



March 23, 2021

Re: SF 1866 – Minnesota affordable housing tax credit established.

Dear Members of the Senate Committee on Taxes:

The League of Minnesota Cities respectfully request that members support the creation of the Minnesota housing tax credit contribution fund outlined in SF 1866 (Sen. Carla Nelson).

Cities are concerned about the lack of affordable housing opportunities across Minnesota and understand that state and local governments as well as private entities all have a role to play in addressing the affordable housing needs in our communities. Cities across Minnesota are innovating and accomplishing much with the limited tools and resources at their disposal. However, the need across the state for the creation and preservation of affordable housing opportunities necessitates additional tools that are flexible to create partnerships and leverage resources from both private and public entities. The establishment of a Minnesota Housing Tax Credit Contribution Fund is an important step to further incentivize private investment to spur the development of affordable housing and promote economic development.

Modeled after North Dakota's successful Housing Incentive Fund (HIF) that has created over 2,500 units across North Dakota since 2011, the Minnesota Housing Tax Credit Contribution Fund is capitalized by contributions from taxpayers with state tax liabilities. Taxpayers who chose to support affordable housing through a contribution could contribute to the general loan pool to be used statewide or to a specific affordable housing project. Contributors would then receive a state tax credit against their state tax liability in exchange for their contribution. Participation in the program is simple and the program provides a proven innovative tool to leverage substantial private equity in a way that is flexible and easy to use across the state.

The Minnesota Housing Tax Credit Contribution Fund creates new opportunities to encourage local businesses and members of the community to invest in affordable housing options that help our communities thrive. Please join us in supporting this innovative tool to help address the affordable housing issues in cities across Minnesota.

Thank you for your consideration

Sincerely,

Daniel Lightfoot
Intergovernmental Relations Representative
League of Minnesota Cities