2025 Housing & Economic Development Committee Members

Brett Angell	Community Development Director	Rogers
Karen Barton	Community Development Director	St. Louis Park
Tim Benetti	Community Development Director	Apple Valley
Josh Berg	Councilmember	Elko New Market
Megan Bergstrom	Councilmember	Savage
Jenn Brewington	Community & Economic Development Director	Victoria
Connie Buesgens	Councilmember	Columbia Heights
Heather Butkowski	City Administrator	Lauderdale
Aaron Chirpich	City Manager	Columbia Heights
Kissy Coakley	Councilmember	Minnetonka
Jeffrey Dahl	City Administrator	Woodbury
Samantha DiMaggio	Economic Development Manager	Chanhassen
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
Ben Gozola	Asst. Director of Community Assets and Development	New Brighton
****Shannon Guernsey**	Executive Director	Minnesota NAHRO
Janice Gundlach	Community Development Director	Roseville
Maurice Harris	Councilmember	Golden Valley
Stephanie Hawkinson	Affordable Housing Development Manager and Planning	Edina
Clint Hooppaw	Mayor	Apple Valley
Steven Huser	Government Relations Representative	Minneapolis
Cheryl Jacobson	City Administrator	Mendota Heights
Rachel James	Councilmember	Columbia Heights
****Beth Johnston**	IGR Representative	League of MN Cities
****Daniel Lightfoot**	IGR Representative	League of MN Cities
Holly Masek	Port Authority Administrator	Bloomington
Loren Olson	Senior Government Relations Representative	Minneapolis
****Hannah Pallmeyer**	Government Affairs Liaison	Metropolitan Council
Danette Parr	Community Development Director	Maplewood
Eric Petersen	IGR Associate	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
****Pierre Willette**	Senior Government Relations Representative	League of MN Cities
****Owen Wirth**	IGR Representative	League of MN Cities
***Julie Wischnack**	Community Development Director	Minnetonka

*Committee Chair **Guest/Non-City Official

METRO CITIES
Association of Metropolitan Municipalities

July 23, 2025

TO: Housing and Economic Development Policy Committee Members
FROM: Julie Wischnack, Community Development Director, City of Minnetonka
SUBJECT: Meeting Notice and Agenda

Wednesday, July 30, 2025
1:00 p.m. – 3:30 p.m.
Virtual Meeting: Zoom
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. (Julie Wischnack, 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 2025 legislative session. (Ania McDonnell)
6. Discuss policies and suggested modifications to policies. (Ania McDonnell)
7. Discuss new issues for future consideration and speaker suggestions.
8. Other business.
9. Adjourn. (3:30 pm)

Future Committee Meetings:
Wednesday, August 27, 2025
Wednesday, September 24, 2025

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

General

Welcome to Metro Cities' policy development process. Metro Cities is a non-partisan local government association representing the common interests of metropolitan cities at the state and regional levels of government. The association has 95 members.

Each year, four standing legislative policy committees identify common objectives, and recommend the association's legislative policies by consensus. Policies are transmitted to the Metro Cities Board of Directors for adoption and to Metro Cities' membership for final adoption. Policies guide Metro Cities' work at the state and regional levels of government.

Guiding Principles

Core principles that inform policies are the need for sufficient local flexibility to address needs for local services, opposition to state mandates that would erode local decision making, and the importance of a strong state and local partnership. The policy development process is non-partisan with an emphasis on the need for local autonomy, and resource adequacy. The committee process is not intended for the purpose of promoting the interests of external organizations or personal interests unrelated to the overall work of the committee.

Committee Participation and Voting

Members. Elected or appointed officials of any member city may serve on a committee. Members are encouraged to contribute ideas, feedback, and questions. All comments should be addressed through the committee chair. Each city has one vote on policies. Votes are made by acclamation unless a roll call is requested.

Guests. Guests are welcome to observe meetings and provide general observations but may not vote on policies or raise specific issues for consideration.

Committee Etiquette

Discussion, feedback, and questions should be addressed through the committee chair. Members are encouraged to offer comments and questions verbally. Members will be asked to use the hand raise function to raise questions, including those provided via the chat. When speaking, members will be asked to identify themselves and their city. Members are asked to turn cameras on when speaking.

Speakers

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

July 23, 2025

To: Metro Cities Housing and Economic Development Policy Committee
From: Ania McDonnell, Government Relations Specialist
Re: July 30 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 2025 Legislative session was a budget setting year for the Legislature and Governor, and the February budget forecast projected a structural imbalance for the state, complicating the budget-setting process. Only some budget bills passed before the end of the regular session, requiring the need for a special session. A one-day session was held June 9th to complete the work on the remaining budget bills.

The omnibus Housing Finance and policy bill was completed ahead of the May 19 adjournment date and includes additional funding for the Housing and Economic Development Challenge program as well as the Community Based Homebuyer Downpayment Assistance Program. The Housing bill also includes an additional $50 million in Housing Infrastructure bonds.

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

The certified 2025 Local Affordable Housing Aid (LAHA) for cities was published in early July, and the first payment was made to cities on July 20, 2025. A list of aid amounts for all eligible metropolitan area cities over 10,000 in population is attached.

The omnibus economic development, workforce, and labor omnibus bill includes cuts to the Redevelopment Grant Program by $2 million in FY 26-27 and a cut to the Job Creation Fund by $6 million in FY 26-27. The bill includes policy language to create a Task Force on Workforce Development System Reform to examine how the state forms strategies, sets goals, and allocates funding to meet Minnesota's workforce development needs.

Additionally, legislation was considered in the House that would have allowed for local governments to require franchise fees from a provider furnishing broadband, however the legislation did not pass.

The legislative policies with specific updates are attached, for your review in advance of 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.

2025 Legislative Update:

There were several bills considered this year that would have pre-empted city zoning and land use authority. Bills set statewide zoning requirements, set residential density requirements, required administrative approval processes, required cities to allow for multifamily housing in commercial/industrial districts, prohibited minimum parking requirements, and set limitations on cities' ability to set aesthetic mandates and minimum square footage requirements. Other proposed legislation would have prohibited a city from conditioning the approval of residential building permits, conditional use permits, or planned unit developments on the creation of a Homeowners Association (HOA), or on the inclusion of any services, features, or common property necessitating an HOA. These proposals did not become law.

HF 933 (Nash) was heard, which states that a city must not require a planned unit development agreement in lieu of a proposed residential development if the proposed development complies with existing city ordinances or subdivision regulations or qualifies as a conditional use. The bill did not become law.

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 wellbeing 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.

2025 Legislative Update:

Chapter 32 includes language that allows for housing and redevelopment authorities (HRAs) to be eligible to establish a local or regional housing trust fund.

Chapter 32 includes language that grantees receiving local housing trust fund grants must use the awarded grant funds within five years of receipt instead of eight years.

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.

Metro Cities supports a clarification to state statute that statutory and charter cities may collect a payment in lieu of the inclusion of affordable housing units that will be directed to a local housing trust fund to support affordable housing preservation, development, and housing stabilization in alignment with individual city goals

2025 Legislative Update:

No applicable updates. See HED-7 for Local Actions to Support Housing which includes language related to inclusionary zoning policies.

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.

<u>2025 Legislative Update:</u>

Last fall, Metro Cities provided detailed comments to the Metropolitan Council's Imagine 2050, the new Regional Development Guide. In February, the guide was adopted by the Metropolitan Council. The Imagine 2050 Housing Policy Plan includes new requirements that cities identify their top three housing needs and identify and commit to tools to meet those needs. It also requires plans to include more data and narrative context to the existing housing assessment portion. Data will be provided by the Council.

The Metropolitan Council is reviewing the LCA program and working with stakeholders to get feedback on updates to the program which would start in 2026. The Council is also working to align the program with Imagine 2050 goals. The final updates to the program will be presented to the full Council in September of 2025. See MA-16 for the full Livable Communities policy.

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.

<u>2025 Legislative Update:</u>

Imagine 2050 includes new housing policy which increases minimum density for land guided for affordable housing (LGAH) to ten units/acre, from eight units/acre, to meet total future need, OR guiding sufficient land at 12 units/acre for 30% AMI or less and a minimum density of eight units per acre to meet the need at 31-60% AMI to meet the future need. The housing policy plan adds flexibility in how cities can reach their LGAH need, including a credit for cities who are demonstrating the development of affordable housing through policies.

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.

2025 Legislative Update:

No applicable 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. 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.

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.

A 0.25% metropolitan area regional sales tax enacted in 2023 provides Local Affordable Housing Aid (LAHA) to cities over 10,000 in population in the metropolitan region, and cities received the first distribution of LAHA in 2024. A report to the Minnesota Housing Finance Agency on LAHA uses and expenditures is due on December 1, 2025, and every year thereafter.

Given the variability in sales taxes collected each year, Metro Cities urges the Legislature to consider extending the timeline in which cities must expend funds. Metro Cities further supports having funds be considered expended if they are deposited into a local housing trust fund, which provides flexibility for cities in maximizing public resources for housing projects. Metro Cities supports a sunset to the LAHA reporting requirements, including reporting on locally funded housing expenditures.

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;
- 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.

2025 Legislative Update:

Chapter 32, the omnibus housing and homelessness prevention finance and policy bill, includes an additional $50 million in Housing Infrastructure bonds. It also includes language that these funds can be used for adaptive reuse with some income requirements.

Chapter 32 includes $2 million in additional funding for the Housing and Economic Development Challenge program. It provides $2 million in additional funds to the Community Based Homebuyer Downpayment Assistance Fund and makes this a standing program in law.

Chapter 32 includes updates to the Local Affordable Housing Aid program to specify that any income generated from funds distributed under the Local Affordable Housing Aid program must be used on a qualifying project.

Chapter 39, the omnibus state and local government and elections bill, includes language that requires that when a city issues or renews a rental license, a registration or certificate of occupancy, or other documents that allow for occupancy of a residential dwelling unit, a city must provide landlords with the link to the website where the attorney general's landlord-tenant guide is published, and instructions to request the guide in an alternative format. This is effective May 24, 2025.

Chapter 32 includes policy language that states where practicable, Minnesota Housing Finance Agency shall award additional points, not to exceed five percent of the total available points in a given competitive development program, to proposals in competitive capital development programs, if the jurisdiction where the project is located meets a variety of specified local actions to support housing. This provision is effective May 20, 2025, and applies to criteria and scoring systems developed on or after that day and will expire December 31, 2029. These actions include the following items:

(1) the jurisdiction allows for the development of multifamily housing in at least 50 percent of the area within the jurisdiction zoned as a commercial district, excluding areas covered by state or local shoreland regulations; (2) the jurisdiction allows for duplexes, accessory dwelling units, or townhomes within 50 percent of the area within the jurisdiction zoned for single-family housing, excluding areas covered by state or local shoreland regulations; (3) the jurisdiction does not have parking mandates greater than one stall per unit of housing for single-family housing; (4) the jurisdiction does not have parking mandates greater than one stall per unit of housing for multifamily developments; (5) the jurisdiction does not mandate lot sizes larger than one-eighth of an acre for new single-family home construction, excluding areas covered by state or local shoreland regulations; (6) the jurisdiction does not place aesthetic mandates on new single-family construction, including type of exterior finish materials, including siding; the presence of shutters, columns, gables, decks, balconies, or porches; or minimum garage square footage, size, width, or depth; (7) the jurisdiction has a density bonus for affordable housing that provides for an increase in floor area and lot coverage if the housing is affordable housing; or (8) the jurisdiction has adopted an inclusionary zoning policy for the purpose of increasing the supply of affordable housing.

Chapter 32 includes policy language related to rental housing heat maintenance of 68 degrees to clarify this includes all places intended for habitation including kitchens and bathrooms.

Chapter 15 (special session) is the state capital investment finance bill. This bill includes $26 million in general obligation bonds to the Minnesota Housing Finance Agency for the costs of rehabilitation to preserve public housing.

HF 1051 (Robbins) a bill that would modify the 2023 law that allows for religious institutions to provide permanent housing in micro units to homeless or low-income people on religious property. The bill language would clarify that cities may regulate micro units as rental single-family residences or rental multifamily residences. The bill also authorizes a city to adopt an administrative approval process for annual compliance checks with applicable laws and licensing requirements. This bill did not become law.

HF 2687 (Agbaje)/SF 3173 (Boldon) was introduced and would set limits on corporate ownership of single-family homes and creates a statewide landlord database. This bill was not heard.

SF 2976 (Port) was a bill heard in the Senate and was amended to redistribute the city allocation of Local Affordable Housing Aid (LAHA) to metropolitan counties. Under the amendment, cities would receive no LAHA funding. This did not become law.

HF 1299 (Rehrauer) was heard in the House which would authorize emergency shelter facilities as a permitted use on any lot zoned for the development of multifamily residential housing, commercial uses, or industrial uses. This bill did not become law.

SF 830 (Boldon) was heard in the Senate and would provide funding to a housing mediation program to support both tenants and residential rental property owners in resolving disputes. This did not become law.

SF 672 (Mohamed) was heard in the Senate and would provide funding for a statewide tenant education and hotline service. This did not become law.

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.

__2025 Legislative Update:__

The federal One Big Beautiful Bill Act (OBBBA) was signed into law on July 4, 2025, and increases allocations for 9% Low-Income Housing Tax Credit properties by 12%. The bill lowers the private activity bond financing threshold from 50% to 25% of land and building costs for properties placed into service after Dec. 31, 2025.

The OBBBA makes the Opportunity Zones program permanent. This program offers tax benefits for reinvesting capital gains in designated communities. The bill eliminates capital gains taxes on investments held in these zones for at least 10 years.

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.

2025 Legislative Update:

No applicable 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.

2025 Legislative Update:

No applicable 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.

2025 Legislative Update:

Chapter 6 (special session), the omnibus economic development, workforce, and labor finance and policy bill includes base funding for the Minnesota Investment Fund. The bill cuts funding for the Job Creation Fund by $6.091 million in FY26-27, bringing the JCF funding to $9.9 million for FY26-27.

Chapter 12 (special session) is a data center bill. This includes changes that provide the option for earlier state agency involvement in data center siting, asking the Public Utilities Commission (PUC) to establish new considerations for large data centers related to utilities power purchasing, and establishing a new annual fee on large data centers to fund energy efficiency, conservation, and weatherization efforts.

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).

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.

<u>2025 Legislative Update:</u>

Chapter 6 (special session), the omnibus economic development, workforce, and labor finance and policy bill cuts funding for the Redevelopment Grant Program by $2M in FY26-27, bringing the funding to $2.494M for FY26-27.

See HED-7 for Housing Infrastructure Bonds adaptive reuse eligibility.

HF 457 (Harder)/SF 768 (Mohamed) would create a credit and/or grant program through the Department of Employment and Economic Development (DEED) for the adaptive reuse of underutilized buildings. This would provide a refundable tax credit or grant equal to 30% of the cost of the qualifying building conversion expenses for reuse. This legislation was heard, but did not pass.

SF 2115 (Clark) was heard in the Senate. This bill modifies the historic structure rehabilitation tax credit. This bill did not become law.

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.

2025 Legislative Update:

Chapter 6 (special session), the omnibus economic development, workforce, and labor finance and policy bill includes base funding for the Jobs Skills Partnership Program. There was also set-aside funding for youth-at-work competitive grant program, Youthbuild, and MN Youth Program to support youth employment.

Chapter 6 (special session) includes the creation of a Task Force on Workforce Development System Reform to examine how the state forms strategies, sets goals, and allocates funds to meet Minnesota's workforce development needs. This will include a review of programs, funding mechanisms, and evaluation metrics. This task force must provide a final written report by January 15, 2027 to legislative committees with jurisdiction over workforce development.

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;

- Allow and authorize tax increment financing, including property in existing TIF districts, to support the conversion of existing commercial non-residential property, including vacant properties, into multi-family housing or new types of uses that support economic growth for metropolitan cities;

- 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;

- 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.

2025 Legislative Update:

Chapter 13 (special session) the omnibus tax finance and policy bill includes a clarification that transferred increment under the 2021 temporary authorization must be spent, loaned, or invested by December 31, 2025, or December 31, 2026, if authorized by an amended spending plan. The language also extends by a year the date by which the construction must commence and further clarifies how to treat increment transferred under the authority after the temporary authority expires.

The Senate Taxes Committee heard SF 7 (Rest) which made changes to Tax Increment Financing (TIF) laws. The bill would have repealed the renewal and renovation district and combined it with the criteria for a redevelopment district. The bill would have reduced the duration limits for redevelopment districts from 25 to 20 years. The language did not become law.

HF 1159 (Youakim) was heard in the House. This bill would allow for fifteen percent of excess increment to be used outside of the district and allow for excess increment to be transferred to a local housing trust fund with some income requirements. This bill did not become law.

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.

2025 Legislative Update:

No applicable 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.

2025 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.

<u>2025 Legislative Update:</u>

No applicable 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. 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.

2025 Legislative Update:

SF 2045 (Rest) would have allowed for cities to require a broadband service provider within its jurisdiction to obtain a franchise and pay fees that raise revenue, reduce a municipality's costs resulting from the use of the public right-of-way, or both. The bill was considered but did not *become law. Full policy located in GG-17 FRANCHISE FEES, ACCOUNTABILITY AND COST TRANSPARENCY.*

Chapter 23 makes changes to construction codes, specifically provisions related to the certification for underground telecommunications installers. The bill changes requirements that at least two safety-qualified underground telecommunications installers be present for directional drilling. It also eliminates the requirement that underground telecommunications infrastructure installation in the metropolitan area be done by safety-qualified installers starting July 1, 2025, while retaining the statewide requirement that will come into effect on January 1, 2026.

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.

<u>2025 Legislative Update:</u>

Chapter 1 (Special Session), the omnibus environment and natural resources finance and policy bill, cancels $3 million in unallocated funds appropriated in FY 2025 for local climate resiliency infrastructure grants. This funding was returned to the general fund.

Chapter 7 (Special Session), the omnibus climate and energy finance and policy bill, increased funding for the Dept. of Commerce's Clean Energy Resource Teams (CERTs). $500,000 is appropriated each year. CERTs provide cities with resources, tools, guidance, and funding opportunities needed to further local clean energy projects.

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.

<u>2025 Legislative Update:</u>

Chapter 1 (Special Session), the omnibus environment and natural resources finance and policy bill, appropriates $129,000 from the environmental fund for the listing procedures for impaired waters.

Chapter 36 (Regular Session), the Legacy bill, appropriates:

- *$1.6 million each year to the Dept. of Agriculture for technical assistance; research, demonstration, and promotion projects on properly implementing best management practices and vegetative cover; and more-precise information on nonpoint contributions to impaired waters and for grants to support on-farm demonstration of agricultural practices.*

- *$7.25 million each year to the Pollution Control Agency to support public participation in the watershed approach and to update watershed restoration and protection strategies, which include total maximum daily load (TMDL) and other supporting studies for waters on the impaired waters list.*
- *$550,000 each year to the Dept. of Natural Resources for assessing mercury and other fish contaminants including PFAS compounds, and monitoring to track the status of impaired waters over time.*

2025 Local Affordable Housing Aid: Cities

The total certified amount is paid to all recipients in two equal installments.

CITY	FINAL DISTRIBUTION FACTOR	TOTAL CERTIFIED 2025 LOCAL AFFORDABLE HOUSING AID
Andover	0.0060	$255,105.13
Anoka	0.0070	$300,785.48
Apple Valley	0.0179	$764,230.98
Blaine	0.0181	$772,363.98
Bloomington	0.0346	$1,478,986.21
Brooklyn Center	0.0120	$511,430.20
Brooklyn Park	0.0277	$1,182,131.67
Burnsville	0.0267	$1,141,331.12
Champlin	0.0066	$279,775.23
Chanhassen	0.0072	$307,291.88
Chaska	0.0079	$339,010.59
Columbia Heights	0.0091	$390,248.49
Coon Rapids	0.0228	$973,249.10
Cottage Grove	0.0093	$395,263.84
Crystal	0.0081	$347,956.89
Dayton	0.0017	$73,197.01
Eagan	0.0209	$891,647.99
East Bethel	0.0023	$96,240.51
Eden Prairie	0.0171	$729,801.28
Edina	0.0205	$875,381.99
Farmington	0.0057	$244,803.33
Forest Lake	0.0073	$311,900.58
Fridley	0.0108	$462,361.10
Golden Valley	0.0080	$343,754.84
Ham Lake	0.0038	$162,388.92
Hastings	0.0067	$284,519.48
Hopkins	0.0110	$469,274.15
Hugo	0.0043	$185,025.77
Inver Grove Heights	0.0115	$491,911.00
Lake Elmo	0.0034	$146,394.02
Lakeville	0.0149	$635,458.47
Lino Lakes	0.0058	$247,107.68
Little Canada	0.0046	$196,954.17
Maple Grove	0.0177	$754,878.03
Maplewood	0.0138	$587,609.31
Mendota Heights	0.0029	$123,621.61
Minneapolis	0.2013	$8,595,226.41
Minnetonka	0.0187	$800,422.83
Mounds View	0.0045	$190,312.22
New Brighton	0.0085	$362,731.84
New Hope	0.0102	$433,760.05
North St. Paul	0.0047	$200,342.92

2025 Local Affordable Housing Aid: Cities

The total certified amount is paid to all recipients in two equal installments.

CITY	FINAL DISTRIBUTION FACTOR	TOTAL CERTIFIED 2025 LOCAL AFFORDABLE HOUSING AID
Oakdale	0.0109	$465,072.10
Plymouth	0.0219	$933,261.85
Prior Lake	0.0062	$266,897.98
Ramsey	0.0074	$316,780.38
Richfield	0.0151	$643,862.57
Robbinsdale	0.0061	$260,120.48
Rogers	0.0019	$81,601.11
Rosemount	0.0055	$232,874.92
Roseville	0.0132	$563,752.51
Savage	0.0096	$407,869.99
Shakopee	0.0129	$552,366.31
Shoreview	0.0078	$334,672.99
South Saint Paul	0.0073	$313,527.18
St. Louis Park	0.0199	$848,543.09
St. Paul	0.1338	$5,715,601.90
Stillwater	0.0062	$263,644.78
Vadnais Heights	0.0049	$209,424.77
Victoria	0.0011	$45,951.45
Waconia	0.0044	$189,363.37
West St. Paul	0.0107	$455,854.70
White Bear Lake	0.0100	$425,220.39
Woodbury	0.0198	$844,476.59
TOTAL	**1.0000**	**$42,706,929.71**

CITIES NEED:

- Adequate state funding for housing programs, including the Challenge program, Housing Infrastructure bonds, preservation of affordable housing, and programs that reduce racial disparities in homeownership.
- Ongoing state match for local and regional housing trust funds.
- An extension to the timeline in which cities must expend Local Affordable Housing Aid (LAHA) funds.
- Expanding housing aid to metropolitan cities under 10,000 in population.
- Tax credits or grants to support adaptive reuse of underutilized or vacant property into housing.
- Funding to preserve naturally occurring affordable housing.
- Allowing cities to use unobligated tax increment financing (TIF) to support a local housing trust fund.
- Gap funding for mixed income housing projects, and shovel-ready projects stalled due to increased interest rates, land, and construction costs.
- Elimination of Section 8 source of income discrimination.
- Increasing Section 8 and other federal funding to assist HRAs with tax exempt bonds for housing.

METRO CITIES
Association of Metropolitan Municipalities

2025 HOUSING ISSUE PAPER

INTRODUCTION

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

Cities in the metropolitan region are working to address housing needs in their local communities that is affordable and accessible to people at all stages of life. Metro Cities' policies on housing strongly support state resources to assist advancing affordable housing, and expanding various tools and resources to assist cities in facilitating housing production and preservation. This paper addresses governmental roles in housing.

Metro Cities' policies recognize private and public sector roles in housing and support sufficient resources as well as local decision making authority that allows cities to address housing needs of their local communities effectively, innovatively, and responsively.

GOVERNMENT ROLES IN HOUSING

Housing is predominantly built by the private and nonprofit sectors. Almost all housing in Minnesota is privately owned.

CITIES

In addressing local housing needs, cities ensure the structural integrity of housing through zoning, inspections, code enforcement, and rental licensing. Cities consider workforce housing needs, affordability, racial disparities, aging populations and the preservation of existing housing. Cities also facilitate and provide the public infrastructure required to serve new developments.

METROPOLITAN COUNCIL

Regional policies and requirements address the need for new affordable housing production across the region. Density requirements vary based on local characteristics and infrastructure capacity. The regional Livable Communities Program funds local housing and redevelopment projects.

STATE

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

FEDERAL

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

STATE FUNDS ARE OVERSUBSCRIBED

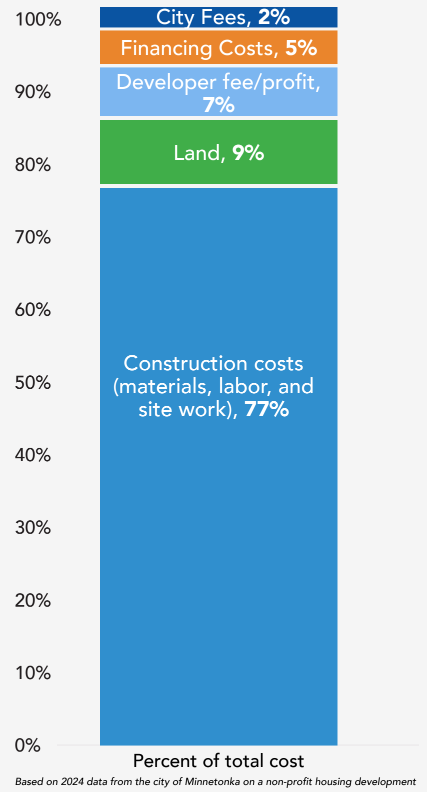
Most affordable housing development requires public funding. Many cities submit requests for funding to Minnesota Housing's Consolidated RFP each year. Limited resources mean that many projects do not receive funding.

Between 2019 and 2022, these cities applied for but did not receive funding due to limited available funding: Anoka, Blaine, Columbia Heights, Coon Rapids, Cottage Grove, Elko New Market, Hopkins, Little Canada, Long Lake, Medina, Minnetonka, Ramsey, and Savage.

Year	Apps Received	Apps Selected	# of non-selects	% of apps that were selected	% of apps that were non-select
2019	77	48	29	62%	38%
2020	83	37	46	45%	55%
2021	81	39	42	48%	52%
2022	70	30	40	43%	57%

[Source: Minnesota Housing Finance Agency, 2024]

Costs to Build Owner-Occupied Affordable Housing in Metropolitan Area



Based on 2024 data from the city of Minnetonka on a non-profit housing development

WAYS CITIES ARE ADDRESSING HOUSING NEEDS

Cities across the metropolitan region are working to address housing needs through a variety of tools and resources that fit local needs. These include but are not limited to:

- Providing density bonuses for developments
- Creating affordable housing trust funds
- Reducing lot sizes
- Reducing local fees
- Establishing an inclusionary housing policy
- Reducing parking minimums
- Allowing Accessory Dwelling Units
- Utilizing tax increment financing (TIF)
- Amending zoning ordinances for higher density projects
- Supporting housing rehabilitation and preservation
- Applying for state and regional housing funds

Housing Assistance Programs Offered in 2023

PROGRAM TYPE	COMMUNITY DESIGNATION			
	Urban Center (5)	Urban (6)	Suburban (7)	Suburban Edge (3)
Down Payment Assistance for low-income homebuyers	4	5	5	3
First-time homebuyer assistance	4	4	5	2
Foreclosure Prevention Program	1	-	1	1
Low-interest Rehab Program	5	6	5	3
4(d) Tax Incentive Program	3	2	2	-
Affordable Housing Trust Fund	4	3	6	-
Local Rental Assistance	3	-	2	1

[Source: Metropolitan Council 2024 Housing Policy and Production Survey]

Housing Policies Used in 2023

HOUSING POLICY TYPE	COMMUNITY DESIGNATION					
	Urban Center (9)	Urban (12)	Suburban (18)	Suburban Edge (6)	Emerging Suburban Edge (10)	Rural Centers (2)
Active code enforcement program	9	11	17	6	8	2
Rental licensing program	8	11	16	5	6	2
Strong Partnership with County HRA/CDA/EDA	3	7	11	4	9	1
Accessory Dwelling Unit (ADU) policy	6	8	9	4	4	1
Tenants' Rights policies	4	5	4	-	1	-
Displacement Prevention Policy	3	5	4	-	-	-
Mixed-income (inclusionary) housing policy	4	3	4	2	-	-
Equity in Development and Hiring Policy	3	4	4	-	-	-

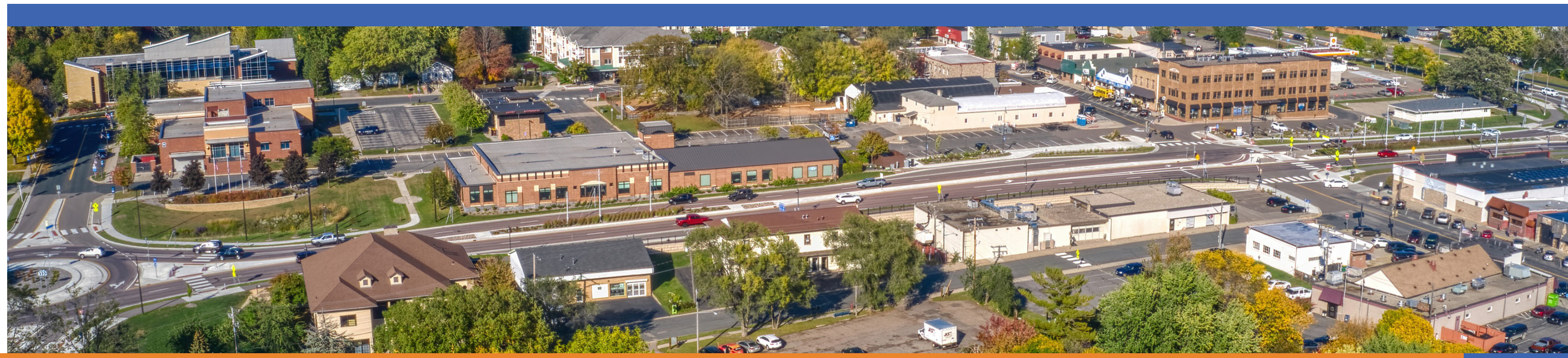
[Source: Metropolitan Council 2024 Housing Policy and Production Survey]

Community Plans for Local Affordable Housing Aid (LAHA)

FUNDING USE, PLANNED ACTIVITIES, AND PARTNERS INVOLVED	COMMUNITY DESIGNATION					
	Urban Center (9)	Urban (11)	Suburban (17)	Suburban Edge (5)	Emerging Suburban Edge (8)	Rural Centers (2)
Housing Rehabilitation & Improvement Programs	4	4	5	4	1	-
Homebuyer Assistance	4	2	3	3	-	-
New Construction, Development, Acquisition	2	4	3	3	2	-
Emergency Rental Assistance	3	3	1	-	-	-
New program established	2	-	1	2	-	-
Potential Affordable Housing Trust Fund creation	-	1	1	1	2	-
Working with a CDA/County	-	1	3	1	2	-
Working with a land trust	-	1	1	1	1	-
Working with a nonprofit	-	1	1	-	-	-
Undecided or not specified	1	2	5	-	2	-
Other	1	1	-	-	-	-
Community does not qualify for funds	-	2	5	-	2	2

**Multiple activities for a single city were counted if the respondent described multiple planned uses for the funding. Many cities are still in the planning stages to determine exact use of funding.*

[Source: Metropolitan Council 2024 Housing Policy and Production Survey]



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.

2040 Minimum Average Net Density Policy

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]

2050 Minimum Average Net Density Policy*

OVERALL DENSITY EXPECTATIONS FOR NEW GROWTH, DEVELOPMENT, AND REDEVELOPMENT	
Metropolitan Urban Service Area: Minimum Average Net Density	
Urban	25 units/acre
Urban Edge	14 units/acre
Suburban	7 units/acre
Suburban Edge	3.5 units/acre
Rural Service Area: Maximum Allowed Density, except Rural Centers	
Rural Center	3 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

Average minimum and maximum densities apply to all areas guided to support forecasted growth within the planning period.

*new Council land use policy to be implemented in upcoming city Comprehensive plan update process. Community designations will be updated with the new land use policies.

[Source: Metropolitan Council]