

## **Bills Affecting City Roles in Housing Introduced**

Four bills were introduced this week that would affect and modify city roles relating to housing, building permits and development fees. The bills would cap park dedication fees, eliminate the state building official mandate, change building permit fees to a square foot determination, and modify the municipal permit fee form required by the Department of Labor and Industry (DOLI).

[SF 3793](#) - Koran would require cities to base adopted fees for building permits, including any inspection fees on a “cost per square foot.” The bill would be effective January 1, 2021.

[SF 3794](#) - Draheim would cap the park fee at five percent of the fair market value of the development. It would also allow, in addition to the cash fee option, for fees to be paid by donating land, building recreational facilities, or a combination of these items. The bill also requires cities to maintain records for the purposes the money was obtained and how it was spent.

[SF 3795](#) - Draheim would modify the annual reporting requirements for cities which collect permit fees. Currently, cities that collect over \$5,000 in permit fees must issue a report, on a Labor and Industry form, to the agency, listing revenues collected and related expenses. This bill would raise the cap to \$7,000 and require all cities to submit the form. If a city did not collect up to \$7,000 it would check a box indicating so and not have to fill the remainder of the form. Cities collecting over \$7,000 would submit the form with new clarification on the expense cost categories, including: “labor, transportation, office space, and any other expenses incurred by the municipality as a result of conducting inspections.”

[SF 3796](#) - Koran would prohibit a city from requiring the use of a designated building official, designated building official-limited, or inspector working under the designated building official to conduct inspections necessary to issue a building permit. The bill would authorize a private building inspector to be hired by a property owner or allow a city to adopt an ordinance requiring the use of a designated building official or inspector working under the designated building official to conduct inspections necessary to issue a building permit. The bill also establishes a cause of action for cities that have adopted an ordinance requiring use of building officials. An owner of real property may bring a civil action against a city seeking damages for a negligent inspection if the inspector acted within the scope of work, the inspector’s act or omission caused injury to or loss of property or personal injury or death. The bill also allows attorney fees to be awarded if the owner prevails.

Metro Cities staff is reviewing the bills to determine the changes to existing laws and impacts on local costs and decision-making. Your feedback on any of the bills is welcome and encouraged. None of the bills have a scheduled hearing at this point.

Contact Charlie Vander Aarde at 651-366-7564 or [charlie@metrocitiesmn.org](mailto:charlie@metrocitiesmn.org) with comments, feedback and questions.

## **February Budget Forecast Released**

Officials from the state’s Office of MN Management and Budget (MMB) released the February Budget and Economic forecast on Thursday. The forecast projects a state general fund budgetary

balance of \$1.513 billion for FY2020-21 for the state's \$48.3 billion budget, \$181 million. The February 2020 forecast also projects a budgetary balance of \$2.3 billion at the end of FY 2022-23. This is an increase of \$417.7 million compared to the November 2019 forecast for the same biennium.

MMB officials noted that state spending has dropped, most notably in the area of education as a result of declining K-12 pupil enrollment. Officials also noted that the United States is in the eleventh year of economic expansion and noted Minnesota's low unemployment rates relative to the nation. Officials stated that consumer spending is strong.

State Economist Laura Kalambokidis stated that the forecast does not account for potential economic changes that may result from the Covid-19 but noted that the virus is a possible threat to the forecast, one whose possible effects could be modest but are not yet known.

Officials noted that the state budget reserve is currently funded at \$2.3 billion. They also discussed \$491.4 million reserve reduction made by the 2019 Legislature as part of the enacted budget last year. MMB also highlighted that the February forecast projects an increase in the current stadium reserve. The stadium reserve is now projected to be \$129 million in FY 2021 and \$262 million in FY 2023.

House and Senate leaders and Governor Walz responded to the forecast. Senate Majority Leader Paul Gazelka stated that the Senate majority's priorities would include reducing income tax rates, expanding the K12 education credit, and eliminating the tax on social security income, among other items. House Speaker Melissa Hortman stated that the surplus provides an opportunity for investments in families, and that low interest rates should compel a robust capital investment bill. House leaders also noted that the forecast does not include inflation.

Governor Walz stated that the surplus is good economic news and suggested that caution should be taken to protect the stability of state revenues and expressed support for replenishing the budget reserve by paying back the \$491.4 million reduction. The Governor also noted support for a robust capital investment bill.

The February forecast will serve to inform the budget aspects of legislative work over the remaining months of the session, informing legislative budget targets and negotiations.

The forecast can be found [HERE](#).

## **Legislative Housing Commission Holds First Meeting**

A new housing commission established by the 2019 Legislature met for the first time this week.

The commission heard an overview on the recommendations of the 2018 Governor's Housing Task Force. Staff from Prosperity's Front Door, a group formed by philanthropy and two large housing funds to track the outcomes and state progress on the task force goals, provided an update on several outcomes and metrics since the report was issued. Commission members asked about housing production and preservation data as well as inputs into the cost of housing production.

Some members focused questions on the effect that development fees have on the cost of housing. Prosperity's Front Door responded that the largest cost drivers are labor, land and construction materials and how no single input, including development fees nor permit and inspection fees, is driving the cost of new homes. The work of several cities to produce data

showing the total cost of fees relative to the sale price of a new single-family home is three to six percent, was explained.

The commission is chaired by Rep. Peter Fischer and Sen. Karin Housley who will alternate serving as chairs for each meeting. Commission members listed other items they would like the commission to discuss, including access to lending and its impact on homeownership disparities and innovation and new construction techniques.

Contact Charlie Vander Aarde at 651-366-7564 or [charlie@metrocitiesmn.org](mailto:charlie@metrocitiesmn.org) with any questions.

### **Vehicle Registration Modification Bill Passes House Transportation Committee**

The House Transportation Committee passed [HF 3547](#) - Tabke that makes changes to vehicle registration fee calculations. The changes are based on the recommendations of a Vehicle Registration Task Force. The legislation proposes to change the base amount calculation used to determine registration fee amounts so as not to include a vehicle destination charge, and to base the registration amount to the vehicle's Manufacturers Suggested Retail Price (MSRP) value. The bill also calls for removing statutory language that does not allow the state to correct an erroneous tab fee amount if it will raise the amount a vehicle owner paid the previous year. This bill is estimated to decrease Highway User Tax Distribution Fund (HUTDF) by \$3.7 million in FY 2021, and \$12.8 million in the 22/23 Biennium. A fiscal note on the bill that was provided at the hearing shows a \$316,000 decrease in Municipal State Aid (MSA) in 2021, and a decrease of \$1.9 million in FY202-23. The bill was passed to the House Taxes committee. The Senate Transportation Committee will hear the companion bill next week. Metro Cities is monitoring this legislation and its impacts and will provide further information and updates.

Questions? Please contact Steven Huser at [steven@metrocitiesmn.org](mailto:steven@metrocitiesmn.org) or 651-215-4003.

### **Flushable Wipes Bill Passes House Environment Policy Committee**

The House Environment Policy Committee heard [HF 3181](#) - Claffin, a bill that would require labeling standards of non-woven disposable wipes labeled as flushable. Non-woven wipes that are not flushable, such as baby wipes, are consequential for sanitary sewer and wastewater infrastructure. Only products that meet this standard could be labeled as flushable under the bill. Metro Cities supports this bill.

The bill passed and was re-referred to the Judiciary Committee.

Questions? Please contact Steven Huser at [steven@metrocitiesmn.org](mailto:steven@metrocitiesmn.org) or 651-215-4003.

### **Broadband Funding Bills Heard**

\$30 million in annual funding for the statewide border-to-border broadband grant program is part of companion bills heard in House and Senate committees this week. [SF 3049](#) - Draheim/[HF 3029](#) - Ecklund would transfer \$30 million annually from the general fund to the broadband fund, beginning in FY21. The bills do not contain any policy changes to the state broadband office or the grant program. Metro Cities wrote a letter of support for the funding for both committee hearings.

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

## Save the Date for Metro Cities' Annual Meeting!

Mark your calendars for the Metro Cities Annual Meeting on **Thursday, April 16** at the **Como Park Zoo and Conservatory**, Bullard Rainforest Auditorium. The evening will start with a social hour, followed by guest speaker Rick King, Chair of the Metropolitan Airports Commission. The evening will wrap up with a brief business meeting to elect members and officers to the Board of Directors.

All member city elected officials and staff are welcome, simply RSVP to [kimberly@metrocitiesmn.org](mailto:kimberly@metrocitiesmn.org). Flyers with Board election information will be mailed to each city in March.

Questions or wish to RSVP? Contact Kimberly at 651-215-4000 or [kimberly@metrocitiesmn.org](mailto:kimberly@metrocitiesmn.org).

## Metropolitan Council Accepting Regional Solicitation Applications

The Metropolitan Council has released the 2020 Regional Solicitation and is accepting applications for federal transportation funding until April 16, 2020, at 4 p.m. After technical experts from across the region rank and score the projects, the Transportation Advisory Board (TAB) will select projects for funding in late 2020. Approximately \$180 million in federal transportation funds will be available for allocation in 2024 and 2025.

Eligible metro-area applicants include the seven counties, cities and townships, state agencies, American Indian tribal governments, transit providers, and non-profit organizations (TDM applications only).

To learn more about the Regional Solicitation and to apply online, please visit the [Regional Solicitation website](#).

Projects will be selected from 11 application categories:

1. Strategic Capacity (Roadway Expansion)
2. Roadway Reconstruction/Modernization
3. Roadway Spot Mobility & Safety
4. Traffic Management Technologies (Roadway System Management)
5. Bridge Rehabilitation/Replacement
6. Multiuse Trails and Bicycle Facilities
7. Pedestrian Facilities
8. Safe Routes to School
9. Transit Expansion
10. Transit System Modernization
11. Travel Demand Management (TDM) (2022 and 2023 funds)

Council staff will conduct two training sessions at the Metropolitan Council, 390 Robert St. in Saint Paul, in the Lower Level Room C Computer Lab on the dates below. Please contact Elaine Koutsoukos at 651-602-1717 or [Elaine.Koutsoukos@metc.state.mn.us](mailto:Elaine.Koutsoukos@metc.state.mn.us), TAB Coordinator, to reserve your computer station for one of the following dates.

- Thursday, March 5 from 1:00 - 2:00 pm or 3:00 - 4:00 pm
- Friday, March 6 from 8:30 - 9:30 am or 10:00 - 11:00 am

Questions about the Regional Solicitation can be directed to Elaine Koutsoukos at 651-602-1717 or [Elaine.Koutsoukos@metc.state.mn.us](mailto:Elaine.Koutsoukos@metc.state.mn.us).

## Presidential Primary Data Bill Passes House

[HF 3068](#) - Dehn was heard on the House Floor on Wednesday evening. The bill restricts access to data collected through the presidential primary election and allows voters the option of being excluded from the party preference lists. An amendment to further limit the party preference data so that the national parties only receive a list of voters who voted for that party and clarified penalties parties would face for misusing the data was adopted. Rep. Scott offered a delete all amendment with language from [HF 3217](#) and Rep. Munson offered an amendment to repeal the presidential primary law, both of which failed. Finally, there was discussion over creating an audit trail to ensure that the data is protected and purged where appropriate, but this language was not included. HF 3068 passed the floor 72-55.

## Metropolitan Council Passes Livable Communities Fund Distribution Plan

The Metropolitan Council approved a funding plan at its February 26 meeting under which \$24.5 million for cities will be available via the Livable Communities program in 2020.

In addition to \$18.8 million in Livable Communities pass-through funding, the Council authorized an additional \$5.7 million in transfers from reserve balances.

### *Local Housing Incentives Account*

The LHIA is dedicated to funding affordable housing. Scoring criteria changes include a requirement that significant components of a project must serve households with incomes up to 60% of the area median income (AMI), down from the previous 80% standard. Awards will also prioritize housing types that are not currently available or serve an unserved population in the project area. Applicants apply via Minnesota Housing's Consolidated RFP (applications due in June) and funding awards are announced in November, along with other state sourced funds. The \$2 million authorized budget plus \$2.5 million in reserves brings total 2020 funding to \$4.5 million.

### *Tax Base Revitalization Account and Seeding Equitable Environmental Development*

The TBRA funds site investigation and contamination cleanup projects, for redevelopment. The 2020 programs include an authorized budget of \$5 million plus \$1 million in reserves. \$250,000 of the \$6 million will be used for the SEED program which makes awards for sites within current and formerly identified area of concentrated poverty and properties directly adjacent to identified areas that do not have a specific redevelopment project. This decrease, from previous \$500,000 levels, was made due to low demand for SEED awards.

### *Livable Communities Demonstration Account & Transit Oriented Development*

The 2020 LCDA has \$9 million to award - \$6.8 million from the authorized budget and \$2.2 million from reserves. The LCDA-TOD account has \$5 million. This includes \$500,000 for pre-development grants - \$250,000 in both the spring and fall. This year, Housing Performance Scores will not be included in the scoring criteria. Council staff explained the scores did not make a significant difference in score calculations.

The Council will also review applications for potential displacement impacts and mitigation strategies as well as project readiness for LCDA and LCDA-TOD projects. More information on the revised FDP, including the 2020 calendar (application due dates, award dates) can be found [here](#) and [here](#).

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

## Metro Cities Hosts Workshop with Minnesota Housing

Metro Cities hosted a workshop with officials from MN Housing for metropolitan city officials and staff last Friday. Presentations included information on how to submit competitive applications for state funds to help meet local housing needs. The event featured Minnesota Housing leadership staff who explained single family and multifamily funding programs, as well as agency funding priorities. Agency research staff also presented housing and demographic changes. Minnesota Housing staff encouraged cities to reach out to the agency while applications are drafted to receive technical assistance.

Minnesota Housing's slideshows can be accessed on the [Metro Cities website](#). Thank you to the city of Saint Anthony Village for hosting the workshop!

## EVENT: Local Governments Roundtable on 2020 Census

The next Local Governments Roundtable on 2020 Census is **next Friday, March 6**, at MMCD / Metro Counties Building. The meeting includes local government professionals and officials who are promoting participation in the 2020 Census. You are welcome to share this invitation within your office or city hall. Organizers are especially interested to involve community engagement specialists, communications specialists, and interested elected officials. Meeting details are at <http://localgov2020census.eventbrite.com>.

Contact Todd Graham, metro demographer ([todd.graham@metc.state.mn.us](mailto:todd.graham@metc.state.mn.us)) with any questions concerning the agenda or meeting details.

## Bills of Note

[HF 3621](#), Elkins: Bill regulates personal delivery devices and preempts local authority related to personal delivery devices.

[HF 3661](#), Kresha: Bill authorizes the city of Little Falls to impose a local sales and use tax.

[HF 3674](#), Urdahl: Bill authorizes the city of Litchfield to impose a local sales and use tax.

[HF 3692](#), Munson: Bill prohibits political subdivisions from enacting or enforcing extreme risk protection orders, also known as red-flag laws.

[HF 3705](#), Vang: Bill establishes State General Election Day as a holiday in even-numbered years.

[HF 3708](#), Sandell/[SF 3563](#), Kent: Bill authorizes the city of Woodbury to impose a local lodging tax.

[HF 3711](#), Nornes: Bill authorizes the city of Fergus Falls to impose a local sales and use tax.

[HF 3740](#), Koznick: Bill directs counties in the metro area to remit funds to the council for some transit operating expenses, directs the Met Council to develop a code of conduct on transit, requires the Met Council to not reduce Metro Transit Police staffing levels, makes changes to fines for transit fare violations, and directs the Met Council to make payments to some local law enforcement agencies.

[HF 3766](#), Robbins: Bill limits the use of party preference data collected through the presidential primary process.

[HF 3769](#), Lippert: Bill authorizes the city of Northfield to impose a local sales and use tax.

[HF 3776](#), Theis/[SF 3773](#), Relph: Bill authorizes the city of Wait Park to impose a local sales and use tax.

[HF 3786](#), Brand: Bill makes materials purchased for the construction of a fire station in the city of St. Peter exempt from sales tax.

[HF 3789](#), Nelson/[SF 3659](#), Senjem: Bill revises the list of public employees not eligible for PERA coverage.

[HF 3792](#), Wolgamott/[SF 3774](#), Relph: Bill authorizes the city of St. Cloud to impose a local sales and use tax.

[HF 3795](#), Hornstein/[SF 3668](#), Dibble: Bill requires mixed municipal solid waste incinerators to reduce their carbon dioxide emissions by 45 percent by 2030.

[HF 3820](#), Mekeland/[SF 3436](#), Koran: Bill expands the definition of metropolitan area for the purposes of 911 emergency services.

[HF 3826](#), Ecklund: Bill adds residential real estate containing less than four residential units rented for periods of less than 30 consecutive days or advertised as a short-term rental to class 4b for property tax classification.

[HF 3832](#), Wolgamott: Bill appropriates onetime money (\$2.5 million) for grants to local governments for ash tree disposal.

[HF 3844](#), Elkins: Bill changes definition of "Travel Trailer" to also include tiny houses (less than 500 square feet).

[HF 3850](#), Howard: Bill allows housing infrastructure bonds to be used for the rehabilitation of naturally occurring affordable housing.

[HF 3870](#), Nelson/[SF 3547](#), Rosen: Bill makes changes to the allocation of fire state aid for relief associations.

[HF3873](#), Fabian: Bill authorizes the city of Warren to impose a local sales and use tax.

[HF 3875](#), Poston: Bill authorizes the city of Wadena to impose a local sales and use tax.

[HF 3883](#), Murphy: Bill authorizes the city of Hermantown to impose a local sales and use tax.

[HF 3912](#), Runbeck: Bill makes materials purchased for the construction of a new public works facility in the city of Hugo exempt from sales tax.

[HF 3914](#), Kiel: Bill authorizes the city of East Grand Forks to impose a local sales and use tax.

[HF 3922](#), Hansen: Bill appropriates \$500,000 to the Pollution Control Agency to reduce PFAS in wastewater.

[SF 3513](#), Mathews/[HF 3645](#), Gruenhagen: Bill establishes a Parent's Bill of Rights and prohibits the state or any political subdivisions from violating the listed rights.

[SF 3533](#), Chamberlain/[HF 3715](#), Davids: Makes modifications to the 4d affordable housing tax credit program.

[SF 3558](#), Nelson: Establishes a tax credit contribution fund.

[SF 3567](#), Carlson: Bill limits the use of party preference data collected through the presidential primary process.

[SF 3569](#), Housely/[HF 3575](#), Pinto: Bill establishes a state-wide licensure for massage therapy and Asian bodywork therapy.

[SF 3571](#), Kiffmeyer: Bill requires a photo ID to register to vote and to vote. Bill also creates a voter identification card and establishes a provisional ballot system.

[SF 3582](#), Draheim: Bill requires voters to approve municipal capital improvements over \$1,000,000.

[SF 3586](#), Draheim: Prioritizes DEED workforce funds to be awarded to jobs in high demand and with high wages.

[SF 3671](#), Draheim: Bill prohibits an increase in property values for homesteads owned by persons 65 years of age or older.

[SF 3716](#), Utke/[HF 3879](#), Grossell: Bill authorizes the Lake of the Woods County to impose a local sales and use tax.

[SF 3794](#), Draheim: Bill caps park fees at five percent and creates the option of donating land or building recreational facilities instead of paying the fee. The bill also establishes requirements for recording the way fees are collected and the purposes for which the money was obtained.

[SF 3796](#), Koran: Bill prohibits municipalities from using a designated building official for code inspections, unless the city adopts an ordinance identifying that designated building official. If a city adopts such an ordinance, the municipality is subject to civil action for negligent construction code inspection.

[SF 3789](#), Koran: Bill makes it so that cities must accept a project's application to the Minnesota Housing Finance Agency as their application for local housing money for the same project. Bill

also prohibits cities from fining nonprofits that receive money for low-income housing for late applications.

[SF 3792](#), Koran: Bill requires municipalities to base construction permit fees on a cost per square foot.

[SF 3795](#), Draheim: Bill requires that municipalities report the costs associated with conducting building inspections. The bill also requires municipalities to provide explanations of fees collected that do not appear on the department's list of common definitions for categories of construction and development-related fees.

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