

## **Local Government Aid Bills**

Several Local Government Aid (LGA) bills are under consideration by the Legislature, and Governor Walz has recommended an LGA increase in his budget. The Governor's recommendation provided a \$30 million increase to LGA; the Governor released revised budget recommendations today that continue to include a \$30 million recommended increase.

Metro Cities reported last week that the House heard several LGA bills (see March 15 newsletter for details) to increase the LGA appropriation, with HF 1163-Marquart increasing LGA by \$30 million under the statutory formula and [HF 2031](#)-Hertaus that would modify the LGA program to provide an alternate per capita aid to those cities not receiving LGA under current law. Those bills were heard and laid over for consideration in an omnibus House Taxes bill. Metro Cities provided testimony in support of [HF 1163](#)-Marquart. The organization does not have a specific policy position on HF 2031.

The Senate Taxes Committee on Thursday heard [SF 1939](#)-Chamberlain, that would provide a \$15 million LGA increase for cities under 5,000 population only. The bill was laid over for possible inclusion in a Senate omnibus tax bill.

Metro Cities' policies oppose legislation providing for appropriations for LGA that single out certain classes of cities such as the changes provided in SF 1939, as this has the effect of establishing appropriations outside the formula. Testimony on Metro Cities opposition to SF 1939 was provided to the Taxes Committee. Metro Cities' policies support increasing LGA and support increases through the formula. The organization's policies also support continued examination of the LGA formula to make sure it can address the needs of metropolitan area cities. With several varied bills being considered this year, all of which have varied effects on the formula and on individual cities, Metro Cities expects that the topic of LGA will receive consideration during the interim through the organization's policy process.

## **City Contractor RFQ Bill Update**

Legislation that would set a process in law for requesting city contractor cost estimates was heard in the House Government Operations Committee on Thursday. The bill ([HF 823](#)- Nelson) provides for an applicant to receive a cost estimate prior to a city reviewing an application for a permit, license or approval related to real estate development or construction. Proponents for the bill argued it provides more transparency and clarity for applicants. The bill as amended provides some specificity and clarity sought by cities. Metro Cities, along with the Municipal Legislative Commission (MLC) provided a letter to the committee stating the lack of necessity for the legislation, because an applicant can request a cost estimate under existing law.

The Government Operations Committee discussed the bill and laid it over. The bill is now scheduled to be heard in the Subcommittee on Local Government on Wednesday, March 27. The [Senate companion](#) passed the Local Government Committee last week and was referred to the State Government Finance Committee.

## **Senate Tax Committee Hears Affordable Housing Tax Bills**

[SF 2571](#)–Senjem, heard by the Senate Taxes Committee on March 21, would set the class rate at 0.25 % for all 4d properties. The 4d property tax classification currently reduces the property tax rate for qualifying low-income rental property. Under current law, the class rate for 4d property is 0.75% on the first tier of value (first \$150,000 for assessment year 2019) and 0.25% of the value exceeding the first-tier amount for each unit. The committee heard from several developers who explained the change would allow them to continue developing affordable units. The bill was laid over for possible inclusion in an omnibus tax bill.

The Senate Taxes Committee also heard a bill that would establish a new state tax credit contribution fund for private investors to make contributions to support new construction. [SF 404-Nelson](#), seeks to spur new private money contributions into residential development. Minnetonka Community Development Director Julie Wischnack testified to her community’s current and future housing needs and how support from the state and private sector would assist future home development. The Senate bill and House companion bill, [HF 1156-Tabke](#), have now been heard in their respective tax committees and may be included in future omnibus bills.

Metro Cities provided a letter of support for both bills to the Taxes Committee on Thursday.

### **Jobs Bills Heard in House**

State funds critical to local economic development growth were debated in the House Jobs committee on March 19. [HF 1184](#)–Koegel includes \$12 million for the Redevelopment Grant Program, [HF 1185](#)–Claflin includes \$21 million for the Job Creation Fund, and [HF 1186](#)–Stephenson includes \$21 million for the Minnesota Investment Fund.

The Senate companion, [SF 1076-Utke](#), which includes funding for all three programs, was heard in the Senate Jobs committee on February 18 and may be included in the Jobs omnibus budget bill.

Metro Cities testified in favor of the bills, explaining economic development roles at the local level, including zoning and land use changes, infrastructure support and public financing. When state support is needed for existing business expansion or new business development, MIF and JCF provide flexibility to companies that may want access to funds up front in the form of a MIF loan, or a JCF grant once capital investment and job creation markers are met. The redevelopment grant program and demolition loan program help put properties back on the tax rolls by reinvesting in previously developed sites.

A representative from Cirrus Aircraft, a recipient of a MIF award for investments in Duluth, testified how local and state support convinced the company to invest in the state. Additional testimony from the Economic Development Association of Minnesota shared support for all three programs.

A proposal to extend the waiver on restricted revolving local MIF funds was also debated. [HF 1781](#)–Mahoney would allow local governments which have a local MIF revolving loan program balance to pay a 20 percent penalty to the state in exchange for freedom to use the funds for any lawful purpose. The waiver was included as part of the 2017 budget and over 40 cities took advantage. Governor Walz proposed a more modest expansion of economic development-linked eligible uses, such as broadband, childcare facilities, and retail, but which are not currently allowed.

Contact Charlie Vander Aarde at 651-215-4001 or [charlie@metrocitiesmn.org](mailto:charlie@metrocitiesmn.org) with any questions.

## Deputy Registrar Reimbursement Bill Passes Senate

A bill that contains funding to reimburse deputy registrars was passed by the Senate on a 60-6 vote on Wednesday. The bill, [SF 621](#)-Jasinski, appropriates funding for costs incurred by deputy registrars due to MNLARS system problems. The legislation allocates \$13 million from the general fund and splits funding so that 10% of funds would be divided equally among all registrars, 45% allocated proportionally based on transactions made between August 1, 2017 and December 31, 2019, and 45% based on transaction comparison looking back to a timeframe of July 1, 2014 to June 30th, 2017. The bill also includes a provision that would indemnify deputy registrars from any lawsuit resulting from the MNLARS rollout. These funds would be available to deputy registrars until July 15, 2019. Metro Cities supports this legislation.

[HF 2082](#)-Hansen, was passed by the House Transportation Committee this week. This bill is similar to SF 621 but there are some differences. HF 2082 allocates \$10 million for deputy registrar reimbursements. The bill also stipulates that a registrar must remain open for 12 months after accepting a funding reimbursement. The legislation does not include a provision that would indemnify deputy registrars from any lawsuit resulting from the MNLARS rollout. An amendment to increase the amount to \$13 million failed on a 11-6 vote, and an amendment to add a provision for deputy registrar indemnification also failed on a 11-6 vote. The bill was passed and re-referred to the Ways and Means Committee.

## Housing Committee Hears Proposed Changes to Tax Exempt Bonds

The priority system for how the state issues tax exempt bonds for housing projects would be revised under a bill heard in the House housing committee on March 20. Tax exempt bonds are used with other funding sources to finance affordable housing projects. The bill, [HF 2542](#)-Hausman, follows the recommendations of a 2017 working group which reviewed the state's current tax exempt bond priorities and recommended five modifications.

The bill includes these components:

- 55% limit for bond use
- Priority for affordability
- Random selection, not pro rata
- Inclusion of senior housing projects
- No "parking" of bonds

The bill may be included in the House omnibus housing policy bill. Contact Charlie Vander Aarde at 651-215-4001 or [charlie@metrocitiesmn.org](mailto:charlie@metrocitiesmn.org) with any questions.

## Bills to Fund Emerald Ash Borer Mitigation Receive Hearings

A bill providing funding for emerald ash borer (EAB) mitigation was passed by committees in the House and Senate this week. [SF 1906](#)-Ruud, would allocate \$26 million over the biennium to the Department of Natural Resources (DNR) for matching grants to local governments, including cities, regional authorities, and park boards in cities of the first class that are actively preparing to respond to an EAB infestation. Funds can be used for activities such as inventory and planning work, tree treatment, removal and replacement of trees, and processing wood waste for biofuel. The bill was heard in the Senate Environment Policy Committee and was passed to the Environment Finance Committee.

The House companion bill, [HF 2015](#)-Lislegard, was heard in the House Environment Finance Committee and was laid over for possible inclusion in an omnibus bill. Metro Cities testified in support of this legislation.

### **Small Cities Assistance Bill Heard in Senate Transportation Committee**

A bill to fund the Small Cities Assistance account was heard by the Senate Transportation Committee this week. [SF 1082](#)-Howe, would allocate \$20 million over the biennium to the Small Cities Assistance account. Cities with populations under 5,000 would be eligible for these funds. This fund has received funding on a one-time basis in previous years. Metro Cities policies support dedicated funding to the Small Cities Assistance account, as well as the creation and funding of a Large Cities Assistance account. The bill was laid over for possible inclusion in an omnibus bill.

### **Governor's Transportation Bill Heard in House Transportation Committee**

The House Transportation Committee heard [HF 2403](#)-Hornstein, the Governor's transportation funding proposal. The bill includes a 20-cent gas tax increase phased in over two years and indexed for inflation beginning in FY 2023 and is estimated to generate \$6.5 billion over 10 years. After revisions made as a result of the recent budget forecast, this and other increases to transportation revenue will fund an increase in Municipal Street Aid (MSA) of \$120 million or \$75.4 million over base funding. The total MSA amounts proposed are \$230 million in FY 20 and \$280 Million in FY 21. There is no funding for the Small Cities account, or creation of a Large Cities account to address local road needs, included in the bill. However, Commissioner Anderson-Kelliher stated that the administration will work with the legislature to address the street funding needs of small cities.

The Governor's bill also proposes an 1/8 cent sales tax levied in the seven-county metro area with the funds directed to maintaining and expanding the regional bus and transitway system. Additional transit funds would be generated with an increase to the motor vehicle sales tax (MVST) from 6.5 to 6.875 percent to generate an additional \$28 million in FY 20-21 and \$38 million in FY 22-23 for metro transit. Funding is also included to eliminate a \$53 million structural deficit in the regional bus system. The Governor's transportation budget also proposes to address the current \$36 million Metro Mobility deficit by funding Metro Mobility separately.

Metro Cities policy supports a comprehensive, multi-modal transportation system and supports stable and enough statewide transportation funding and expanded local tools to meet the street and transit system needs of the region and local systems. Staff testified in support of the Municipal State Aid Street funding, funding for transit operating and capital costs, and the funding allocation for Metro Mobility included in the proposal. Metro Cities testimony also encouraged the committee to consider inclusion of local street funding tools, such as street improvement districts, as well as dedicated funding for the Small Cities account and the creation and funding of a Large Cities account.

The bill was laid over for possible inclusion in an omnibus bill.

### **Metropolitan Council Provides Status Update on Comprehensive Plans**

Metropolitan Council staff provided the Land Use Advisory committee with updates on 2040 comprehensive plan submissions this week.

As of March 21, the Council had received 99 comp plan submissions. 60 communities had received extensions and 20 plans were outstanding. Council staff explained they were in contact with and working with all communities that had not submitted completed plans. The Council is expecting to receive 168 total comp plan update submissions.

A brief analysis of 81 preliminary plans showed 41 had either economic development or economic competitiveness sections. Council staff will provide additional updates as more comp plan updates are received and authorized by the full Metropolitan Council.

Also this week, the newly appointed Metropolitan Council members met for the Committee of the Whole on Wednesday. The committee addresses regional policy issues and provides a forum for discussion. The meeting included two informational overviews on the metropolitan land planning act and comprehensive planning process. The committee also heard information on the Southwest LRT Project.

Contact Charlie Vander Aarde at 651-215-4001 or [charlie@metrocitiesmn.org](mailto:charlie@metrocitiesmn.org) with any questions.

### **RSVP Today for the Metro Cities Annual Meeting!**

Mark your calendars and RSVP today for the Metro Cities Annual Meeting! This year's event will be held on **Wednesday, April 24th** at the Como Park Zoo and Conservatory in the Bullard Rainforest Auditorium. We're pleased to announce that this year's speakers are Briana Bierschbach of MPR News and Peter Callaghan of MinnPost. The evening will start with a social hour, followed by our guest speakers, and will wrap up with a brief business meeting to elect members and officers to the Board of Directors.

All member city staff and elected officials are welcome and encouraged to attend. There is no cost, but we do ask that you **RSVP by April 8th** if you plan to attend.

For questions or to RSVP, contact Kimberly at 651-215-4000 or [kimberly@metrocitiesmn.org](mailto:kimberly@metrocitiesmn.org).

### **Metropolitan Council Census Tracts and Block Groups**

Metropolitan Council is reviewing and updating Census Tracts and Block Groups to be used by US Census Bureau during 2020-2029 and is looking for input.

The Census Bureau runs numerous data collections. It publishes statistics for all sorts of geographic areas. There are Census and American Community Survey statistics for: states, metro areas, counties, American Indian Reservations, school districts, legislative districts, ZIP codes, cities and townships. The most detailed local geographies available from the Census Bureau are sub-county and sub-city areas called Census Tracts and Block Groups.

**Are there sub-county or sub-city service areas, districts, or zones for which you need Census statistics?** Interested stakeholders can provide input on 2020 Tracts and Block Groups, now through the end of April. For the Twin Cities 7-county area, Metropolitan Council has prepared a preliminary set of new boundaries, viewable online at [metro council.org/census2020](http://metro council.org/census2020). The preliminary redrawing of Tracts and Block Groups is consistent with Census Bureau's requirements, and informed by recent estimates of population and housing.

In the Twin Cities 7-county area, send questions, comments, and requests concerning Census Tracts and Block Groups to: Paul Hanson at Metropolitan Council,

[paul.hanson@metc.state.mn.us](mailto:paul.hanson@metc.state.mn.us), phone 651-602-1642. Comments and requests should be submitted by April 30, 2019.

In other counties or states, [other planning agencies and county governments](#) are coordinating the review and update.

## **Bills of Note**

[HF 2547](#), Daudt: Bill allows the governing body of a city that has issued an off-sale license for the sale of 3.2 percent malt liquor to issue a license for the sale of intoxicating malt liquor to the same person.

[HF 2550](#), Mariani: Bill contains a variety of policy provisions impacting state and local corrections and public safety.

[HF 2563](#), Brand: Bill establishes state grants for residential infrastructure development.

[HF 2583](#), Draskowski: Bill revises the allocation of police and firefighter retirement supplemental state aid.

[HF 2598](#), Freiberg: Bill revises the annual municipal contribution related to the former Minneapolis firefighters and police relief associations.

[HF 2599](#), Albright: Bill requires the Metropolitan Council to be made up of local officials and eliminates the Transportation Advisory Board.

[HF 2601](#), Schultz: Bill expands the workforce and affordable homeownership development program grants to cities and sets the appropriation.

[HF 2612](#), Loeffler: Bill amends the requirements for the imposition and use of local sales and use taxes. The bill says that local sales taxes are to be used instead of traditional local revenues only for construction and rehabilitation of capital projects when a clear regional benefit beyond the taxing jurisdiction can be demonstrated.

[HF 2654](#), Lillie/ [SF 2526](#), Pappas: Bill appropriates money to the Metropolitan Council for regional park and open-space land acquisition and improvements.

[SF 2525](#), Pappas: Bill allows political subdivisions to lower the voting age for local elections.

[SF 2571](#), Senjem: Bill expands the 4d tax rate for affordable properties.

[SF 2582](#), Kiffmeyer: Bill makes various elections administration changes for cities, including changes to managing write-in candidates.

[SF 2611](#), Pratt: Bill contains the governor's DEED and MHFA budget.

[SF 2622](#), Koran: Bill modifies the border-to-border broadband development grant program.

[SF 2633](#), Chamberlain: Bill modifies the manufactured homes and manufactured home park classification.

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