

Re: HF 1402 – The Creation of a New Homeownership Tax

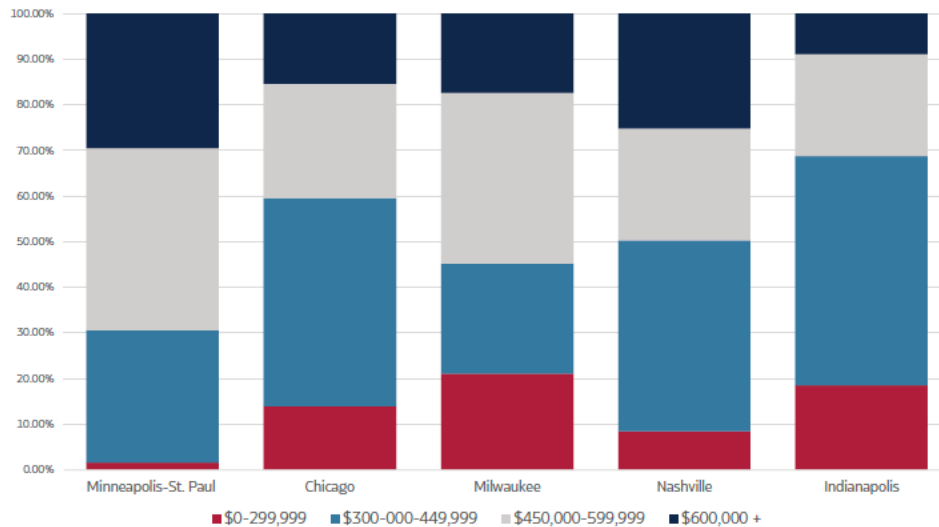
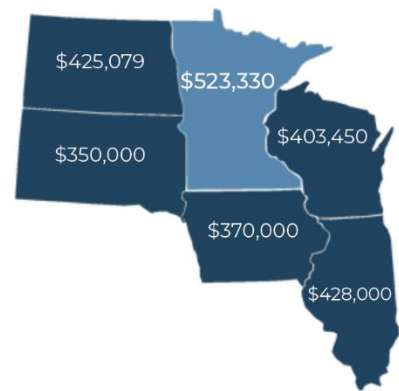
March 14, 2023

Members of the Transportation Finance and Policy Committee,

On behalf of the housing industry in Minnesota, Housing First Minnesota offers this letter in opposition to HF 1402 (Hanson), which creates an unnecessary tax on homeownership. Housing First Minnesota’s diverse membership encompasses the entirety of the housing industry and our members build the communities and places we call home. Our organization’s mission is homeownership opportunities for all.

While it is never a great time to put create a new housing tax, **right now is the worst possible time to create a new tax on homeownership:**

- Currently, **Minnesota has the highest new home costs in the region;** our new homes (right), on average cost at least \$95,000 more than neighboring states¹.
- **Minnesota’s housing deficit is increasing at an alarming rate when it should be falling.** In the year that the state was to have erased its housing deficit, this figure stands between 64,000² and 95,000³.
- Today, **less than 2 percent of all new homes in the Twin Cities, one of the lowest figures in the nation**⁴:



HF 1402 and its homeownership tax prices out buyers from the market, placing the creation of generational wealth at risk.

¹ Date: Zonda review of median new, single-family detached homes. February 2023. Chart: Housing First Minnesota

² Minnesota Housing Dashboard. Housing First Minnesota. February 2023.

³ 2022 Housing Underproduction in the United States. Up For Growth. 2023.

⁴ Data: Zonda review of new home price point distribution, Jan. 1, 2022 – Feb. 24, 2023.. Chart: Housing First Minnesota



While other states are lifting barriers to housing access and affordability, **Minnesota might be the only state to take action to worsen its housing crisis with the passage and enactment of HF 1402.** As proposed, this tax on housing will allow local government to tax new homebuyers to pay for unspecified future street improvements that benefit the entire community. Our local government partners already have several tools available to fund off-site street improvements:

- General Property Tax Revenue
- Special Assessments
- Special Service Districts
- Tax Increment Financing
- Property Tax Abatement
- Local Option Sales Tax
- State Transportation Aid

Each of these has the transparency and fairness that HF 1402's homeownership tax lacks. And, unlike any of these existing tools, by voting for HF 1402, you are not just creating a homeownership tax, but one that must be paid during the entire life of a mortgage. At today's interest rates, sitting at their 15-year high, a new home buyer would pay far greater than they would for any other tool. HF 1402 is unfair for homebuyers.

New-home buyers already pay their fair share, and then some. Despite the rhetoric, these are not like sewer, water or park fees, this tax is to be used to fund shared infrastructure that directly benefit new and existing residents and businesses alike. Nothing in this bill exhibits the transparency and fairness requirements used for other exactions.

HF 1402 will have negative impact on housing supply, affordability, and access. This homeownership tax will create new barriers to the creation of generational wealth. **Voting yes HF 1402 will make Minnesota's housing problems worse. And for these reasons, we ask that you vote no on HF 1402.**