



February 19, 2025

**Re: Support for HF 457 – establishing a tax credit for conversion of underutilized buildings**

**Chair Igo and Members of the House Housing Finance and Policy Committee:**

The League of Minnesota Cities appreciates the opportunity to provide comments on HF 457. On behalf of our 841 member cities, we respectfully request that members support this new proposal, which would allow a tax credit for 30% of the total cost of qualifying conversion expenses for a qualifying project.

The bill, which is designed after the successful Historic Structure Rehabilitation tax credit, offers a timely and impactful solution to help make redevelopment projects seeking to convert underutilized buildings more financially feasible and assist cities and their developer partners in addressing affordable housing and local economic development needs. The redevelopment of these properties increases the local tax base will also help mitigate against the shifting of property taxes onto residents as underutilized buildings continue to see declining valuations.

Vacant or underutilized commercial buildings have become a significant issue in cities across the state, contributing to blight and underperformance of otherwise prime real estate as plummeting valuations pose budget challenges for cities and property tax challenges for other properties. The proposed credit encourages investment in these properties, fostering the transformation of empty or neglected buildings into functional, income-producing structures. This, in turn, will create new opportunities for businesses, boost job creation, identify opportunities for more housing development and enhance the overall appeal of downtown areas and other key neighborhoods in cities both in the metropolitan area and in greater Minnesota.

Cities across Minnesota are faced with expensive barriers to rehabilitate and re-use buildings that are no longer fully providing their intended use. These barriers pose significant problems for cities seeking to re-use existing infrastructure and spur much needed development across the state. The League of Minnesota Cities supports resources for cities like this newly proposed tax credit that help with the conversion of underutilized buildings.

Please join us in providing resources to address this growing issue by supporting HF 457.

Sincerely,

A handwritten signature in black ink that reads 'Daniel Lightfoot'.

Daniel Lightfoot  
Senior Intergovernmental Relations Representative  
League of Minnesota Cities

A handwritten signature in black ink that reads 'Beth Johnston'.

Beth Johnston  
Intergovernmental Relations Representative  
League of Minnesota Cities