



## 2020 MLC Legislative Program

### A. Building Permit Fees

The Housing Affordability Institute (a builders' industry group) released a report on city building permit fees which claim cities are overcharging and driving up the costs on new homes. This report paints an inaccurate and incomplete picture and is a gross oversimplification of the cities' actual costs to support new home construction. Below are some key points to consider when looking at building permit fees:

- Building permit fees are based on the value of the residential or commercial construction project (not a fee for service).
- Builders and developers are involved in setting the valuation (they provide an estimated permit value that reflects the cost of the construction).
- Building permit fees are not a primary driver of high housing costs (in many cities it's 4% to 6%). The largest contributions to the cost of new construction are labor and materials, followed by the cost of land – all of which are dictated by market forces, not cities.
- The report did not adequately address all city costs related to development. To fairly analyze the data, all fees collected and city expenses (which include administrative, engineering, planning and zoning expenses) should have been examined in the report.
- The report did not break out commercial industrial (C/I) vs. residential, nor did it differentiate single family from multi-family or separate out additions or alterations. Further, the report did not address multiyear projects or factor in revenue/expenses that were not complete within the calendar year.

MLC believes strongly that development should pay for development and costs for those services should not be passed on to existing residents through increased property taxes. Local governments must ensure new developments meet established standards for the safety of future residents, and building permits play an important role in advancing these oversight responsibilities.

### B. Infrastructure Fees

New development and the resulting growth have placed an increased demand on cities for public infrastructure. This demand and limited financial resources have forced cities to

reconsider how they pay for the significant costs associated with new development. Traditional financing methods tend to subsidize new development at the expense of existing taxpayers and this approach does not allow for the best land use planning. As a result, cities are exploring methods to ensure that new development pays for new development.

In *Harstad v. City of Woodbury*, the Minnesota Supreme Court ruled that the current state statute does not provide authority for cities to impose infrastructure fees for all necessary road improvements external to a new development. However, current law does allow cities to impose fees on new development of other infrastructure such as water, sanitary and storm sewer, and for park purposes. Thus, it seems reasonable to extend the fee for infrastructure concept to additional public infrastructure such as major roadway improvements that are necessitated by new development.

The MLC supports legislation that gives cities the ability to impose infrastructure fees so the costs of new development aren't shifted onto existing taxpayers.

#### **C. MLC supports simplifying the process for a sales tax exemption on construction materials or converting it to a refund program**

In order to receive the sales tax exemption on construction materials under current law, cities must bid labor and materials separately and also designate a contractor to be a purchasing agent on behalf of the city. The existing Department of Revenue rules are complex and the implementation can be so complicated that it can cost cities more money to implement than they will save on the tax exemption.

As a result, MLC supports legislation to streamline the process required for cities to secure a sales tax exemption on construction materials or convert the exemption to a refund program.

#### **D. MLC Supports Investments in Transportation Economic Development (TED)**

MLC supports increased investments in the Transportation Economic Development (TED) program. MLC was a key stakeholder in passage of the Transportation Economic Development Program (TED) in 2010. The program is a partnership between DEED and MnDOT to leverage public and private funding for transportation programs with significant economic impact. TED funding has historically been included in the bonding bill. In the first four solicitations, in years 2010, 2012, 2013 and 2015, 36 projects were selected for a total TED (DEED and MnDOT) investment of \$103 million. TED has in turn leveraged more than \$226 million in non-state and private outside investments in its projects. Another \$22 million was invested in 2017. MnDOT is currently in the process of awarding \$20 million in TED projects.

Examples of TED projects in MLC Communities

- I-494/ East Bush Lake Road (Bloomington/ Edina)
- I-394/ Ridgedale Drive Interchange (Minnetonka)

- Lexington Avenue adjacent to I-694 (Shoreview)
- Shady Oak Road widen and reconstruct (Eden Prairie)
- I-94 and 34th Avenue Interchange (Bloomington)

MLC pushed for, and succeeded in, getting the Minnesota Transportation Alliance to include \$15 million in TED funding in a comprehensive transportation package. MLC supports this level of funding for the 2020 Bonding Bill.

#### **E. MLC Supports Investments in Corridors of Commerce**

MLC supports increased investments in Corridors of Commerce. Corridors of Commerce was established by the Legislature in 2013 with an initial authorization of \$300 million. Corridors of Commerce funds projects that provide capacity in areas with bottlenecks; improve the movement of freight; and reduce barriers to commerce. There is currently \$0 in Corridors of Commerce funding available.

Examples of Corridors of Commerce projects in MLC Communities:

- I-494/I-35W Interchange and I-494 MnPass Lanes (Bloomington)
- Highway 169 – Nine Mile Creek Bridge (Edina)
- I-35W – Minnesota River Crossing (Burnsville)
- I-694 - Additional lane between Rice Street and Lexington Avenue (Shoreview)
- Hwy 13 and Dakota Avenue Freight Access and Mobility (Savage)

MLC supports Corridors of Commerce Funding in the 2020 Bonding Bill.

#### **F. MLC Supports New and Enhanced Tools for Cities to meet Demand for Affordable Housing**

MLC supports new and enhanced tools for cities to meet demand for affordable housing. This includes senior housing, workforce housing, naturally occurring affordable housing, and housing for the lowest-income households. Located in areas with high land values and high housing costs, affordable housing is becoming an increasingly urgent issue in MLC cities. A 2018 report by the Governor’s Task Force on Housing included 30 recommendations to achieve six goals, including: commit to homes as a priority; preserve the homes we have; build more homes; increase home stability; link homes and services, and support and strengthen home ownership. The report highlighted the need for a multi-pronged approach. MLC supports a broad and varied approach to this complicated problem.

#### **G. MLC Supports repeal of the statutory salary limitation on city employees**

Minnesota law limits the salaries of city employees to 110 percent of the Governor’s salary, with an annual inflationary adjustment based on the Consumer Price Index. This artificial cap on salaries places Minnesota cities at a disadvantage when recruiting and

retaining talented individuals, especially during times of extremely low unemployment (Minnesota is also the only state in the country to have a local government salary cap).

Minnesota law already requires that each political subdivision post the salaries of its three highest-paid employees on its website, so the salaries of key employees are readily known to the local taxpayers and voters who provide the ultimate check on the actions of city councils.

Between 1998 and 2003, the Legislature exempted entities including school districts, hospitals, clinics and health maintenance organizations owned by a government organization from the salary limitation. During the 2018 session, the Legislature expanded that exemption by allowing the Metropolitan Airports Commission to be exempt from the salary limitation. The Legislature should end the salary cap altogether and be consistent with all political subdivisions.

Locally elected city councilmembers and mayors are in the best position to determine the needs of their communities, including the compensation of city employees. As such, MLC supports repealing the local government salary cap altogether and allow this to be a local decision.

#### **H. MLC Supports Protecting Voter Privacy in the Presidential Primary Election**

In 2016, the Minnesota Legislature passed a law creating a Presidential Nomination Primary system in Minnesota beginning in 2020. Voters will now be required to request which ballot they will be voting on and the law requires the choice to be recorded. The chairs of the major parties will receive the party preference list for all participating major parties, and places no restrictions on how the major parties can use this data. MLC is concerned that data could become public and “out” traditionally nonpartisan employees, such as those who work for local governments.

MLC would prefer this information would not be recorded at all; however, the national committees of at least two of the major parties have made it clear that recordation of a voter’s party preference is a requirement within their national party rules. In order to provide as much voter privacy protections as possible while still allowing major parties to meet their national party requirements, MLC supports the Secretary of State’s proposed changes to the Presidential Nomination Primary law, which include:

- Provide the party preference list only to a national party representative only for the purposes of verifying participation in the primary.
- Require a party representative to enter a contract with the Office of the Secretary of State, including a notice that requires they administer the data according to the provisions of the Data Practices Act, with the appropriate penalty.
- Allow voters to opt-out of having their name forwarded to the major parties.

The Municipal Legislative Commission:

- Promotes transparency, accountability and equity in public policy decisions
- Supports individual property tax relief through the circuit breaker program
- Opposes carving out revenue from the Fiscal Disparities pool to support specific projects
- Opposes automatic inflationary increases in LGA
- Preserves local control over development decisions so that existing taxpayers not required to subsidize growth.
- Supports state funding for new early-voting responsibilities that fall on cities
- Supports regional capital bonding equity