Dear BATC Members,

The 2017 legislative session has concluded and we are pleased to report that housing won big!

Last summer we charted an ambitious plan to take our industry to the next level. Key to this plan was our growing partnership with the Minnesota REALTORS®, who shared our vision that housing could and should be elevated. Following the November elections, we assessed the legislative landscape and developed a collection of proposals to encourage first-time homebuyer opportunities and to create housing affordability for all. We worked through our respective committees and boards, and when 2017 arrived the Minnesota Homeownership Initiative was rolled out and hit the ground running.

A major initiative like this requires all of the elements of modern advocacy. We had lobbyists working in St. Paul, strong social media engagement, and issue advocacy advertising on radio, print, and digital. These were paired with technical research on our key issues, expert testimony from our membership, grassroots engagement at key moments in the session, and an award-winning Housing Day at the Capitol.

All of these elements work together to raise awareness and to inspire legislators to act. Legislators addressed our issues in a way we’ve not seen previously. With a half-dozen major proposals working their way through the process, it took dedicated housing champions to manage these bills. We are heartened by the support from leaders at the legislature who have become our partners in growing the housing movement.

Perhaps the best news of all, we aren’t done building and elevating! As the leading voice for our industry, we are committed to growing our programs, bringing our industry together, and achieving even more for you.

We hope you enjoy reading about the 2017 legislative accomplishments, and we thank you for your support.

Onward,

David Siegel
Executive Director

James Vagle
Director of Advocacy

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**BATC 2017 LEGISLATIVE SUCCESS**

BATC began the 2017 legislative session by establishing four strategic objectives to guide our activities and to create a means to measure results.

1. **ELEVATE**
   - BATC and the Housing Industry

2. **COLLABORATE**
   - with Like-Minded Groups

3. **DEFEND**
   - the Industry Against Harmful Legislation

4. **PIVOT & ADVANCE**
   - Housing Affordability Legislation

**WE SUCCESSFULLY ACHIEVED ALL FOUR OBJECTIVES**
I. First-Time Homebuyer Savings Account

Representative Greg Davids (R-Preston)
Senator Karin Housley (R-Stillwater)

The First-Time Homebuyer Savings Account was a leading proposal of the homeownership initiative. Importantly, this program is NOT a government handout. Instead, it encourages Minnesotans to save more of their own money by providing tax deductions and incentives to help achieve the dream of owning a home.

That’s why we proposed the First-Time Homebuyer Savings Account Act — a new idea to help people get into their first home.

The Law Provides:

- Individuals can deposit money annually into a FDIC-insured savings account.
- The account can be opened at any Minnesota bank or credit union.
- Contributions to the account receive a state tax deduction on interest earned. Individuals can deposit up to $14,000 annually, while married joint filers can deposit up to $28,000 per year.
- Parents or grandparents could set up an account AND receive a deduction from their own state taxes.
- The plan applies to first-time homebuyers and those re-entering the housing market, if they have not owned a home within three years.

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II. Remove Barriers to Developing Owner-Occupied Condos/Townhomes

Representative Dennis Smith (R-Maple Grove)
Senator Kari Dziedzic (DFL-Minneapolis)

A healthy housing market includes a wide variety of options to meet the needs present in the market. Condos and townhomes represent a key segment of the marketplace and face serious challenges.

A key barrier to a healthy condo/townhome market was the state’s current construction defects law, which created a disincentive to new condo/townhome development.

The Law Provides:

- Requires that a Homeowners Association mail each member of the association the nature of construction defect claim, the relief sought, and the HOA proposal to fund the litigation.
- Requires the Homeowners Association to receive majority approval from its members to proceed with a construction defect claim.
- Prior to any construction defect claim, both parties must agree to mediation.
- The association’s board of directors shall prepare and approve a written preventative maintenance plan, maintenance schedule, and maintenance budget for the common elements. The association shall follow the approved preventative maintenance plan.
- Expands the definition of a construction defect claim to “a civil action or an arbitration proceeding based on any legal theory including, but not limited to, … the loss of use of, real or personal property caused by a defect in the initial design or construction of an improvement to real property that is part of a common interest community, including an improvement that is constructed on additional real estate.”

Requires the Homeowners Association to receive majority approval from its members to proceed with a construction defect claim.

EFFECTIVE DATE: Applies to common interest communities created on or after August 1, 2017.
III. Public Notice for Housing Moratorium

Representative Jim Nash (R-Waconia)
Senator Dan Hall (R-Burnsville)

Minnesota law previously allowed a municipality to enact, without notice of a public hearing, a development moratorium that suspends a property owner’s right to use property for up to one year.

Now, property owners must be notified of any proposed housing moratorium to limit the use of their property, and provided an opportunity to raise objections or concerns at a public hearing.

The Law Provides:

- Modifies the current statute to require a 10-day notice and a public hearing before enacting a moratorium that would regulate, restrict, or prohibit activities relating to housing.
The regulatory costs associated with new construction have surged over the past decade. We concede that we need responsible regulations to ensure safety and durability in new home construction, but the regulatory structure must meet these objectives at a price that families can afford.

**Key Features of the Bill Include:**

- **Homebuyer Access**
  In Minnesota, for every $1,000 increase in the price of a home, about 4,000 households are priced out of the market for a median-priced new home.

- **Regulatory Costs Have Soared**
  National estimates show that, on average, regulations imposed by government at all levels account for nearly 25% of the final pricepoint of a home.

- **Affordability Gets Lost in Regulatory Process**
  Well-intentioned policy work in the various state agencies aims to meet regulatory goals, but too often it misses the equally important goal of minimizing cost for homeowners.

- **Homeownership is less Attainable for too Many**
  The homeownership rate is at decades-low levels both in Minnesota and nationally. Greater affordability in all homes means more homeownership for all.

Builder Vice President Tom Wiener (right) and BATC Executive Director David Siegel (left) testify in favor of BATC’s regulatory rulemaking oversight legislation.
V. Twin Home Sprinkler Fix, Continuation of BATC v DLI

Representative Tama Theis (R-St. Cloud)
Senator Rich Draheim (R-Madison Lake)

For the past four years, BATC has been fighting against mandated sprinklers in any single-family or twin home construction. Following our landmark victory in BATC v. DLI where the sprinkler mandate was struck down in one and two-family homes, the industry faced a new challenge - the court decision and code definition weren’t aligned.

The 2017 legislature addressed this technical issue with both the Senate and the House of Representatives voting unanimously for HF 792.

The law directs the Department of Labor and Industry to modify Minnesota’s Building Code to match the national building code. The legislation follows the Minnesota Court of Appeals’ directive in BATC v. DLI, where the sprinkler mandate in one and two-family homes was struck down.

BATC will continue to seek a permanent statutory solution to the sprinkler policy issue. Absent establishing an affirmative position in statute, the sprinkler debate will begin again in the next code cycle, which starts in late 2017.
VI. Regulatory Update: Legislature Reduces Department of Labor & Industry Fees

Representative Pat Garofalo (R-Farmington)
Senator Jeremy Miller (R-Winona)

The Omnibus Jobs and Economic Growth Appropriations Bill signed by Gov. Mark Dayton on Tuesday includes a reduction in certain Department of Labor & Industry (DLI) fees.

Building Inspection Fees Reduced to the Following:

- $1 to $500: $21 (from $29.50)
- $501 to $2,000: $21 (from $28) for the first $500 plus $2.75 (from $3.70) for each additional $100 or fraction thereof, to and including $2,000
- $2,001 to $25,000: $62.25 (from $83.50) for the first $2,000 plus $2.75 (from $3.70) for each additional $100 or fraction thereof, to and including $25,000
- $25,001 to $250,000: $349.75 (from $464.15) for the first $25,000 plus $12.50 (from $16.55) for each additional $1,000 or fraction thereof, to and including $250,000
- $250,001 to $1,000,000: $887.25 (from $1,186.65) for the first $500,000 plus $9 (from $12) for each additional $1,000 or fraction thereof, to and including $1,000,000;
- $1,000,001 to $5,000,000: $2,887.25 (from $3,886.65) for the first $500,000 plus $6.25 (from $8.45) for each additional $1,000 or fraction thereof, to and including $1,000,000
- $5,000,001 to $25,000,000: $5,500 (from $7,636.65) for the first $5,000,000 plus $4.25 (from $5.50) for each additional $1,000 or fraction thereof, to and including $25,000,000
- $25,000,001 to $100,000,000: $13,750 (from $18,062.65) for the first $25,000,000 plus $2.75 (from $4.50) for each additional $1,000 or fraction thereof

From July 1, 2017 Until Sept. 20, 2021, the Following Two-Year DLI License Fees Have Been Reduced:

- Journeyman: $30 (from $35)
- Master: $60 (from $75)
- Business: $120 (from $160)

The reduction in DLI fees is a result of a surplus in the Contractor Recovery Fund.
VII. Miscellaneous

State Budget
After several months of debate, Governor Dayton signed 10 bills that fund state government over the next two years. The state’s two-year budget of $46 billion did not include about $130 million in funding for the Legislature. The legislative funding was line-item vetoed by the Governor and the dispute surrounding legislative funding will now likely head to the courts. Highlighting the budget debate was a major tax bill, the first to pass into law in several years and the largest tax cut for Minnesotans in 20 years.

TAX BILL HIGHLIGHTS
• 117 million in relief for Minnesota’s senior citizens. Under this bill, nearly 284,000 senior citizen tax returns (single and married filing jointly) would receive tax reductions; 72,000 of those would no longer pay state income tax on their benefits.
• Nearly $55 million to address college affordability through a first-in-the-nation tax credit for student loan payments, along with $20 million in subtractions and credits for families saving for college using 529 Savings Plans.
• $36 million for families with young children by modifying the child and dependent care credit.
• $95 million in relief for hometown businesses by exempting the first $100,000 in property value from the extra tax on businesses and freezing its automatic inflator.
• $15 million each year for Local Government Aid and $25.5 million per year for County Program Aid.

Uniform Labor Standards - Vetoed
BATC joined a large coalition of business interests in supporting uniform labor standards. This measure responds to the growing trend of local governments enacting municipal wage, benefit, and scheduling standards. For the housing industry, complying with multiple standards across our metro and state is an onerous task.

UNIFORM STATE LABOR STANDARDS WOULD:
• Eliminate the risk of complex, conflicting, and confusing labor regulation at the municipal level
• Maintain the structure of clear, straightforward statewide business regulation
• Maintain cost-effectiveness of serving customers and employees’ needs
• Reduce competitive disadvantages within the marketplace statewide
• Increase the state’s desirability for business relocation and expansion

Despite strong support for the measure the Governor vetoed the bill.
Award-Winning Housing Day at the Capitol

BATC’s 2017 Housing Day at the Capitol was selected as this year’s Outstanding Meeting or Event by Meeting Professionals International Minnesota. This award recognizes a meeting or event that demonstrated outstanding planning and execution. We’re honored by this recognition and proud of the success of this year’s Housing Day at the Capitol!

“We’re very excited about the momentum created by our first Housing Day at the Capitol in partnership with the Minnesota REALTORS®,” said BATC Executive Director David Siegel. “This award confirms that the event was a success and we look forward to seeing it grow even larger next year.”

More than 600 members of the home building industry and the Minnesota REALTORS® attended the inaugural event in February. The landmark event marked the start of an exciting partnership as both groups joined together at the Capitol this session to advance the Minnesota Homeownership Initiative, a package of common sense legislative proposals that promote homeownership.

“This award confirms that the event was a success and we look forward to seeing it grow even larger next year.”

Speaker of the House Kurt Daudt (R-Crown) meets with BATC President Bob Michels (center) and BATC Board Member Shawn Nelson during Housing Day at the Capitol.

SAVE THE DATE

Next Year’s Housing Day at the Capitol
MARCH 14, 2018
In the Media

@CallaghanPeter #mnleg

Is Minnesota on the verge of figuring out its condo conundrum? bit.ly/2q0B38u by @CallaghanPeter #mnleg

@MinnREALTORS

@KarinHousley is offering SF888, the First Time Homebuyer Savings Act Act, to the Senate Taxes Comm w/ @MinnREALTORS President Zuzek #mnleg

 Builders Association

Thank you @marykiff for advancing homeownership for Minnesotans with your rulemaking oversight legislation #mnleg #MnHomeownership

 Builders Association

HF1001/SF745 has 4 Legislative Caucus Leaders as Co-Author #mnleg #MnHomeownership

 Builders Association

In Case You Missed It: Housing Affordability Crisis illustrated in @PioneerPress Sunday Article sbx.sh/2ogj8JL #MnLeg

 Builders Association

Tom Wiener, @BATCTC Builder VP: In 5 years, regulatory costs for homes have risen 30%, pricing families out of the new home market

 Builders Association

@DavidIEgel said this legislation provided a "technical fix" to reconcile MN building code with Court decision & national building code

 Builders Association

Glad BATC V DLI is now in place as law & Moorhead is back in business! #MnHomeownership
Public Policy Committee

Bill Burgess  (Chair)  Lennar
Kent Brander  Civil Methods, Inc.
Peter Coyle  Larkin Hoffman
Bob Cumbow  Country Joe Homes
Robert Engstrom  Robert Engstrom Companies
Tamara Erickson  Country Joe Homes
Bill Gschwind  Minnesota Construction Law Services
Ryan Hatton  Hallo and Habicht PA
Paul Heuer  Pulte Homes of Minnesota, LLC
Roger Humphrey  Stantec
Kendra Lindahl  Landform Professional Services
Andy Michaels  Michels Construction
Nathan Jones  Tollberg Homes, LLC
Greg Livermont  Andersen Windows
Bob Michels  Michels Construction
Frank Kottschade  North American Realty, Inc.
Jason McCarty  Westwood Professional Services
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John Rask  M/I Homes
Paul Robinson  The Bancor Group, Inc
Joe Slavec  Minneapolis Garage Builders
Jim Stanton  Shamrock Builders, Inc
Jenni Thompson  Pioneer Engineering
Tom Wiener  Cardinal Homebuilders, Inc.

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Bob Michels  President  Michels Homes
Tom Wiener  Builder Vice President  Cardinal Homebuilders, Inc.
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Carla Warner  At-Large Member  Warners’ Stellian Co., Inc.