business start-ups; small business financing tools including a state new markets tax credit program mirrored on the federal program; tools to attract and retain data centers and other IT facilities; access to affordable child care; and maintaining existing municipal authority to establish a special service district (SSD). Metro Cities supports further

study of allowing mixed-use buildings that have both commercial and residential uses to be included in an SSD.

2024 Legislative Update:

Chapter 120 includes technical changes to the Job Creation Fund program. The bill directs \$3 million from the Job Creation Fund to PROMISE Act grants to businesses in the metropolitan area, excluding the cities of Minneapolis and St Paul. The bill also increases the amount the Commissioner of the Department of Employment and Economic Development (DEED) can transfer between the Job Creation Fund and the Minnesota Investment Fund to meet business demand, from \$2 million up to \$5 million in a fiscal year.

HED-12 REDEVELOPMENT

Redevelopment facilitates the re-use of previously developed land, thereby leveling the playing field between greenfield and brownfield sites so that a developer can choose to locate on land that has already been used.

Redeveloping properties supports community vibrancy and revitalization. Redevelopment increases the local property tax base, increases land values, provides more efficient use of new or existing public infrastructure (including public transit), reduces urban sprawl, and enhances the livability of neighborhoods. Jobs are created three times – at demolition and cleanup, during construction, and ongoing jobs tied to the new use.

Redevelopment may occur on non-polluted land or on brownfields. Brownfields are abandoned, idled, or underused industrial and commercial properties where financing or redevelopment is complicated by actual or suspected environmental contamination.

Federal, state, regional and local governments fund investigation and cleanup of blighted or other brownfield properties that allows for redevelopment without risking human health or potential environmental liabilities. Correcting and stabilizing polluted soils and former landfill sites allows cities to redevelop and reuse properties. For many cities in the metropolitan region, redevelopment is economic development.

Metro Cities supports increased funding from federal, state and regional sources. The Metropolitan Council's Livable Communities Act programs fund redevelopment activities that support cleanup and tax base revitalization. Metro Cities supports allowing a maximum levy amount for this program, as provided under law. Metro Cities supports increased and sustained state funds for DEED-administered programs like the Redevelopment Grant and Demolition Loan Program, dedicated to metropolitan area projects, innovative Business Development

Public Infrastructure grants, as well as increased, flexible, and sustained funding for the Contamination Cleanup and Investigation Grant Program.

The expansion of transit service throughout the region brings opportunity for redevelopment and transit-oriented development (TOD). Metro Cities supports financing, regulatory tools, and increased flexibility in the use of Tax Increment Financing (TIF) to nurture TOD. Metro Cities supports funding Transit Improvement Areas (TIAs) and ensuring that the eligibility criteria encourage a range of improvements and infrastructure and accommodate varying city circumstances and needs.

Metro Cities supports expansion of existing tools or development of new funding mechanisms to correct unsuitable soils as well as city authority to redevelop land previously used as landfills and dumps. If a city receives initial approval from a state regulatory authority, a city's redevelopment project approval should be considered final. Local governments and cities may choose to revitalize historic structures rather than construct new buildings.

Metro Cities supports extension of the sunset of the state income tax credit and maintaining the federal tax credit for preservation of historic properties. Metro Cities supports collection of the state refund for the historic expenditures over one year.

The COVID-19 pandemic changed the way Americans work. As more employees are working from home on a full-time or hybrid basis, more and more employers are downsizing their office spaces. As a result of this national trend, cities are experiencing significant commercial vacancy issues, especially in their downtowns. At the same time, cities are facing a shortage of housing, and a severe shortage of affordable housing. This is a national issue. According to an article published in the New York Times in December 2022, there is about 998 million square feet of vacant office space in cities across the U.S. This presents an opportunity to convert vacant, functionally obsolete, and/or underutilized commercial space to housing units, and many U.S. cities and states are responding to this opportunity by creating incentives for these conversions. Metro Cities supports state funding, tax credits and policy tools that will assist with the conversion of vacant commercial space to residential or new types of uses that support economic growth of cities.

Metro Cities supports state funding to allow cities and/or their development authorities to assemble small properties so that business expansion sites will be ready for future redevelopment.

2024 Legislative Update:

Chapter 120 includes technical changes to the Innovative Business Development Public Infrastructure Grant program.

Metro Cities supported a bill that would create a credit and/or grant program through DEED for the conversion of underutilized buildings. This legislation did not pass.

HED-13 WORKFORCE READINESS

A trained workforce is important to a strong local, regional, and state economy. Cities have an interest in the availability of qualified workers and building a future workforce based on current and future demographics, as part of their economic development efforts. Cities can work with the public and private sectors to address workforce readiness to include removing barriers to education access, addressing racial disparities in achievement and employment gaps, addressing the occupational gender gap, and support training and jobs for people with disabilities. The state has a role to prepare and train a qualified workforce through the secondary, vocational, and higher education systems and job training and retraining programs in the Department of Employment and Economic Development (DEED), including youth employment programs.

Metro Cities supports:

- Increased funding for the Job Skills Partnership, youth employment programs and other workforce training programs administered by the state that lead to jobs that provide a living wage and benefits, support workers of all abilities, and help address racial disparity gaps in employment;
- Innovative workforce programs and partnerships that foster workforce readiness for a full range of jobs and careers, including skilled municipal jobs and current high opportunity areas such as manufacturing and construction;
- Investments in programs that address the gender wage gap, including training for women to enter nontraditional careers;
- A payroll tax credit for job training programs that invest in employees; and
- A city's authority to tie workforce requirements to local public finance assistance.

2024 Legislative Update:

No relevant legislative updates.

HED-14 TAX INCREMENT FINANCING (TIF)

Tax Increment Financing (TIF) continues to be the primary tool available for local communities to assist economic development, redevelopment, and housing. Over time, statutory changes have made this critical tool increasingly difficult to use. At the same time, federal and state

development and redevelopment resources have been steadily shrinking. The cumulative impact of TIF restrictions, shrinking federal and state redevelopment resources and highly restrictive eminent domain laws constrain cities' abilities to address problem properties, which leads to an accelerated level of decline of developed cities in the metropolitan area. Thus, the only source of revenue available to accomplish the scope of redevelopment necessary is the value created by the redevelopment itself, or the "increment." Without the use of the increment, development will either not occur or is unlikely to be optimal.

Metro Cities urges the Legislature to:

- Not adopt any statutory language that would further constrain or directly or indirectly reduce the effectiveness of TIF;
- Not adopt any statutory language that would allow a county, school district or special taxing district to opt out of a TIF district;
- Incorporate the Soils Correction District criteria into the Redevelopment District criteria so that a Redevelopment District can be comprised of blighted and contaminated parcels in addition to railroad property;
- Expand the flexibility of TIF to support a broader range of redevelopment projects;
- Amend MN Statutes to clarify that tax increment pooling limitations are calculated on a cumulative basis;
- Increase the ability to pool increments from other districts to support projects;
- Expand authority for all cities to transfer unobligated pooled increment from a housing or redevelopment TIF district to support a local housing trust fund for any eligible expenditure under Minn. Stat. § 462C.16;
- Modify the housing district income qualification level requirements to allow the levels to vary according to individual communities and/or to support deeply affordable units;
- Continue to monitor the impacts of tax reform on TIF districts and if warranted provide cities with additional authority to pay for possible TIF shortfalls;
- Allow for the creation of transit zones and transit-related TIF districts in order to shape development and related improvements around transit stations but not require the use of TIF districts to fund the construction or maintenance of the public transit line itself unless a local community chooses to do so;

- Allow TIF eligibility expansion to innovative technological products, recognizing that not only physical items create economic value;
- Support changes to TIF law that will facilitate the development of “regional projects”;
- Shift TIF redevelopment policy away from a focus on “blight” and “substandard” to “functionally obsolete” or a focus on long range planning for a particular community, reduction in greenhouse gases or other criteria more relevant to current needs;
- Encourage DEED to do an extensive cost-benefit analysis related to redevelopment, including an analysis of the various funding mechanisms, and an analysis of where the cost burden falls with each of the options compared to the distribution of the benefits of the redevelopment project;
- Support TIF for neighborhood recovery efforts in the wake of the foreclosure crisis;
- Consider creating an inter-disciplinary TIF team to review local exception TIF proposals, using established criteria, and make recommendations to the legislature on their passage;
- Encourage the State Auditor to continue to work toward a more efficient and streamlined reporting process. There are an increasing number of noncompliance notices that have overturned longstanding practices or limited statutorily defined terms.

The Legislature has not granted TIF rulemaking authority to the State Auditor and the audit powers granted by statute are not an appropriate vehicle for making administrative or legislative changes to TIF statutes. If the State Auditor is to exercise rulemaking authority, the administrative power to do so must be granted explicitly by the Legislature. The audit enforcement process does not create a level playing field for cities to challenge the Auditor’s interpretation of statutes. The Legislature should provide a process through which to resolve disputes over TIF policy that is fair to all parties;

- Clarify the use of TIF when a sale occurs after the closing of a district;
- Revise the substandard building test to simplify, resolve ambiguities and reduce continued threat of litigation; and
- Amend TIF statutes to address, through extending districts or other mechanisms, shortfalls related to declining market values.

2024 Legislative Update:

Legislation was considered that would have imposed prevailing wage requirements to all tax increment financing projects for a multifamily housing development of 25 or more units, or any

multifamily housing development receiving \$100,000 or more in TIF assistance. This legislation did not pass.

HED-15 EMINENT DOMAIN

Significant statutory restrictions on the use of eminent domain have resulted in higher public costs for traditional public use projects like streets, parks, and sewers, and have all but restricted the use of eminent domain for redevelopment to cases of extreme blight or contamination.

The proper operation and long-term economic vitality of our cities is dependent on the ability of a city, its citizens, and its businesses to continually reinvest and reinvent.

Reinvestment and reinvention strategies can occasionally conflict with the priorities of individual residents or business owners. Eminent domain is a critical tool in the reinvestment and reinvention process and without it our cities may deteriorate to unprecedented levels before the public reacts.

Metro Cities strongly encourages the Governor and Legislature to revisit eminent domain laws to allow local governments to address redevelopment problems before those conditions become financially impossible to address.

Specifically, Metro Cities supports:

- Clarifying contamination standards;
- Developing different standards for redevelopment to include obsolete structures or to reflect the deterioration conditions that currently exist in the metropolitan area;
- Allowing for the assembly of multiple parcels for redevelopment projects;
- Modifying the public purpose definition under Minn. Stat. § 117 to allow cities to more expediently address properties that are vacant or abandoned in areas with high levels of foreclosures, as well as address neighborhood stabilization and recovery;
- Providing the ability to acquire land from “holdouts” who will now view a publicly funded project as an opportunity for personal gain at taxpayer expense; i.e. allow for negotiation using balanced appraisals for fair relocation costs;
- Examining attorney fees and limit fees for attorneys representing a property owner;
- Allowing for relocation costs not to be paid if the city and property owner agree to a sale contract;

- A property owner’s appraisal to be shared with the city prior to a sale agreement; and
- Appropriately balanced awards of attorney fees and costs of litigation with the outcome of the eminent domain proceeding.

2024 Legislative Update:

No relevant legislative updates.

HED-16 COMMUNITY REINVESTMENT

Communities across the metropolitan region have aging residential and commercial structures that need repair and reinvestment. Reinvestment prevents neighborhoods from falling into disrepair, revitalizes communities and protects a city’s tax base.

Metro Cities supports state programs and incentives for reinvestment in older residential and commercial/industrial buildings, such as, but not limited to, tax credits and/or property tax deferrals.

Historically, the state has funded programs to promote reinvestment in communities, including the “This Old House” program, that allowed owners of older homestead property to defer an increase in their tax capacity resulting from repairs or improvements to the home and “This Old Shop” for owners of older commercial/industrial property that make improvements that increase the property’s market value.

2024 Legislative Update:

See HED-12 Redevelopment policy for legislation on tax credit for the conversion of underutilized commercial buildings.

HED-17 BUSINESS INCENTIVES POLICY

Without a thorough study, the Legislature should not make any substantive changes to the Business Subsidy Act, as defined in Minn. Stat. § 116J.993, but should look to technical changes that would streamline both state and local processes and procedures. The Legislature should distinguish between development incentives and redevelopment activities. In addition, in order to ensure cohesive and comprehensive regulations, the legislature should limit regulation of business incentives to the Business Subsidy Act.

Metro Cities supports additional legislation that includes tools to help enhance and facilitate economic development and job creation. Metro Cities supports increased flexibility for meeting business subsidy agreements during a state of emergency.

2024 Legislative Update:

No relevant legislative updates.

HED-18 BROADBAND TECHNOLOGY

Where many traditional economic development tools have focused on managing the costs and availability of traditional infrastructure – roads, rail, and utilities – the 21st century economy is dependent on reliable, cost effective, high bandwidth communications capabilities. This includes voice, video, data, and other services delivered over cable, telephone, fiber-optic, wireless, and other platforms.

The state has increased its role in expanding broadband infrastructure across the state by funding broadband access for residents and businesses. The Governor’s Broadband Task Force regularly recommends updates to state broadband speed goals and funding levels to expand statewide broadband access. The Office of Broadband Development in the Department of Employment and Economic Development (DEED) supports the role of broadband in economic development. The Office coordinates broadband mapping and administers state broadband grant funds.

Cities play a vital role in achieving significantly higher broadband speeds. Local units of government are contributing to increasing broadband capacity and ensuring internet connectivity, reliability, and availability. However, attempts have been made in Minnesota and other states to restrict or stop cities from facilitating the deployment of broadband services or forming partnerships with private sector companies to provide broadband services to unserved or underserved residents or businesses. Restricting municipal authority is contrary to existing state law on electric utility service, telecommunications, and economic development. Metro Cities opposes the adoption of state policies that further restrict a city’s ability to finance, construct or operate broadband telecommunications networks.

Metro Cities supports:

- State policies and support programs that substantially increase speed and capacity of broadband services statewide, including facilitating solutions at the local level. The state should offer incentives to private sector service providers to respond to local or regional needs and to collaborate with cities and other public entities to deploy broadband infrastructure capable of delivering sufficient bandwidth and capacity to meet immediate and future local needs as well as policies which seek to position Minnesota as a state of choice for testing next- generation broadband;

- Metro eligibility for broadband funds, including increased capacity for areas with existing levels of service;
- Testing and review of street-level broadband speeds and updating of comprehensive statewide street-level mapping of broadband services to identify underserved areas and connectivity issues.
- Programs and projects that improve broadband adoption, achieve significantly higher broadband speeds, and support efforts to improve digital inclusion by ensuring that robust and affordable Internet connectivity is widely available to all Minnesotans.
- Municipal authority and encouragement of local governments to play a direct role in providing broadband service. This includes repealing Minn. Stat. § 237.19. The state should clarify that cities have the authority to partner with private entities to finance broadband infrastructure using city bonding authority;
- Local authority to manage and protect public rights-of-way including public and private infrastructure, to zone, to collect compensation for the use of public assets, or to work cooperatively with and respond to applications from the private sector. Cities may exercise local authority over zoning and land-use decisions for siting, upgrading, or altering wireless service facilities and exercise regulations of structures in the public right-of-way; and
- Public-private collaborations that support broadband infrastructure and services at the local and regional level, including partnerships and cooperation in providing last-mile connections.

2024 Legislative Update:

Chapter 127 includes language that allows for a transfer of \$5 million between the border-to-border broadband program, low density population broadband program, and the broadband line extension program to meet demand. The bill includes language requiring the Department of Employment and Economic Development (DEED) to apply to the Federal State Digital Equity Capacity Grant program to support Minnesota’s Digital Opportunity Plan.

The bill provides \$651,000 in the current biennium, and \$1.3 million for FY2026-2027 for the Broadband Equity, Access, & Deployment Program at DEED to ensure workforce best practices for broadband installation, provide installation requirements for underground telecommunications infrastructure, and provide standards for a safety-qualified underground telecommunications installer certification program.

Legislation was considered in the House which would have allowed for local governments to require franchise fees from a provider furnishing broadband, and to receive compensation for

the use of the public right-of-way. HF 4182, Freiberg, was laid over for possible inclusion in an omnibus House State and Local Government bill and was also included in the Omnibus House Commerce Policy bill. However, this legislation was not included in the final Commerce Policy bill.

HED-19 CITY ROLE IN ENVIRONMENTAL PROTECTION AND SUSTAINABLE DEVELOPMENT

Historically, cities have played a major role in environmental protection, particularly in water quality. Through the construction and operation of wastewater treatment and storm water management systems, cities are a leader in protecting the surface water of the state. In recent years, increased emphasis has been placed on protecting ground water and removing impairments from storm water. In addition, there is increased emphasis on city participation in controlling our carbon footprint and in promoting green development.

Metro Cities supports public and private environmental protection efforts to reduce greenhouse gas emissions and to further protect surface and ground water. Metro Cities also supports “green” design and construction techniques to the extent that those techniques have been thoroughly tested and are truly environmentally beneficial, economically sustainable and represent sound building practices. Metro Cities supports additional, feasible environmental protection with adequate funding and incentives to comply. Metro Cities supports state funding for municipal renewable energy objectives.

Metro Cities supports sustained state funding for new and existing programs that support local climate action planning, climate resiliency, climate related infrastructure projects including funding and technical support for local level public-private planning initiatives that address climate resiliency issues that impact economic viability in the metropolitan area at a local and regional level.

Green jobs represent employment and entrepreneurial opportunities that are part of the green economy, as defined in Minn. Stat. § 116J.437, including the four industry sectors of green products, renewable energy, green services and environmental conservation.

Minnesota’s green jobs policies, strategies and investments need to lead to high quality jobs with good wages and benefits, meeting current wage and labor laws.

2024 Legislative Update:

Article 2 of Chapter 116, the omnibus environment and natural resources supplemental budget bill establishes a resilient community assistance program. This MPCA-administered program is designed to provide technical and financial assistance to local and tribal governments developing and/or implementing climate adaptation and resiliency plans. The program also

seeks to help coordinate climate adaptation planning, implementation, and evaluation efforts among state agencies, local governments, tribal governments, and other relevant organizations. Finally, it is tasked with addressing inequities due to social, economic, historical, and political factors that result in some communities having less ability to prepare for, cope with, and recover from impacts of climate change.

HED-20 IMPAIRED WATERS

Local units of government should not bear undue cost burdens associated with completed TMDL reports. As recent Total Maximum Daily Load (TMDL) reports show, non-point agricultural sources are producing more runoff pollution than urban areas at a rate of 13:1. Cities must not be required as primary entities for funding the clean-up and protection of state and regional water resources. Benefits of efforts must be proportional to the costs incurred and agricultural sources must be held responsible for their share of costs.

Metro Cities supports continued development of the metropolitan area in a manner that is responsive to the market but is cognizant of the need to protect the water resources of the state and metropolitan area. Since all types of properties are required to pay storm water fees, Metro Cities opposes entity-specific exemptions from these fees. Metro Cities supports the goals of the Clean Water Act and efforts at both the federal and state level to implement it.

Metro Cities supports continued funding of the framework established to improve the region's ability to respond to market demands for development and redevelopment, including dedicated funding for surface water impairment assessments, TMDL development, storm water construction grants and wastewater construction grants.

2024 Legislative Update:

Chapter 106, the omnibus supplemental legacy appropriations bill, contains a \$90,000 appropriation from the Clean Water Fund for the Minnesota Dept. of Natural Resources' continued assessment of mercury and other fish contaminants, including PFAS compounds, and monitoring to track the status of impaired waters over time.

Minnesota's 2024 Impaired Waters List was approved by the U.S. Environmental Protection Agency in April 2024.

2024 Local Affordable Housing Aid: Cities

CITY	FINAL DISTRIBUTION FACTOR	CERTIFIED 2024 LOCAL AFFORDABLE HOUSING AID
Andover	0.0061	\$98,152.49
Anoka	0.0073	\$118,154.37
Apple Valley	0.0176	\$282,732.21
Blaine	0.0182	\$292,706.63
Bloomington	0.0352	\$567,427.48
Brooklyn Center	0.0117	\$188,983.33
Brooklyn Park	0.0288	\$464,128.62
Burnsville	0.0252	\$405,820.74
Champlin	0.0065	\$103,882.47
Chanhassen city	0.0079	\$126,855.46
Chaska	0.0081	\$130,038.78
Columbia Heights	0.0089	\$142,878.19
Coon Rapids	0.0221	\$355,471.16
Cottage Grove	0.0078	\$125,476.02
Crystal	0.0079	\$127,279.90
Eagan	0.0215	\$346,610.91
East Bethel	0.0016	\$25,466.59
Eden Prairie	0.0167	\$268,672.53
Edina	0.0211	\$339,342.32
Farmington	0.0055	\$88,549.46
Forest Lake	0.0074	\$118,578.81
Fridley	0.0102	\$163,516.74
Golden Valley	0.0085	\$137,095.15
Ham Lake	0.0038	\$61,066.76
Hastings	0.0071	\$114,387.44
Hopkins	0.0107	\$172,642.26
Hugo	0.0037	\$59,740.38
Inver Grove Heights	0.0124	\$200,443.29
Lake Elmo	0.0030	\$48,810.97
Lakeville	0.0142	\$229,464.59
Lino Lakes	0.0055	\$88,284.18
Little Canada	0.0047	\$75,020.33
Maple Grove	0.0165	\$265,701.43
Maplewood	0.0138	\$221,506.29
Mendota Heights	0.0027	\$43,876.81
Minneapolis	0.2033	\$3,274,101.65
Minnetonka	0.0200	\$321,515.71
Mounds View	0.0044	\$71,412.57
New Brighton	0.0089	\$142,719.02
New Hope	0.0113	\$181,714.74
North St. Paul	0.0053	\$84,570.30
Oakdale	0.0111	\$178,743.63
Plymouth	0.0225	\$363,111.14

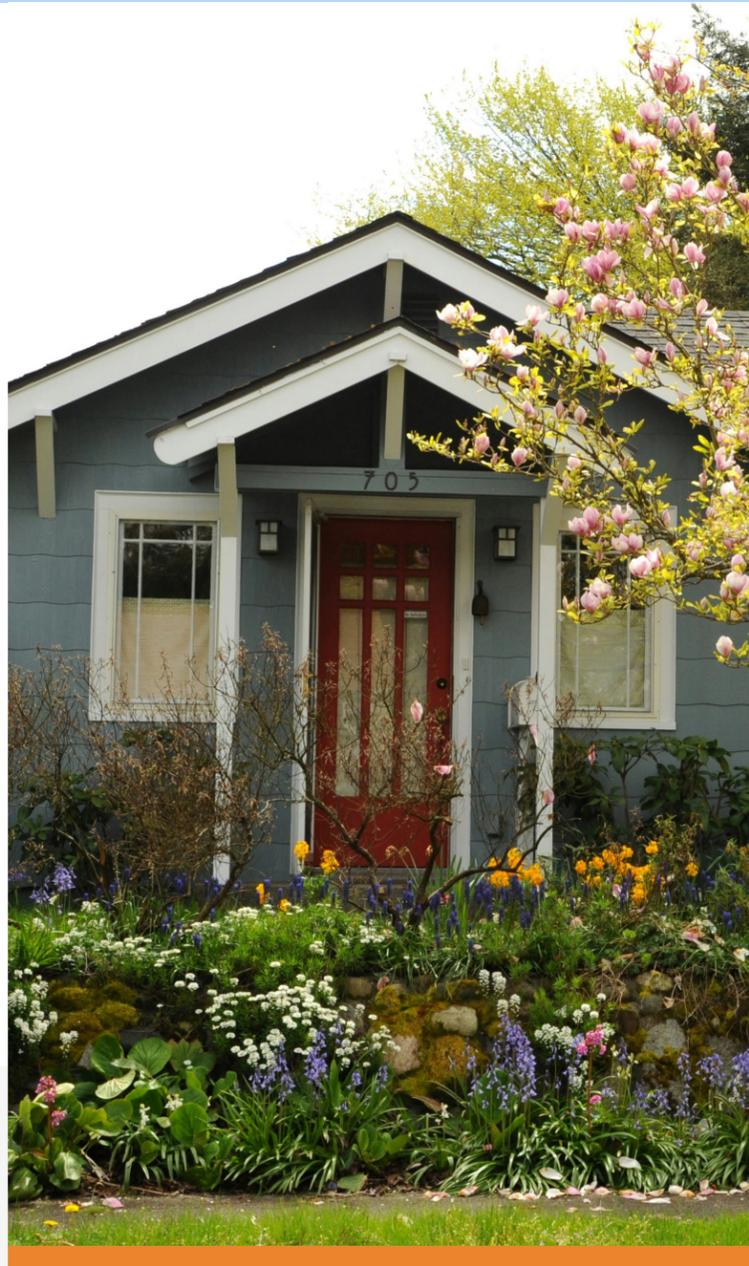
2024 Local Affordable Housing Aid: Cities

CITY	FINAL DISTRIBUTION FACTOR	CERTIFIED 2024 LOCAL AFFORDABLE HOUSING AID
Prior Lake	0.0068	\$109,824.67
Ramsey	0.0074	\$118,897.15
Richfield	0.0145	\$233,602.92
Robbinsdale	0.0064	\$103,298.86
Rogers	0.0020	\$32,204.63
Rosemount	0.0053	\$85,047.80
Roseville	0.0131	\$211,213.54
Savage	0.0091	\$146,432.90
Shakopee	0.0132	\$212,327.70
Shoreview	0.0081	\$130,516.28
South St. Paul	0.0075	\$120,170.48
St. Louis Park	0.0205	\$330,429.02
St. Paul	0.1338	\$2,154,208.31
Stillwater	0.0059	\$94,703.88
Vadnais Heights	0.0050	\$80,007.54
Victoria	0.0012	\$19,046.89
Waconia	0.0046	\$73,322.56
West St. Paul	0.0111	\$178,000.86
White Bear Lake	0.0095	\$152,905.66
Woodbury	0.0188	\$301,991.32
TOTAL	1.0000	\$16,104,806.82

METRO CITIES' POLICY POSITIONS ON HOUSING

Metro Cities Policies Support:

- State programs to support a range of housing needs.
- Funding to preserve naturally occurring affordable housing.
- Local zoning authority.
- Programs to help alleviate foreclosures, increase homeownership, and increase homeownership for BIPOC populations.
- Preserving tools that enhance local innovation.
- Affordable housing tax credit.
- Strategic partnerships and financial assistance from the state and federal governments.
- Clarification of state laws on impact fees.
- Increasing Section 8 funding and federal funding to assist HRAs in facilitating tax exempt bonds for housing.



HOUSING ISSUE PAPER

INTRODUCTION

Metro Cities represents the shared interests of cities in the metropolitan region at the executive, legislative and metropolitan branches of government.

Housing that is affordable and available for people at all stages of life is a key issue for cities in the metropolitan region. City officials facilitate the production and preservation of affordable housing through the use of various local tools and resources as cities respond to local housing needs. These include applying for state program funding, using local funds, adjusting local requirements and processes, supporting accessible design, and employing innovative strategies such as public-private partnerships, or incentives and regulatory relief.

State funding is a critical and significant component in meeting housing needs.

Metro Cities supports the ability of cities to use local tools, resources and policies to advance housing that is adequate to the needs of the community and opposes statewide mandates that interfere with the ability of cities to manage local housing and public infrastructure needs and costs.

City officials must guide local land uses in a manner that balances existing and future uses and compatibility as well as physical and fiscal constraints and local input by residents. Local officials are in the best position to make these decisions.

Metro Cities' policies recognize private and public sector roles in housing and support sufficient resources and the preservation of local decision-making that allows cities to address a range of local housing needs to serve the local community.

Key State Programs Supported by Metro Cities:

- Housing Infrastructure and GO Bonds.
- Challenge Program.
- State Match for Local Housing Trust Funds.
- NOAH preservation grants.
- Pre- and post-purchase education, counseling, and training; mortgages and downpayment/closing-cost assistance loans; home improvement loans.
- Rental assistance, supportive housing, homelessness prevention resources.
- Fix up Funds for Rental Homes.

Metro Cities Opposes:

- Preempting local zoning decision-making authority on zoning, planning and land use.
- Policies that shift costs for infrastructure for new housing to existing taxpayers.
- Prohibitions and restrictions on planned unit development (PUD) agreements.
- Restrictions on local housing development and financing tools.
- Preempting local voter-approved rent control authority.

GOVERNMENT ROLES IN HOUSING

Housing is predominantly built by the private and nonprofit sectors. Almost all housing in Minnesota is privately owned. Cities and other levels of government support housing needs via specific and limited, but important tools and roles.

CITIES: Cities ensure the structural integrity of housing through land use planning, zoning, inspections, code enforcement, and rental licensing. Cities consider aging populations, workforce housing needs, affordability, racial disparities, and preservation of existing housing. Cities provide public infrastructure to serve new developments. Many cities offer financial incentives and apply for state funds.

FEDERAL: Federal investments aid affordable and life cycle housing, help first time homebuyers, and provide affordability through rental assistance programs.

STATE: The state finances and administers programs to support affordable, lifecycle, supportive, senior, workforce, and family housing.

METROPOLITAN COUNCIL: The Metropolitan Council determines regional needs for new affordable housing production and in collaboration with local governments sets requirements to ensure land is guided to meet this need. Density requirements vary based on local characteristics and regional infrastructure needs. The regional Livable Communities Program funds local housing as well as redevelopment and contamination clean up needs.



CITIES EMPLOY VARIOUS TOOLS TO SUPPORT LOCAL HOUSING NEEDS:

- Density bonuses or density transfers for affordable housing.
- Creating an affordable housing trust fund.
- Streamlining the development approval process.
- Allowing reduced lot sizes.
- Planning for uses of new Local Affordable Housing Aid.
- Reducing local fees.
- Adopting an inclusionary housing policy to encourage affordable housing developments.
- Reducing or eliminating parking minimums.
- Allowing Accessory Dwelling Units.
- Amending local zoning policy to allow more duplexes and triplexes.
- Creating programs for down payment assistance.
- Supporting rehabilitation of existing housing stock.
- Allowing senior housing in some areas zoned for commercial property.

METROPOLITAN CITIES GUIDE LAND FOR AFFORDABLE HOUSING

The statutory Metropolitan Land Planning Act requires cities in the metropolitan region to guide sufficient land for their share of the region's affordable housing need. A city's share of need is calculated through a process between the Metropolitan Council and city officials in the region.

A city's allocation of the affordable housing need aims to be proportional to a city's overall forecasted population growth, its existing affordable housing stock, and the ratio of low-wage jobs to low-wage earning residents. To address the local allocation, cities must guide sufficient land at higher residential densities in their comprehensive plans.

LAND USE, DENSITY, AND GROWTH

To ensure the adequate and efficient provision of regional sewer, roads, water, and other infrastructure, communities in the seven county metropolitan area are required by the statutory Metropolitan Land Use Planning Act to meet density expectations and plan for existing and future land uses.

OVERALL DENSITY EXPECTATIONS FOR NEW GROWTH, DEVELOPMENT, AND REDEVELOPMENT	
Metropolitan Urban Service Area: Minimum Average Net Density	
Urban Center	20 units/acre
Urban	10 units/acre
Suburban	5 units/acre
Suburban Edge	3-5 units/acre
Emerging Suburban Edge	3-5 units/acre
Rural Service Area: Maximum Allowed Density, except Rural Centers	
Rural Center	3-5 units/acre minimum
Rural Residential	1-2.5 acre lots existing, 1 unit/10 acres where possible
Diversified Rural	4 units/40 acres
Agricultural	1 unit/40 acres

[Source: Metropolitan Council]

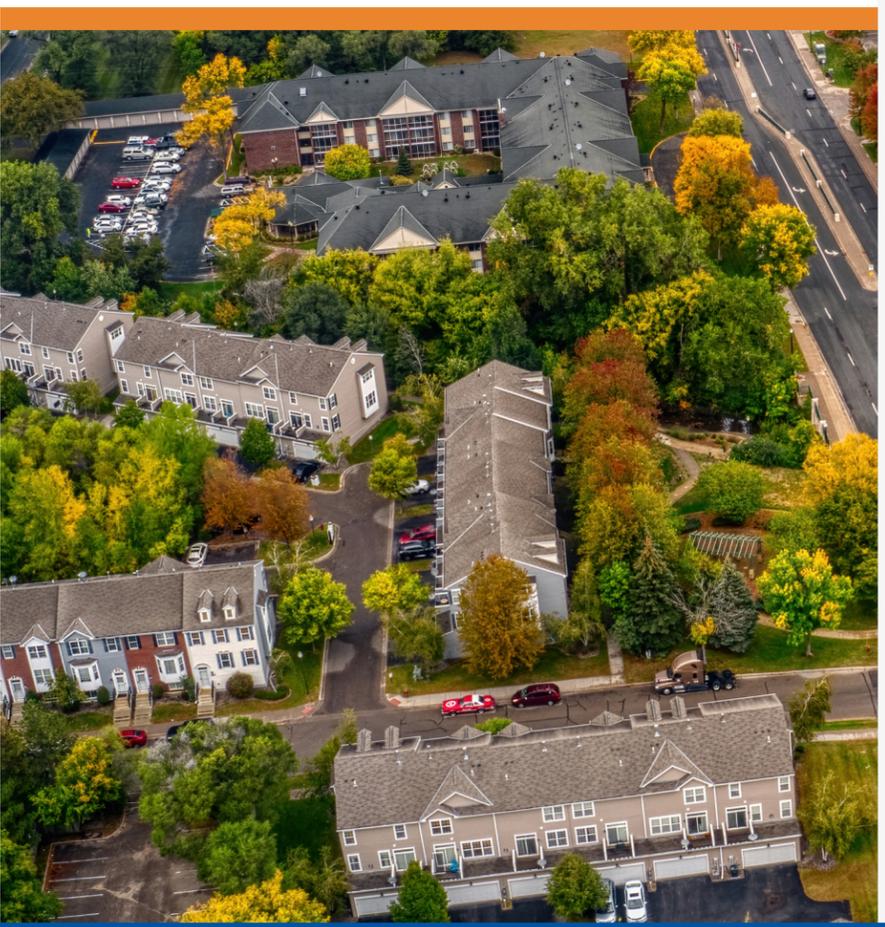
LIVABLE COMMUNITIES PROGRAM ASSISTS CITIES WITH HOUSING/DEVELOPMENT GOALS

The Livable Communities Act (LCA) is an incentive-based program to help eligible metropolitan area communities achieve local affordable and lifecycle housing as well as development goals. To be eligible, cities set affordable and lifecycle housing goals with the Metropolitan Council, adopt a Housing Action Plan, and make a minimum annual contribution to affordable housing activities. The LCA includes three programs that award grants for projects that connect development to housing, jobs, and services, preserve and expand lifecycle and affordable rental and ownership housing, and help cities clean up contaminated land and buildings for redevelopment.

LOCAL LAND USE AND ZONING

Zoning and land use planning are used to manage and regulate local property uses. Local zoning policy balances current and future residential, commercial, industrial, and agricultural uses of property. Zoning is a key component in addressing local land uses, such as housing, mixed used spaces, parks and trails, and shorelands and wetlands.

Zoning also ensures that transportation and other infrastructure is adequate to deliver necessary public services to serve a property (sewer, water, stormwater).



TO ADVANCE AFFORDABLE HOUSING, CITIES NEED:

- Sustainable and adequate state funding for new and existing programs.
- Ongoing state match for local and regional housing trust funds.
- Gap funding for mixed income housing projects.
- Funding and tools to support the conversion of vacant commercial space to residential or new types of uses that support housing and economic growth.
- Housing programs and funding to develop market rate housing in census blocks with emerging or high concentrations of poverty, where the private market might not otherwise invest.
- Exemptions from, or reductions to sales, use and transaction taxes applied to the development and production of affordable housing.
- Consideration of the use of state bond proceeds and other appropriations for land banking, land trusts, and rehabilitation and construction of affordable housing.
- Adjustments to tax increment financing (TIF) laws to transfer unobligated pooled increment to support a local housing trust fund and affordable and mixed income housing projects.
- State funded housing assistance programs.
- Low Income Housing Tax Credit (LIHTC) accessibility.
- Removal of Section 8 source of income discrimination.