



Roger J. Reinert  
Mayor

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The Honorable Greg Davids  
Chair, House Tax Committee  
2nd Floor Centennial Office Building  
658 Cedar Street  
St. Paul, MN 55155

Dear Chair Davids and Members of the House Tax Committee:

I write in support of House File 457, which establishes a new tax credit and grant program for expenses incurred in converting commercial buildings to residential. Like many other cities, Duluth has seen an increase in the number of vacant or underutilized buildings throughout the city's core. Establishing a robust tax credit for the conversion of underutilized and vacant buildings will help facilitate the restoration of Duluth's commercial district to a vibrant residential and mixed-used hub.

This tax credit – equal to 30 percent of conversion expenses – will help offset the construction-related expenses associated with building conversions, thereby making it more financially feasible for developers to undertake this work. This effort is a bit unprecedented, but I believe it is needed as we have a housing emergency in Duluth and must take drastic measures to get housing built now.

In 2019, the firm Maxfield Research and Associates, estimated Duluth would need an additional 3,600 units of affordable housing by 2024 to meet local demand. We have not only failed to reach that number, but we have fallen far behind in building housing. It's hampering economic growth in Duluth and Northeastern Minnesota. In Duluth, large employers like Essentia, Aspirus/St. Luke's, Cirrus, and others cannot grow, because we cannot build workforce, and we cannot build workforce without places for people to live.

Duluth's housing prices are driven by construction expenses that are often 20%-30% higher than in other parts of the state, due to the greater cost of labor and materials in the region, as well as geological and topographical challenges developers often encounter on site.

Thank you for considering this effort. I hope you will consider including this in a future tax bill as this 2025 legislative session moves forward.

Respectfully,

Roger J. Reinert  
Mayor

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