



May 2, 2022

Dear Chair Weber and Members, Senate Property Tax Subcommittee:

Metro Cities appreciates the opportunity to comment on SF 3706-Weber, the Property Tax Subcommittee report.

Metro Cities appreciates the inclusion of the technical and clarifying changes to tax increment financing statutes include in SF 3706.

Metro Cities supports the state direct property tax relief programs and supports the expansion to these programs included in SF 3706.

With respect to provisions in the bill that address housing, Metro Cities recognizes that state level investments are critical to addressing affordable housing needs and appreciates additional tools aimed at advancing housing. However, we are concerned that the bill puts the responsibility on property taxpayers to provide supports that are traditionally a state function and responsibility.

Metro Cities' policies generally oppose shifting responsibility for state programs and objectives onto local property taxpayers. We are also concerned that the bill asks cities to contribute financially at a level that is significant locally but does not meet the scale required to address state or regionwide affordable housing needs.

Metro Cities is concerned about the effects of the proposed 4d Class Rate reduction in the bill, which would represent the lowest class rate in the state and does not include any guarantee of public benefit. Cities with higher levels of existing affordable housing could also see the shift fall on low-income populations.

While the transition aid is appreciated and recognizes the effects of the 4d provision on local property taxes, it is a temporary aid, and does not make property taxpayers whole. Once the aid sunsets, the underlying shift remains.

The provision also does not recognize the policy change enacted in the 2021 tax law which removed the annual inflator and reset the first tier to its 2014 level of \$100,000, a significant change. The provision also does not include any guarantee as to how the tax savings will serve renters.

Finally, Metro Cities supports an increase in local government aid (LGA) as well as updates to the formula that have been proposed by city associations following work over the interim to analyze and update formula factors so that the local government aid can best statistically meet city needs. We would ask you to consider these changes and an increase in the formula as work on the bill continues this session.

Thank you for the opportunity to comment. We look forward to working with you as a tax bill advances this session.

Sincerely,

A handwritten signature in black ink that reads "Patricia Nauman".

Patricia Nauman
Executive Director