



March 14, 2023

Re: HF1402 / SF1146 - Street Impact Fees

Dear Chair Hornstein, Representative Hanson and Committee Members:

Minnesota's housing crisis has never been more critical. We are tens of thousands of units behind, and the average cost of building a home in our state is 22% higher than in neighboring states. Every \$1,000 in added cost drives another 3,000 Minnesota families out of affordability for the housing they need. **The last thing Minnesotans need is another costly and unspecified tax on housing!**

HF1402 allows local governments to **tax new homebuyers to fund unspecified street improvements at an unknown/unspecific point in the future.** Nothing in the bill requires the tax payments to be used for any specific project or purpose, nor does it ensure that any street will be built or modified.

HF1402 is unnecessary:

- Local governments *already have ample financing tools* to fund future infrastructure needs.
- Unlike the new taxation in HF1402, existing municipal financing tools for street improvement funding require public transparency, accountability and fairness.

HF1402 is unfair to homebuyers:

- HF1402 opens a new avenue for taxation that would *add significantly to the up-front cost of the homes* Minnesotans need, subject to mortgage financing. That does not happen under any of the current legally authorized street funding tools that must be *publicly approved and specifically designated* for the purposes intended.
- Unlike the current legal pathways for street projects, HF1402 *shifts the payment burden to a subset of residents*, even though the project benefits the entire community.
- All businesses and residents create the need for roadways, *not just those who get taxed.*
- Given the unknown timeframe for using the funds collected, those who are forced to pay these taxes under HF1402 *may move from their homes long before the funds are spent* for any improvements.

With Minnesota in a genuine, deep housing crisis, and Minnesotans needing affordable places to live, adding another new, broad avenue for local **taxation directly impacting the cost of each new home is exactly the wrong thing to do** – especially when municipalities already have appropriate legal taxing authority to fund street and other public infrastructure improvements. CMBA and its members **urge you to vote “no” on HF1402.**

Sincerely yours,

Steve Gottwalt
Government Affairs

Cc: Wanda Schroeder, Executive Director; CMBA Board of Directors