



March 17, 2023

Re: City support for the Comprehensive Housing Spectrum Act (HF 743)

Chair Gomez and Members of the House Tax Committee:

The League of Minnesota Cities, Coalition of Greater Minnesota Cities, Minnesota Association of Small Cities, Metro Cities, and Municipal Legislative Commission appreciate the opportunity to provide joint comments on our support for HF 743, the Comprehensive Housing Spectrum Act. Our cities continue to innovate and provide support with limited resources to preserve and develop a mix of housing stock that meets the unique needs of their communities. Nonetheless a strong state-local partnership is crucial if we are to address the state's housing challenges in a comprehensive way.

We strongly believe that robust state resources and policies that bolster local efforts and are proven solutions that support and increase preservation and new development are necessary to address statewide goals while remaining sensitive to unique locally identified housing needs. The Comprehensive Housing Spectrum Act seeks to provide resources and policies that will help built-out cities focused on preservation of existing naturally occurring affordable housing and redevelopment as well as cities focused on attracting new development in communities with extensive greenfield development opportunities. This legislation will help cities by the three largest cost drivers of housing: land, labor, and lumber. HF 743 takes a comprehensive approach grounded in four key principles that we believe must be included in order to effectively address housing challenges across the state:

Address the full spectrum of housing from preservation of existing units on up to new market rate construction:

- HF 743 includes \$50 million in FY 2024 for grants and loans to qualified owners of Naturally Occurring Affordable Housing that will support the most cost-effective way to provide housing opportunities affordable to many city residents by preserving the homes we have. With market forces continuing to provide opportunity for investor acquisition of single- and multi-family properties that eliminate ownership opportunities and displace residents, now is the time to invest in preservation.
- The bill also includes proven state resources that support the construction, acquisition, and preservation of housing stock throughout the spectrum including \$400 million in Housing Infrastructure Bonds, additional resources for the Economic Development and Challenge Fund Grant Program, \$100 million in General Obligation bonds for public housing rehabilitation, and \$10 million for Local Housing Trust Fund state matching grants.

Support local innovation that cities are deploying to address needs and promote development:

- Many cities are pulling every local lever they can to attract development including providing all water and sewer infrastructure needed to support buildable lots as a way to attract development. The bill provides resources to assist cities with the cost of providing infrastructure necessary for workforce housing, which is particularly challenging for cities in Greater Minnesota seeking to attract development.

- The bill also includes meaningful expansion for the use of Tax Increment Financing for affordable housing projects by increasing allowance for pooled TIF for housing as well as statewide eligibility for unobligated increment to be transferred to a city's local housing trust fund.

Provide incentives to cities that allow for local efforts that meet diverse local needs:

- Cities continue to innovate and provide local resources and advance policy that supports affordable development and preservation. The bill seeks the state's support in these efforts by providing assistance via a housing cost reduction incentive program that reimburses cities that provide incentives for developers who build affordable single- and multi-family units.

Provide community-specific solutions throughout Minnesota that are sensitive to the different housing needs across cities and regions:

- The market forces and local needs impact cities differently across Minnesota. While other housing policy proposals focus only on one aspect of the housing spectrum and the market forces impacting a specific region, HF 743 provides resources and tools that seek to specifically address regionally-specific housing challenges. In addition to resources that are flexible and deployed across the state, the bill includes policy provisions that allow a city to take a more active role in development when the market fails to bring development opportunities needed to support growing local economies.

Thank you for the opportunity to provide comments on HF 743, the Comprehensive Housing Spectrum Act. We look forward to continuing working with the legislature to address housing challenges impacting our cities.

Sincerely,

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