

March 4, 2025

Representative Greg Davids  
Chair, House Taxes Committee

Representative Aisha Gomez  
DFL Lead, House Taxes Committee

**Re: HF 457**

Dear Chair Davids, Lead Gomez, and Members of the House Taxes Committee,

We are pleased to write in support of HF 457, which would create a refundable tax credit for the adaptive reuse of underutilized buildings. The CUB credit would help to revitalize our downtown by supporting the reuse of underutilized buildings for new, habitable uses.

Downtown Minneapolis is an economic engine for the state. Downtown brings residents, small and medium-sized businesses, Fortune 500 companies, professional sports teams, international conventions, world class events, restaurants, theater, and arts together along the Mississippi River providing a one-of-a-kind experience. Downtown vibrancy impacts not only the economy of Minneapolis, but the economy of the entire state of Minnesota.

Like many cities across the country, Minneapolis has experienced a shift in downtown activity coming out of the COVID-19 pandemic. As downtown office buildings decline in value, particularly relative to other uses throughout the city, it shifts property tax burden to other, primarily residential, taxpayers in Minneapolis. It also effects the state's property tax base and statewide economy. According to a study from the Minneapolis Regional Chamber of Commerce, Minneapolis contributes \$3 to the state for every \$1 it receives in state support.

The CUB credit would help to revitalize our downtown by supporting the adaptive reuse of underutilized buildings and would help to ensure that the tax burden does not unfairly fall to low-income homeowners and renters in Minneapolis and to taxpayers statewide.

We urge the Committee to support HF 457 and appreciate its consideration of this important proposal.

Sincerely,



Jacob Frey  
Mayor



Aurin Chowdhury, City Council Member  
Chair, IGR Committee



Michael Rainville, City Council Member  
Vice Chair, IGR Committee



Members of House Taxes Committee  
658 Cedar St  
St Paul, MN 55155

**Subject: Opposition to HF457**

Dear Chair Davids and Committee Members,

I am writing to express my opposition to HF457, which proposes a tax credit for the conversion of underutilized buildings. While SEIU – Local 26 support efforts to revitalize downtown areas and repurpose vacant structures, this bill lacks essential provisions to ensure that redevelopment serves the broader public interest—particularly in regard to affordable housing, responsible employment practices, and sustainability.

The bill, as written, fails to require that converted buildings include affordable housing units, despite the well-documented need for such housing in our communities. Without explicit requirements or incentives for affordability, there is no guarantee that these redevelopment efforts will benefit lower-income residents or prevent further displacement. If public funds are to be used to subsidize these projects, they must serve a wider population, not just developers and market-rate tenants.

Additionally, the bill does not include expectations for responsible contractors in the ongoing property management and maintenance of these converted buildings. Without such safeguards, we have already seen conversions result in the loss of good-paying jobs with benefits, as companies undercut existing contracts with low-cost alternatives. This trend not only harms workers but also risks reducing the quality and upkeep of these properties in the long term.

Another critical omission in this bill is the lack of clear sustainability requirements. Redevelopment projects receiving public funds should include measures to improve energy efficiency, reduce waste, and promote environmentally responsible construction and maintenance practices.

By failing to establish protections for housing affordability, fair labor standards, and sustainability, this legislation does not fully meet its stated intent and could lead to unintended negative consequences for the communities it aims to support.

I urge you to oppose this bill as currently written and work to include clear requirements that ensure revitalization efforts prioritize these critical components.

Thank you for your time and consideration. I encourage you to work towards a more comprehensive and equitable approach to redevelopment.

Sincerely,

Greg Nammacher  
President

# CATALYZING UNDERUTILIZED BUILDINGS

The Minnesota Catalyzing Underutilized Buildings (“CUB”) Tax Credit will provide a necessary incentive for revitalizing existing buildings in small and large communities across the state. The MN CUB credit is a six-year program designed to provide assistance to convert vacant and underutilized buildings into spaces that meet today’s needs.

## Why is this needed?

Multiple economic and social factors have led to an unprecedented number of vacant and underutilized buildings in core cities, suburbs, and small downtowns alike. Converting these buildings to new uses requires major changes: to plumbing, electrical, and HVAC systems; to water and sanitary sewer infrastructure; and to critical building components such as elevators, stairways, sprinkler systems, and operable windows. With current interest rates, building owners and developers find it challenging to finance these extensive alterations. Buildings remain vacant despite heightened demand for affordable housing and suitable commercial spaces that provide resilient mixed uses and essential services including childcare.

Long-term vacancy turns into blight, which begets more blight and a cycle of disinvestment that is extremely difficult for communities to recover from – and which usually results in extensive demolition and plummeting property values. Commercial vacancies also tend to shift property taxes from corporate landlords to residential property owners. The result of that shift is higher housing costs for homeowners and renters alike and/or cuts in municipal services and school funding.

## Program Overview

- Temporary, targeted program to meet current needs and ward off future decline.
- Tax Credit is equivalent to 30% of Qualified Conversion Costs. A grant equal to 90% of the credit amount is available for conversion projects under \$5 million.
- Buildings must be at least 15 years old and converted to a new, habitable, income-producing use. A building that has had at least 50% of its occupiable floor area vacant for at least 5 years also qualifies for converting the vacant area to habitable condition, regardless of previous use.
- At least 75% of the external walls of the structure must remain standing and 75% of the existing internal structural framework must be retained in place.
- The conversion work must be completed within three years of application for the CUB Credit
- CUB credit may be used with other incentive programs *except* the MN Historic Tax Credit.

## Examples of Qualifying Projects

- Low-rise office buildings converted to mixed use housing and commercial spaces
- Churches converted to daycare centers
- Schools converted to senior housing
- Armories converted to housing
- Shopping centers converted to recreational facilities
- Theaters converted to restaurants or event venues
- Vacant upper stories converted to housing

HF457 | SF768





**Downtown  
Duluth**

5 West 1st Street  
Duluth, MN 55802  
218.727.8549

[downtownduluth.com](http://downtownduluth.com)

March 3, 2025

MN House Taxes Committee

Dear Chair Davids and Members of the Committee,

I would like to share our support for the Catalyzing Underutilized Buildings (CUB) tax credit, bill HF457.

Our organization, Downtown Duluth, represents hundreds of businesses and property owners in our downtown. Like many downtowns, we have seen changes since the pandemic, with more employees working remote and office spaces becoming underutilized.

We are excited to focus on a future that includes converting underutilized commercial property into residential units. The CUB tax credit can help spark revitalization and reinvestment as many of the conversions are otherwise cost prohibitive. This will unlock so many possibilities, including the creation of affordable housing, jobs, vibrant commercial space, and a new life for our existing buildings that may be facing vacancies.

The momentum is building for this next chapter of our downtown. The CUB tax credit would be a significant tool to further strengthen the heart of our community and expand economic opportunities.

We stand ready to support you in enacting this legislation and giving Minnesota main streets a resource that will help bring underutilized buildings back to life.

Sincerely,

Kristi Stokes

President



408 Saint Peter Street, Suite 350  
Saint Paul, MN 55102

PHONE 651 225 0878  
EMAIL [info@fresh-energy.org](mailto:info@fresh-energy.org)  
WEBSITE [fresh-energy.org](http://fresh-energy.org)

March 3, 2025

The Honorable Greg Davids  
Chair, Taxes Committee  
Minnesota House of Representatives  
658 Cedar Street, 2<sup>nd</sup> Floor  
Saint Paul, MN 55155

Chair Davids and Committee Members,

Fresh Energy is a 30-year-old, Minnesota-based nonpartisan, not-for-profit organization. We work to shape and drive bold policy solutions to achieve equitable carbon-neutral economies. We appreciate the opportunity to share our support regarding House File 457.

Fresh Energy recognizes the increased challenges and costs associated with changing a building's use and renovating existing buildings to meet the needs of Minnesota's evolving economy. We applaud the author's efforts to meet these challenges head on through House File 457.

In addition to the immediate economic benefits for building owners and tenants, maximizing the use of Minnesota's existing building stock has potentially significant benefits for Minnesota's climate emissions. Preserving and renovating existing buildings is a low-carbon, common sense approach to avoiding the up-front and substantial embodied carbon emissions that are inherent to concrete, steel, and the superstructure of building assembly.

As this legislation moves forward, Fresh Energy recommends considering an additional tax incentive for building owners that achieve measurable reductions in operational emissions through electrification or other technologies. Further incentives for electrification represent a generational opportunity to reduce Minnesota's building sector emissions through reutilization projects across the state, while providing additional benefits to cities and developers. We would welcome the opportunity to work with the bill author and other proponents if mutual interest exists for such an approach.

For these reasons, we recommend that members support House File 457.

Sincerely,

Sam Friesen  
Managing Director of Buildings, Fresh Energy  
[friesen@fresh-energy.org](mailto:friesen@fresh-energy.org)

March 4, 2025

Dear Minnesota House of Representatives and members of the tax committee

NAIOP is a national trade organization representing commercial, industrial, and multi-family developers. We provide education, research, and best practices in commercial real estate, and our Minnesota chapter is 600 members strong.

Commercial real estate is a vital contributor to Minnesota's economy, generating **\$10 billion for the state GDP, \$3.1 billion in wages and salaries, and supporting 48,684 jobs**. However, development has slowed significantly due to rising construction costs and the increasing difficulty of making projects financially viable.

On behalf of our members, we **strongly support HF 457—the CUB Credit (Catalyst for Underutilized Buildings)** as an essential economic development tool for repurposing buildings for adaptive reuse.

The office market has been hit especially hard, but it is not the only sector facing challenges. Shifts in work models, advancements in artificial intelligence, and evolving consumer preferences have all disrupted commercial real estate. That's why we support adding more tools to the toolbox—so we can revitalize outdated buildings and return them to productive, tax-generating properties.

We appreciate your consideration and urge your support for HF 457.

Sincerely,



Roz Peterson, CCIM  
Public Policy Director  
NAIOP Minnesota    roz@naiopmn.org    612-708-5281



March 3, 2025

Dear members of the House Taxes Committee,

The American Institute of Architects (AIA) Minnesota wishes to offer its support for HF 457, which establishes a refundable sales and use tax credit for the conversion of underutilized buildings.

The Catalyzing Underutilized Buildings (CUB) tax credit creates an opportunity for investment in Minnesota buildings that currently risk creating blight and property value reduction. Many communities have seen buildings stand vacant or nearly vacant, some for long periods of time, as community needs have changed; this tax credit will allow communities to revitalize buildings and create needed assets like affordable housing and modern business spaces that reflect the needs of communities for today and tomorrow.

Architects have long advocated for adaptive reuse of existing buildings whenever possible. However, in many cases, adapting a building may require significant changes to its layout and infrastructure to allow it to function well for modern commercial and residential use. Tax credits like these can help overcome financial hurdles that allow for innovative design solutions to revitalize Minnesota main streets, one building at a time.

This bill has been carefully tailored to ensure that it is fiscally responsible and targeted to provide the maximum development and job creation benefits without overburdening Minnesota taxpayers. We support its well-defined criteria and believe that the sunset for the program is appropriate, as this is a problem that should be a short-term one to solve.

We believe this tax credit will help turn vacant spaces into vibrant spaces; will help energize and invigorate main streets and downtowns that have struggled in recent years, one building at a time. We urge you to support passage of this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary-Margaret Zindren".

Mary-Margaret Zindren  
AIA Minnesota Executive Vice President  
[zindren@aia-mn.org](mailto:zindren@aia-mn.org)



March 4, 2025

**Re: Support for HF 457 – establishing a tax credit for conversion of underutilized buildings**

**Chair Davids and Members of the House Taxes Committee:**

The League of Minnesota Cities appreciates the opportunity to provide comments on HF 457. On behalf of our 841 member cities, we respectfully request that members support this new proposal, which would allow a tax credit for 30% of the total cost of qualifying conversion expenses for a qualifying project.

The bill, which is modeled after the Historic Structure Rehabilitation tax credit, offers a timely solution for redevelopment projects converting underutilized buildings. The proposed credit encourages investment in these properties, fostering the transformation of empty or neglected buildings into functional, income-producing structures. This will create new opportunities for businesses and identify opportunities for more housing development and enhance the overall appeal of downtown areas and other neighborhoods in cities both in the metropolitan area and in greater Minnesota.

Vacant or underutilized commercial buildings have become a significant issue in cities across the state, as the trends of remote work and online sales have decreased the importance of retail and office buildings. As a result, cities are facing budget challenges on top of questions of how to create attractive opportunities to use vacant property. The redevelopment of these properties increases the local tax base will also help mitigate against the shifting of property taxes onto residents as underutilized buildings continue to see declining valuations.

Cities across Minnesota are faced with expensive barriers to rehabilitate and re-use buildings that are no longer fully providing their intended use. These barriers pose significant problems for cities seeking to re-use existing infrastructure and spur much needed development across the state. The League of Minnesota Cities supports resources for cities like this newly proposed tax credit that help with the conversion of underutilized buildings.

Please join us in providing resources to address this growing issue by supporting HF 457.

Sincerely,

A handwritten signature in black ink that reads "Daniel Lightfoot".

Daniel Lightfoot  
Senior Intergovernmental Relations Representative  
League of Minnesota Cities

A handwritten signature in black ink that reads "Beth Johnston".

Beth Johnston  
Intergovernmental Relations Representative  
League of Minnesota Cities





March 4, 2025

Chair Davids and Members of the House Taxes Committee,

Metro Cities, representing the shared interests of cities across the metropolitan area, appreciates the opportunity to support HF 457 - Harder. This bill would provide for a refundable tax credit or a grant to support the adaptive reuse of underutilized buildings for up to thirty percent of the total cost of conversion expenses through the Department of Employment and Economic Development.

Cities are experiencing significant commercial vacancy issues, such as functionally obsolete and underutilized commercial space, both in downtown districts as well as commercial areas throughout the metropolitan region. These challenges present an opportunity to create incentives to convert these buildings to new uses, such as housing or other higher uses that support the economic growth of commercial districts. A tax credit would support the significant costs associated with the conversion of these buildings.

Metro Cities policies support state funding, tax credits, and policy tools that will assist with the conversion of vacant commercial space to residential or new types of uses. This bill will provide much needed resources to support the economic development and redevelopment across the metropolitan region.

Thank you for your consideration of this letter.

Sincerely,

A handwritten signature in black ink, reading 'Ania McDonnell'. The signature is fluid and cursive, with the first name 'Ania' and last name 'McDonnell' clearly visible.

Ania McDonnell  
Government Relations Specialist

March 3, 2025

Chair Davids and Members of the House Taxes Committee:

Thank you for the opportunity to submit written testimony in support of Rep. Harder's HF 457, proposing a refundable credit for the conversion of underutilized buildings from one use to another.

Minnesota Realtors® (MNR) was founded in 1919 and is a business trade association with a membership of over 22,000 real estate professionals statewide.

MNR's 2025 Legislative Session agenda includes support for actions that will increase housing supply and affordability.

Minnesota's housing supply does not meet the demand that exists, leading to increasing costs and decreasing affordability, especially for first-time home buyers. Consideration of policies that could stimulate the production of more housing units by the private sector is an important opportunity this Session to make progress on addressing Minnesota's need for more housing.

We encourage your support for Rep. Harder's HF 457, which would provide a credit equal to 30-percent of conversion costs associated with repurposing a building from one use to another, including projects that will create more housing units.

Thank you again for the opportunity to provide written testimony in support of HF 457.

Sincerely,



Paul Eger  
Senior Vice President, Governmental Affairs  
Minnesota Realtors®

March 4, 2025

Representative Greg Davids, Chair  
House Taxes Committee  
658 Cedar Street  
St. Paul, MN 55155

### **Re: Support for H.F. 457 - CUB Credit**

Dear Chair Davids and Committee Members:

On behalf of the St. Paul Area Chamber and its 1,900 members and affiliates, I write to offer our strong support for H.F. 457, which creates a tax credit to convert underutilized buildings. We find this legislation to be a proactive solution to address downtown commercial vacancies and prevent blight, property devaluation, and negative impacts on local government budgets.

Post-Covid, downtowns across the country are struggling to attract and retain residents, employees, and businesses. Downtown Saint Paul is no exception. We are active members of the Saint Paul Downtown Alliance, which released its Downtown Investment Strategy last year, outlining actions and investments needed to revitalize downtown Saint Paul.

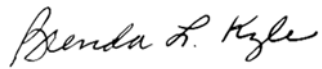
A key recommendation of this report is the implementation of an office-to-residential conversion incentives program to create housing and density, support downtown businesses, and strengthen the commercial market. Accordingly, our Chamber is working collaboratively at the state and local levels to find ways to ease the cost of renovating underutilized and vacant buildings downtown.

Saint Paul is at an inflection point; we need to get ahead of downtown commercial building market value devaluations. If less property tax revenue is collected from downtown properties, the City's tax levy will shift onto other properties, making it harder for local governments to provide essential services and schools to provide our students with a great education.



A partnership between the public and private sectors will be necessary to bring vibrancy and economic revitalization to downtown Saint Paul. The Chamber and our members are committed to this work. The creation of a tax credit to promote office-to-residential conversions is a vital component to the downtown improvement strategy, so we humbly request your support.

Sincerely,



B Kyle  
President and CEO  
St. Paul Area Chamber

