



Regional Council of Mayors

February 11, 2013

PRESENTATIONS

Governor Dayton's Tax Reform/Investing in Minnesota's Competitiveness

When the Governor entered office, there were a number of problems he had to solve, explained Commissioner Myron Frans. He had to identify a strategy to not only solve the deficit, but also build a surplus. His proposal works to do that through both spending and investment.

The proposal targets investment funds rather than tax incentives because funds are a more effective way of growing businesses. Investments include:

- \$30M, Minnesota Investment Fund
- \$25M, Minnesota Job Creation Fund
- \$1.5M, Minnesota Global Competitiveness Initiative
- \$20M, Transportation Economic Development Program
- \$10M, Housing and Job Growth Initiative

The proposal also works to invest in those things that make Minnesota a unique place with a high quality of life – education, infrastructure, and health care.

In addition to investment, the proposal addresses revenue generation in four areas:

- **Individual income tax** – Create a fourth income tax bracket of the top 2%.
- **Property tax relief** – Fully fund renter and homemaker tax credits and provide a \$500 rebate to homeowners.
- **Corporate tax rate reduction** – Lower rate to move state from 4th to 12th highest in the nation.
- **Sale tax** – Lower the rate, but broaden the base to include consumer services, business-to-business services, and digital goods.

Commissioner Frans asked the group “Do you think these investments are the right kind of investments? Are there other ways to generate the revenue?”

The group raised issues regarding the impact of business-to-business tax on cities, because cities will need to pass on tax to residents through property taxes.

Others discussed the value of the payback of the school loan, as for some districts it represents a simple accounting shift. A final item of concern was the \$500 property tax rebate, which would have a disparate impact on rural (more per capita) versus urban homeowners.

Governor's ¼ Cent Sales Tax Proposal

It is an exciting time to be at the Metropolitan Council, explained Chair Sue Haigh. The Governor's budget proposal includes a dedicated transit sales tax that would help keep the metro competitive and allow the build out of the transit system. The new tax would raise about \$250 million per year and be generated by an additional .25 cent sales tax in the seven county metro area. By eliminating one-time fixes and gimmicks, this funding "allows us to think differently about the transit system."

Haigh presented a graphic that illustrates how much more competitor regions are investing in transit. She presented transit as key to a strong economy. Transit helps to connect people to jobs. Forty percent of people who work in downtown Minneapolis use transit. In addition, one-third of peak hour users on the freeway are transit users – meaning that an additional 1.5 lanes would be necessary to accommodate those passengers in cars. In addition, light rail construction creates jobs.

Haigh stated, "Transit is a means to an end. And the end is a prosperous life." [View Presentation.](#)

Municipal Legislative Commission Agenda

The Municipal Legislative Commission (MLC) is comprised of sixteen suburban cities. "Property tax relief is front and center" of their agenda, stated Tom Poul of Messerli Kramer. "Before you can get to what the right mechanisms are, you need to understand what the burden is." The metro area pays more in property taxes as a percentage of income than greater Minnesota. MLC feels the solution is to target relief to those who need it most through the "Circuit Breaker" program. In addition, anything we can do to ease understanding of the complicated property tax system would be helpful.

The sixteen communities of MLC hold over 600,000 jobs, explained Bill Schrieber, who gave a brief overview of the jobs and economic development agenda. He discussed the complex nature of DEED funding, TIF limitations, and several implications of the corporate tax rate.

Infrastructure for Economic Development

The Corridors of Opportunity Policy Board was created to implement grants from HUD Sustainable Communities and Living Cities. In discussions, the Board discussed the need for optimal development and land use around the transit

lines. The Family Housing Fund, as the lead of the Implementation Team, engaged Mark Ruff of Ehlers and lobbyists to work on this issue.

Elizabeth Ryan of the Family Housing Fund described how, based on the significant work conducted by ULI MN/RCM regarding ***Reinvesting in the Region*** and an Ehlers case study conducted for Hennepin County, a group identified a list of specific tools that would help with redevelopment around transit areas. Mark Ruff gave examples of some of the tools including special assessment flexibility, special services districts, and changing the dynamics associated with tax increment financing.

Ryan and Ruff will be at the March meeting for a more detailed presentation and to engage the group in questions and conversation.

EXECUTIVE DIRECTOR'S REPORT

Caren Dewar, executive director of ULI Minnesota introduced "Greater MSP Ahead". Mark your calendars for an all day, invitation-only event on April 19, focused on the question "How do we move ahead to make our region even greater?"

COMING UP

The next RCM meeting will be Monday, March 11, 11:30 am–1:30 pm, at Dorsey & Whitney.

RCM meetings are held on the second Monday of every month at Dorsey & Whitney. Mayors are encouraged to email Caren Dewar with suggestions for topics to add to the agenda.

ATTENDEES

The following individuals were in attendance on February 11, 2013:

Mayors

Tom Furlong, City of Chanhassen; Debbie Goettel, City of Richfield; Kathi Hemken, City of New Hope; James Hovland, City of Edina; Marvin Johnson, City of Independence; Elizabeth Kautz, City of Burnsville; Mike Maguire, City of Eagan; Sandy Martin, City of Shoreview; Lili McMillan, City of Orono; Mike Pearson, City of Lake Elmo; Dan Roe, City of Roseville; R. T. Rybak, City of Minneapolis; Terry Schneider, City of Minnetonka; Brad Tabke, City of Shakopee; Janet Williams, City of Savage; Gene Winstead, City of Bloomington

Guests

John S. Adams, University of Minnesota; Clark Arneson, City of Blaine; John Breitingner, United Properties; Rick Carter, LHB; Matt Clark, US Bank; Rick Collins, Ryan Companies; Sarah Erickson, City of Saint Paul; Nick Koch, HGA; Kevin Locke, City of Saint Louis Park; Justin Miller, City of Mendota Heights; Marc Nevinski, City of Coon Rapids; David Olson, Minnesota Chamber of Commerce; Todd Olson, MetroCities; Jenn O'Rourke, City of Minneapolis; Tom Poul, Messerli Kramer/ Municipal Legislative Commission; Mark Ruff, Ehlers; Elizabeth Ryan, Family Housing Fund; Adam Schiff, Office of Senator Klobuchar; Bill Schreiber, Messerli Kramer/ Municipal Legislative Commission; Will Schroerer, Minneapolis and St. Paul Chambers of Commerce; Dave Van Hattum, Transit for Livable Communities

ULI Minnesota Staff

Caren Dewar, Cathy Bennett, Katie Anderson,