



Metro Cities to Welcome New Office Manager

Metro Cities is pleased to announce that Kimberly Ciarrocchi will join Metro Cities as its new Office Manager, following Laurie Jennings' resignation from the position in late November. Ms. Ciarrocchi is currently employed by the League of MN Cities as part of its administrative support team, staffing the front desk and providing support to LMC departments. Ms. Ciarrocchi received a Bachelor's degree from the University of Minnesota-Crookston and makes her home in Richfield. She is a highly skilled administrative professional and we are excited to have her join our team. Kim will begin employment with Metro Cities on February 13th.

Legislative Update

Health Care Premium Bill passes. The Legislature passed and the Governor has signed, a health care premium relief bill. Relief bills were an identified key priority for state policymakers and the first to be introduced this session by both bodies. The bill provides \$326.9 million of premium relief, to come out of the state's budget reserve. Tapping the reserve for this purpose was done as a one-time expenditure and does not change the statutory budget reserve policy. With the new law, the budget reserve will be reduced by the \$326.9 million to total \$1.5 billion. The State Department of Management and Budget currently recommends that the reserve be funded at \$2 billion.

Committee deadlines set. The Legislature has agreed to committee deadlines for the session. The committee deadlines are Friday, March 10th (committee deadline for bills to be acted on favorably in their house of origin), Friday, March 17th (committee deadline for bills to be acted on favorably, or companions of bills, that have met first deadline in the other house) and Friday, March 31st (committee deadline for major appropriation and finance bills). The deadlines do not apply to Capital Investment, Taxes, Ways and Means/Finance, or Rules committees.

Governor's State of the State and Budget Recommendations. The Governor's budget recommendations were released on Wednesday, followed his State of the State speech on Tuesday. The Governor's speech came to a halt when he fainted midway during his remarks. The content of the Governor's State of the State address can be [found here](#). On Wednesday, the Governor released his budget recommendations and completed his State of the State address. His comments focused on the state's healthy reserve, state's AAA bond rating, and his priorities of health care, transportation and education.

Specific updates follow. Introduced bills of note and scheduled hearings on bills are included at the end of this newsletter.

Interim Ordinance Bill Scheduled for Hearing in House Committee on Tuesday

HF 330-Nash, will be heard in the House Government Operations Committee on Tuesday, January 31st. The bill requires a two-thirds vote by a local governing body to pass any interim ordinance and a 10-day public notice prior to a public hearing for any interim ordinances relating to housing. Metro Cities opposes this bill. A similar interim ordinance bill was considered but did not pass the Legislature last year. Metro Cities worked with the League last year to express

opposition to this bill. Last year, as the bill went through the process, an originally proposed 30-day public notice requirement was reduced to 10 days, and the two-thirds requirement was dropped. The bill introduced this year by Rep. Nash (companion bill: SF 201-Hall), contains the two-thirds requirement language and a 10-day notice requirement.

Metro Cities opposes the bill on the grounds that it impedes city officials from acting when necessary on such issues, in order to serve the best interests and welfare of residents and the community.

Metro Cities will send a legislative action alert on this issue and encourages city officials to contact their local legislators, as well as members of the [House Government Operations Committee](#), to oppose this bill. Metro Cities will testify in opposition to the bill on Tuesday.

Please contact Patricia Nauman at 651-215-4002, or patricia@metrocitiesmn.org or Steve Huser at 651-215-4003, or steve@metrocitiesmn.org with any questions.

Governor Dayton Releases Budget Recommendations

Governor Dayton's released budget recommendations include a number of items of interest to Metro Cities. The Governor's proposed budget totals \$45.8 billion.

Economic Development

The Governor's budget includes a \$30 million appropriation for the Minnesota Investment Fund (MIF) and \$25 million appropriation for the Job Creation Fund (JCF), which is supported by Metro Cities. The funding recommended by the Governor restores funding levels for these programs at the levels funded by the 2015 Legislature. This funding was cut during the 2016 legislative session.

The Governor recommends allowing DEED to transfer funds between JCF and MIF to better meet business needs. The proposal would also allow local governments to use MIF revolving loan funds for such industries as retail development and economic development planning in addition to the uses allowed under law. The recommendation also proposes allowing local governments to receive more than one MIF award per year.

The Governor did not recommend funding for the Redevelopment Grant Program that was funded with a \$2 million one-time appropriation in the 2016 session.

The Governor's budget also recommends \$30 million for FY 2018-19 for the border-to-border broadband grant program, as well as base funding for the Job Skills Partnership at \$5.1 million per year. Metro Cities supports funding for these initiatives.

Taxes/Local Aids

The Governor's budget includes a \$20 million increase in Local Government Aid (LGA), and a \$9 million increase in the PERA's Police and Fire retirement plan. A \$20 million increase for LGA was included in the 2016 tax bill that passed the Legislature and was vetoed due to an error in the bill. Metro Cities supports the increase for LGA.

Housing

Governor Dayton's budget recommends changes to three MN Housing Finance Agency (MHFA) programs: \$1.5 million to assist income-qualifying first time homebuyers through the Homeownership Assistance Fund, \$500,000 for the Homeownership Capacity program, which provides homebuyer and financial education to prospective qualifying homeowners, and \$8 million for the Homework Starts with Home Initiative to provide rental and short term housing assistance.

Governor Dayton did not recommend a funding increase over the base budget for the Challenge Program which MHFA uses to provide no-interest, deferred loans to local units of government, for-profit and nonprofit developers to develop workforce housing in their communities. Metro Cities supports the Challenge Program because it is flexible and allows communities to identify the types of housing that best fit their needs.

Transportation

The Governor's budget recommendations propose \$600 million for transportation to be funded through a 6.5% increase in the gas tax and increase in vehicle registration fees. His plan also calls for a half-cent metro-area sales tax. A metro sales tax at this rate would generate \$400 million and would fund transit operating costs currently funded by the state's general fund. The proposal would allow for a 27% expansion of the bus system. The Governor's budget also includes \$2 billion trunk highway bonds over the next 10 years.

The Governor included funding in his budget to address city street needs. Metro Cities has been working with the League of MN Cities and other city groups to advocate for this funding. The Governor's recommendation builds on one-time funding provided for a Small Cities Account established in 2015. The Governor's proposal would dedicate funding to the Small Cities Account and create a Large Cities Account. Funding would be provided through a \$10 surcharge on license tab fees and a \$20 fee on vehicle title transfer fees projected to generate \$57 million annually. The Governor is proposing to fund each account at \$19 million, with funds distributed through a formula. Funds could be used for non-Municipal State Aid (MSA) city street maintenance, construction and reconstruction.

Water

The Governor's budget proposal includes \$2.8 million to the Metropolitan Council for a Water Supply Sustainability Program, to be funded through the Clean Water Fund. Of this amount, \$870,000 would be used to fund grants to metro municipalities to encourage implementation of water demand reduction measures. These activities can include water use audits, replacement of inefficient water fixtures and appliances, and reductions in peak summer water usage.

The remaining \$2 million is proposed to be used for protecting drinking water sources in the region. These activities would include supporting locally developed well head protection projects and developing regional solutions that will prevent degradation of ground water.

Senate Committee Passes Omnibus Capital Investment Bill

An omnibus capital investment bill, SF 210-Senjem, passed the Senate Committee on Capital Investment on Thursday. The bill funds capital projects throughout the state totaling \$1.6 billion. The bill contains \$2.5 million for inflow-infiltration mitigation assistance for cities in the metro area, an initiative of Metro Cities and to which Metro Cities testified in support on Thursday. The bill's provisions essentially constitute the 2016 Senate bonding bill sent to the Senate floor on the last evening of the 2016 session that did not pass. No omnibus capital investment bill has yet been considered by the House this year and there is no companion to the Senate bill. SF 210 passed on a voice vote Thursday and was sent to the Senate Finance Committee.

Public Safety Response Costs Bill Passes House Committee

[HF 322](#), which would make citizens liable for public safety response costs in the case of unlawful assembly, was heard and passed in the House Civil Law and Data Practices Committee on Tuesday on a 9-6 vote. The bill was re-referred the Committee on Public Safety. Strong vocal

opposition to the bill was expressed at the hearing, causing the Chair to recess the committee without hearing an additional bill that was on the committee's agenda.

House Committee Hears Bill to Extend In-person Absentee Voting Time

On Thursday, the House Government Operations and Elections Policy Committee heard HF 463, a bill that would eliminate the current seven-day limitation on in-person absentee voting. The bill expands the law that permits counties to allow no-excuse absentee voters to place their ballots into a voting machine in the seven days prior to election day, by extending this time for up to 46 days or 30 days for town elections conducted in March. The League of MN Cities, Association of MN Counties, and Minnesota Association of County Officers expressed support for this legislation. The bill was laid over for possible inclusion in an elections omnibus bill.

MHFA Revises Proposed 2018 QAP for 4% Credits, Opens New Public Comment Period

The Minnesota Housing Finance Agency Board gave preliminary approval Thursday to a slate of revisions to the 2018 Qualified Allocation Plan for the distribution of low-income housing tax credits (4% tax credits). The revisions mark the most recent version of the 2018 QAP after changes were made to the QAP following a public comment period. See the November 4, 2016 Metro Cities News for details on the previous proposal and the Minnesota Housing website for a [summary](#) and [detailed explanation](#) of the current proposed changes.

Projects that receive an allocation of state private activity bonds for affordable rental housing must separately request an allocation of 4% housing tax credits from Minnesota Housing (or from the cities of Minneapolis, St. Paul, or counties of Dakota or Washington for projects located in those jurisdictions) if they wish to use such credits. Minnesota Housing and any sub-allocators must address the requirements for allocating 4% housing tax credits within their QAPs. With recent high demand for private activity bonds, Minnesota Housing proposed a series of changes to ensure that 4% housing tax credits are awarded to projects it determines meet the highest priority for affordable rental housing needs.

Metro Cities, a number of cities and other stakeholders provided written and oral comments on the proposed changes last fall. Metro Cities' concerns centered on the potential effects of the changes in constraining of local flexibility to address community housing needs including senior housing and certain types of affordable housing projects allowed under current policy, as well as reducing flexibility in the program.

The current changes to the 2018 QAP (as compared to the 2018 QAP approved in May 2016) as acted on by the MHFA include:

- Maintain the current minimum score for 4% tax credits at 40 points. The earlier proposal increased the score to 50 points. The 2016 QAP had a minimum score of 30 points.
- Require that a project must meet at least one Strategic Priority Policy Threshold in the QAP under which the project was selected (Access to Fixed Transit, Greater Minnesota Workforce Housing, Economic Integration, Tribal Housing, Planned Community Development, Preservation, and Supportive Housing). This is currently a requirement for 9% tax credit projects.
- Require owners of projects qualifying for 4% tax credits under the 2018 QAP to maintain affordability for at least 20 years. In addition, staff is proposing to create a new scoring criterion titled Long Term Affordability. This new category would provide an additional 7 points to 4% projects that agree to waive the Qualified Contract for 30 years.
- Provide a new pre-application for determination of 4% tax credit eligibility.

- Incorporate a predictive model determination into the pre-application determination process.

A new public comment period is open through February 9, 2017. Interested parties including cities are encouraged to comment on the newest proposal before the MHFA board takes final action at its February 2017 board meeting. Comments may be provided in person or in writing.

A public hearing will be held on Thursday, February 9 from 9:00 a.m. to 11:00 a.m. at Minnesota Housing. Submit written comments to mn.housing@state.mn.us or by mail to Minnesota Housing, attn: Tamara Wilson, 400 Sibley Street, Suite 300, St. Paul, MN 55101. Written comments must be received by 11:00 a.m. on Thursday, February 9.

Contact Charlie Vander Aarde at charlie@metrocitiesmn.org or 651-215-4001 with any questions.

City Officials Invited to Tour Metro Wastewater Plant

On Friday, February 10th, city officials are invited to join Metropolitan Council members and staff on a tour of the region's largest wastewater treatment plant, known as the Metro Plant. The Metro Plant serves 67 cities and more than 550 permitted industries ([regional map](#)) which combined produce 175 million gallons of wastewater per day, with 340 miles of interceptor pipes bringing wastewater to the plant. The Metro Plant was opened in 1938 and is one of the largest wastewater plants in the United States. It treats 70% of the wastewater collected and treated by the Metropolitan Council.

This tour is one of several that the Metropolitan Council will conduct during the course of this year, which marks the Council's 50th anniversary. In addition to what we are told is a fascinating and educational experience, this is also a good chance to network with Met Council members and city officials from throughout the region. Space is limited, so register early if you do plan to attend. Registration information is included below. Metro Cities encourages city officials to attend.

Friday February 10th

10:00 am to 11:30 am.

Metro Plant, 2400 Childs Road, St. Paul (approximately 7 miles from Capitol)

Questions and registration: Contact Jennifer O'Rourke, Director of Community Relations at the Met Council at 651-602-1576 or Jennifer.ORourke@metc.state.mn.us

Notes: Free parking available will be available, and light refreshments will be served. Please wear comfortable walking shoes. There may be some dust, please plan accordingly on clothing.

Economic Development Day at the Capitol is February 22

Registration is now open for Economic Development Day at the Capitol. This joint event is hosted by the Economic Development Association of Minnesota (EDAM), Minnesota Association of Professional County Economic Developers (MAPCED), Metro Cities, Minnesota Brownfields and Small Business Development Centers of Minnesota (SBDCMN). There is no cost to attend, but [registration is required](#).

The day begins at 9:00 am with legislative speakers, followed by individual meetings with legislators and committee hearings. Attendees will be given a voucher for lunch at the Capitol. More information is available on the [EDAM website](#).

Bills of Note

The following bills of interest to Metro Cities have been introduced in the Legislature this week. Metro Cities staff has also noted scheduled hearings on bills.

H.F. 399 - Bill clarifies limits on severance pay to highly compensated public employees. Referred to the Committee on Government Operations and Elections Policy. *Bill is scheduled for a hearing in the House Government Operations Committee next week.*

H.F. 409 - Bill provides long-term equity investment authority to local governments. Referred to the Committee on Government Operations and Elections Policy. *Bill is scheduled for a hearing in the House Government Operations Committee next week.*

H.F. 418 - Bill prohibits the Metropolitan Council from undertaking a light rail project without the authority from the legislature. Referred to the Committee on Transportation and Regional Governance Policy.

H.F. 456 - Bill modifies the exemption provisions for certain contractors for construction materials.

H.F. 465 - Bill restricts expenditures and powers regarding rail projects, requires insurance for certain projects.

H.F. 479 - Bill expands a tax exemption for specific motor vehicle purchases by local governments. *Bill initiated by the LMC and supported by Metro Cities.*

S.F. 254 - Bill restricts expenditures related to certain rail projects, requires insurance for projects, companion bill H.F. 465.

S.F. 283 - Bill modifies the exemption provisions for construction materials by certain contractors, Companion bill H.F. 465. Referred to the Committee on Taxes. *LMC initiated bill that is supported by Metro Cities.*

S.F. 288 - Exempts from sales tax an annual city celebration for qualifying cities. Referred to the Committee on Taxes.

S.F. 297 - Bill requires actions to protect upper Mississippi River as drinking water source.

S.F. 307 - Bill modifies the provisions for tax increment financing for the City of Coon Rapids.

S.F. 326 - Allows certain temporary conditions for wetland replacement for local government roads. Companion H.F. 434. Referred to the Committee on Environment and Natural Resources Policy and Legacy Finance.

S.F. 371 - Bill appropriates money for wetland replacement credits for local government roads. Companion H.F. 431.

H. F. 390 - Bill would make it a misdemeanor to obstruct traffic access to a trunk highway or airport or to interfere with transit operation.

H. F. 460 - Bill would statutorily dedicate motor vehicle lease and rental tax to the Corridors of Commerce Program.

H. F. 465 - Bill would prohibit the use of state funds for the planning or construction of a passenger rail line between Rochester and the Metro Area.

H. F. 479 - Bill would exempt local governments, including cities, from paying motor vehicle sales tax on vehicles used exclusively for road maintenance. Snow plows are included.

H. F. 499 - Bill establishes an urban bicycle lane use permit and a bicycle safety education program. A fee is imposed to pay for costs related to the permit and the safety program.

Metro Cities News is emailed periodically to all Metro Cities member mayors, councilmembers, city managers and administrators to keep officials abreast of important metro city issues. This information is also intended to be shared with city staff.

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