

I'm here today to talk about the crisis in affordable housing, and not just what I can do about it, but what we can do by working together.

First of all I would like to ask for your support for some of my key legislative proposals, because the rental property industry would be a big winner.

The problem of affordable housing is really very simple: there's not enough of it.

The reason for that is very simple too: they're not building enough of it.

Back in the 1970s builders created about 66-thousand units of rental housing in the Twin Cities area.

We produced about the same number in the 1980s.

But in the 1990s, that dropped very sharply to about 21-thousand units.

This dramatic decrease occurred in every rent level.

At the same time the population of the Twin Cities grew rapidly, including a significant number of immigrants and refugees.

As a result, Minnesota has the 3rd lowest vacancy rate of any state, and the Twin Cities metro area has the 3rd lowest vacancy rate of any major metropolitan area.

One of the big truths I have learned as governor is how Newton's Law applies to everything: for every action there is an equal and opposite reaction.

Everything is connected.

A lack of affordable housing has a lot of reactions in some very important areas:

Without an affordable place to live, businesses can't attract workers. RESULT: slower economic growth

- Without an affordable place to live, poor families keep moving from place to place. RESULT: their children keep changing schools and fall behind
- Without an affordable place to live, families don't have the stability to improve their lives. RESULT: stagnation on welfare, low aspirations, unhealthy lifestyles.

Just as the problems associated with affordable housing are interconnected, so too must we provide an interconnected solution.

That means government has a role, and the private sector has a role. We need each other.

My legislative proposals concerning affordable housing are considered the most comprehensive approach to the problem in years.

#1 New Affordable Housing Development Initiative. A \$24 million dollar effort, using TANF money, to expand the housing supply for the lowest-wage working families in the state.

#2 Tax relief. \$96 million in property tax relief. This would reduce property tax 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%.

#3 tax reform

Our property tax system is unfair, out of date, and ready for reform.

My proposal would lower tax rates for rental properties, and it would eliminate the tax capacity disparities between 2&3 unit properties and 4-plus unit properties.

We need to move away from punishing success and discouraging investment and improvements.

And that is the key to solving the affordable housing crisis: more private investment.

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 crucial for this.

And because private money is the key to the solution, perhaps the best thing government can do is to get out of the way.

That leads to:

#4 - Streamlining Development - - removing the costly barriers and red tape that slow down the development process.

Builders and developers, from both profit and non-profit sectors, 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 would like to see every city in Minnesota work on improving their housing regulations.

But I think the state needs to take the lead and set an example.

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 even provided tools for cities to use if they so choose.

The result of this effort is the Streamlining Development Bill.

This bill is at the revisor's office and will be introduced either this week or next.

The Streamlining Development Bill includes 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.

These four legislative initiatives all hang together

Affordable Housing Development Initiative

- Tax Relief
- Tax reform
- And Streamlined Development.

I need your support for all of them.

That's what I mean by "working together."

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.

That will make the public funding that does exist go farther.

Together we can solve the affordable housing crisis, not just for the short term, but for the long run.