

- I have learned two things about the affordable housing shortage since I became Governor.

First, this is a problem that affects what my administration is trying to accomplish in many areas: strong economic growth; an educated and available work force; high student achievement; moving from welfare to work; and a healthy population.

Second, it will take more than just increased state appropriations to solve this problem.

- My Big Plan for affordable housing uses two strategies: increasing the capital investment in housing from all partners, not just the state; and removing barriers to private development.
- My 2001 legislative package accomplishes both those goals. I am proposing a new \$24 million rental production program; but the centerpiece of my affordable housing effort is on promoting more private development and more private investment in the construction and on-going maintenance of rental housing.
- My 2001 legislative package is the most comprehensive approach to affordable housing proposed in many years. I would like to talk about two specific efforts and to ask for your support at the Legislature.

#### PROPERTY TAX REFORM

- I am proposing major property tax relief and reform for rental housing.
- In the tax relief category, my plan would reduce property taxes on
  - market rate apartments by 28%,
  - single family unit properties by 18%,
  - 2- to 3-unit properties by 4%, and
  - low-income, 4d properties by 14%.

The total cost of this tax relief is \$96 million.

- But tax reform is as important a theme in my tax plan as tax relief. My proposal would also eliminate the tax capacity disparities between 2-3 and 4-plus unit properties.
- We know that lowering property taxes on market rate apartments alone will not produce affordable housing. Everyone is looking for a silver bullet to solve the affordable housing problem; but there isn't one.
- But the dramatic drop-off in the 1990s of rental housing production at **any rent level** is part of what has fueled the affordable housing crisis.

- We produced about 66,000 units of rental housing in the Twin Cities area in the 1970s.
- We produced about the same number in the 1980s.
- In the 1990s, we produced about 21,000.

- As a result, the Twin Cities metro area has the 3<sup>rd</sup> lowest vacancy rate of any major metropolitan area; and Minnesota has the 3<sup>rd</sup> lowest vacancy rate of any state.
- We need more private investment in constructing new rental housing at **all** rent levels. We need rental property owners to invest their own funds in the on-going upkeep and improvement of their existing properties. We believe that lowering Minnesota's high rental property tax rate is one piece of the solution.

#### THE STREAMLINING DEVELOPMENT BILL

- The second initiative I want to talk about today has nothing to do with state money – either tax “expenditures” or general fund appropriations. It's called the Streamlining Development Bill.
- I believe that the private sector could be delivering more housing at the affordable end of the market if we in government would remove some of those hurdles that make housing more expensive than it needs to be.
- Builders and developers – both for profit and non-profit - tell us that the development process is extremely complicated and time-consuming. In the development business, time is money. The process results in add-ons that add costs.
- I think every city should look at the ways that its process could be improved. But I think we at the state level should take the lead and get our own house in order.
- So I asked my Commissioners of Housing Finance and Administration, the Director of Minnesota Planning, and the Chair of the Metropolitan Council to look for ways we could help streamline the development process. They looked at removing barriers we have imposed at the state level and providing tools for cities to use if they choose.
- The result of this effort is the Streamlining Development Bill which is at the revisor's office and will be introduced either this week or next. This bill incorporates some of the recommendations from the Mayor's Housing Group convened by the Metropolitan Council and the Affordable Rental Housing Task Force convened by Minnesota Planning.
- There may be more we could do in the future to streamline development. But this bill is a start. Our goal is to focus the attention of the legislature on this aspect of the housing problem.



- We need to be more aggressive than we have been – at both the state and local level - about reducing the unnecessary costs of housing, promoting alternatives to “starter castles,” and simplifying the development process.
- We will never eliminate the need for public funding to house the lowest income families and individuals in our communities. It will never be profitable for the private sector – by itself - to build and own this type of housing.
- But if we can get really serious about addressing the cost side of the development process, then we will increase the production of affordable housing that doesn't need public funding and we will make the public funding that does exist go farther.