



## Introduction

- We have just heard from children who have been homeless. Their words touch us and move us to redouble our efforts to end homelessness. But these children should never have faced homelessness. This is not right.
- The preliminary findings of the 2000 Wilder survey of homelessness have just been released. Forty percent of all homeless adults are working. One of every four homeless adults is working fulltime. This is not right. Fulltime workers should be able to find housing they can afford.
- There are no simple solutions to the problem of homelessness. Homelessness is a complex problem that has multiple causes and requires responses from many disciplines.
- But it is clear that we won't solve the homeless problem without addressing the shortage of housing affordable to Minnesota's workforce.
- 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.
- We have a strong record of increasing state investment in affordable housing. In the last two years, I have proposed and signed into law record levels of funding for affordable housing. And this year, I am proposing an additional \$24 million to produce rental housing for the lowest wage households.
- But my 2001 legislative package on housing is a three-legged stool. And increased state funding is only one leg. The other two legs are designed to promote private development and investment in workforce housing.
- We need more private development and more private investment in the construction and on-going maintenance of rental housing. We need more housing that workers can afford, built near the jobs where they work. I have two major initiatives designed to achieve these goals.

## **PROPERTY TAX REFORM**

- The first is 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.

- Now you may have heard that not everyone likes my sales tax proposal. But the sales tax changes that will affect the business of developing and maintaining rental housing are insignificant in comparison to the property tax relief, and pay for themselves within several months.
- 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; 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 is 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.

- Every city in Minnesota should look at the ways that it prevents or complicates the private development of workforce housing in their community. 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.
- The result of this effort is the Streamlining Development Bill. 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.
- The sheer number of units we need to house tomorrow's working households overwhelms the amount of public funding we can anticipate in the future. We must do everything we can to facilitate the unsubsidized development of housing that workers can afford.
- 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 and barriers to workforce housing, 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.

## CONCLUSION

- Let me conclude by issuing a call:
  - I call on your support for my affordable housing legislative package: the new appropriation for rental housing production; the property tax reform and relief package; and the Streamlining Development bill.
  - I call on all communities in Minnesota to welcome housing for workers with the same enthusiasm that they welcome new jobs, businesses, and services.



- And I call on business and civic leaders to weigh-in on this issue. Help the public understand the urgent need for every community to embrace the development of housing for Minnesota's workers and to remove the barriers they have built in their own communities.
  
- Without a dramatic change in the support for workforce housing by community leaders and the public, we will fail to prevent tomorrow's children from facing the homelessness experienced by the children we heard from today. But as I have said from the first day I took office – together, we will not fail!