



Roger J. Reinert
Mayor

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April 1, 2024

The Honorable Ann H. Rest
Chair, Senate Taxes Committee
Minnesota State Senate
75 Rev. Dr. Martin Luther King Jr. Blvd.
Capitol, Room 328
St. Paul, MN 55155

Re: S.F. 4868 (Hauschild) St. Louis County housing development projects sales and use tax exemption for certain construction materials.

Dear Chair Rest and Members of the Senate Taxes Committee:

I write in support of Senate File 4868, which creates a new incentive for developers to build housing across all income levels in Duluth and Saint Louis County – something we desperately need.

By providing a construction sales tax exemption on housing material for apartments, condominiums, and townhomes construction across all income levels for a period of two years, we will help attract developers to build much needed workforce housing in northeastern Minnesota.

This effort proposed by Senator Hauschild is a bit unprecedented for housing across all income levels, but I believe it is needed as we have a housing emergency in Northeastern Minnesota and must take drastic measures to get housing built now.

In 2019, the firm Maxfield Research and Associates, estimated Duluth would need an additional 3,600 units of affordable housing by 2024 to meet local demand. We are nowhere close to that number and have fallen far behind in building housing. It's hampering economic growth in Duluth and Northeastern Minnesota.

In Saint Louis County and Duluth, large employers like Essentia, St. Luke's, Cirrus, and others cannot grow, because we cannot build workforce, and we cannot build workforce without places for people to live.

In Duluth, we have unique challenges when it comes to construction, as it's harder and more expensive to build housing. Duluth's housing prices are driven by construction expenses that are often 20%-30% higher than in other parts of the state, due to the greater cost of labor and materials in the region, as well as geological and topographical challenges developers often encounter on site.

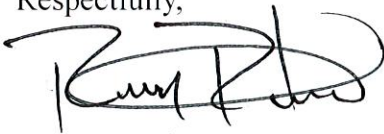
This exemption – limited to just two years – could help us jump start housing construction in Saint Louis County and Duluth. It combines good public policy with the unique opportunity our community has found to break ground on a \$500 million project with an accomplished developer on a site in our city that has sat vacant for years. With high interest rates, a challenging site that needs to be renewed, and the dramatic need for housing for

workers, we sincerely ask you and the committee to consider passage of this bill. We know, too, that the city will contribute its sales tax revenues to the project—and we are willing to do so because of the opportunities the project presents.

I want to thank Senator Hauschild for thinking outside the box and looking for more tools that can help us work with developers to build housing. We must help developers make the numbers work for their projects or they won't build them. This exemption would mean that Saint Louis County and the City of Duluth share in the sacrifice of taxation of construction materials to inject new funds and energy into the construction of housing in our part of the state.

Thank you for considering this effort. I hope you will consider including this in a future tax bill as this 2024 legislative session moves forward.

Respectfully,

A handwritten signature in black ink, appearing to read 'Roger J. Reinert', written over a horizontal line.

Roger J. Reinert
Mayor, City of Duluth

CC: Senate Taxes Committee Members
Mitch Berggren, Senate Taxes Committee Administrator