

April 2, 2024

Senator Ann Rest, Chair
Senate Taxes Committee
328 Capitol
St. Paul, MN 55155-1606

cc: Senator Alice Mann

Re: Senate File 5194 – Credit for Conversion of Underutilized Buildings

Dear Senator Rest and Members of the Senate Taxes Committee,

I write this letter to emphatically advocate for Senate File 5194 – Credit for Conversion of Underutilized Buildings (“CUB”).

One year ago, as a concerned citizen, I raised my hand to try to do something to help rebuild my community after it clearly wasn’t recovering on its own after COVID-19. Over the past year, that has turned into the Minneapolis Renaissance Coalition – a public/private partnership of over 65 organizations whose mission is to serve as a catalyst to reimagine investment in downtown Minneapolis’ public spaces and buildings, thus contributing significantly to the local economy. That’s what I do in my spare time.

In my day job, I focus on office investment sales for JLL. In this role, I have the ability to funnel hundreds of millions of dollars into our state, but I need to be able to tell a positive story. Investors, both local and national, scrutinize public safety and political landscapes when contemplating pouring resources into any state. These investment dollars are fiercely contested for, and without compelling incentives, Minneapolis – and indeed Minnesota – could lose potential investors to cities like Denver, San Francisco, and New York.

Cities nationwide have continued to struggle from low occupancy rates in office buildings since the pandemic and Minnesota is behind other states in recognizing the significant ramifications of this. Tenants continue to downsize or close their offices resulting in historically high vacancy rates, now at 27.7% in Minneapolis – doubling in the past 10 years, coupled with a quadruple surge in sublease space, the vacancy in office buildings is only continuing to climb. The reality is that actual office building occupancy is around 50% Tuesday-Thursday. We are battling a substantial blow to property values that will severely impact taxable revenue.

This fallout translates to homeowners shouldering the heavy onus of property tax revenue meant to sustain our cities and state-a manifestly unfair load to bear. In response, several states across the nation have adopted conversion credits, thus providing incentives to both out-of-state and local developers to repurpose buildings into residential premises, thereby enhancing their value and taxable revenue.

Without implementing similar incentives, our beloved state of Minnesota risks:

1. Losing out on significant investment to states employing these incentives,
2. Imposing an undue burden of increased property tax on homeowners, and
3. Succumbing to the “broken window syndrome,” attracting increased crime resulting from escalated numbers of vacant buildings and decreased urban population.

We have a once in a lifetime opportunity to turn these buildings heading to obsolescence into places that Minnesotans and visitors want to occupy. We have the very unique opportunity to rebuild our state's cities in a way that serves everyone at the highest level. The enactment of the Credit for Underutilized Buildings is a powerful, positive measure that will see Minnesota standing as a beacon for other states; an innovative, proactive, and compelling example of how to turn current challenges into opportunities for positive transformation.

I urge the Taxes Committee and the Minnesota Senate support and pass Senate File 5194.

Hoping for Minnesota's progressive leap into the future,

A handwritten signature in black ink, appearing to read "Erin", with a stylized flourish at the end.

Erin Fitzgerald
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