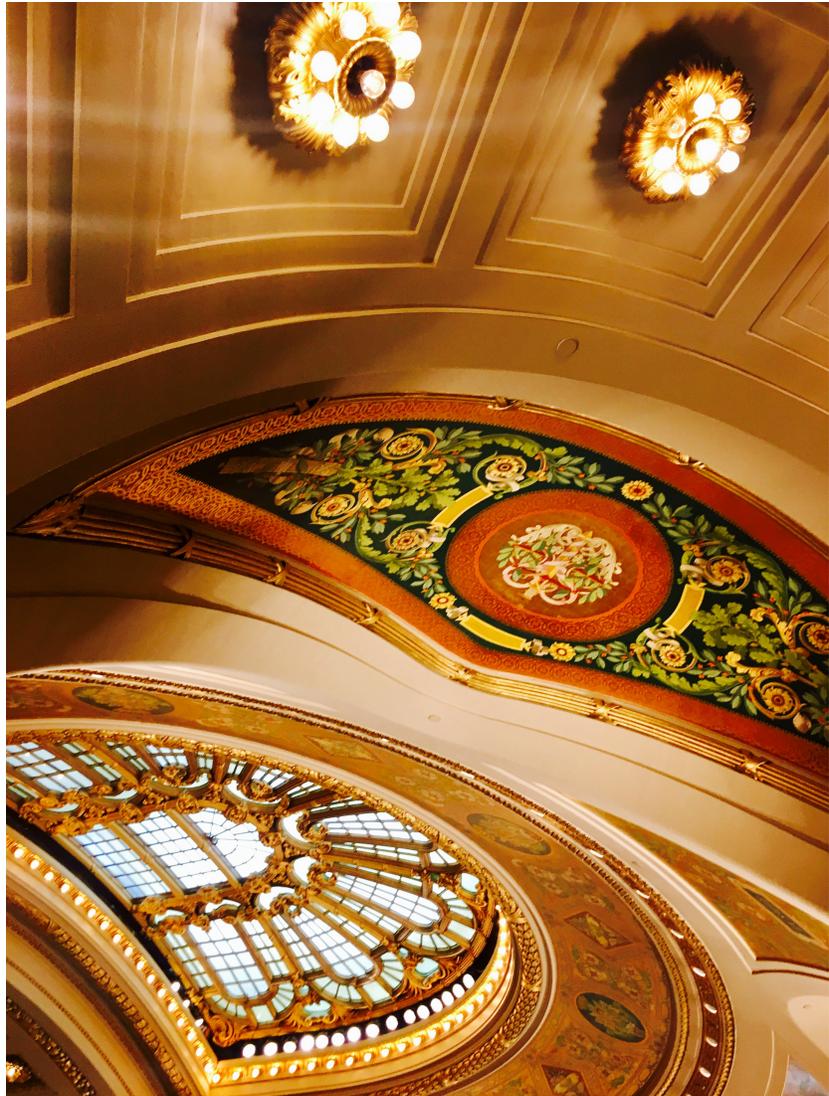


2017 Session Report

After years of renovations, Minnesota's Capitol Building reopened to the public, to widespread acclaim.

A new sense of spirit spread throughout the beautifully renovated Capitol in 2017, refreshing the awe many legislators, staff, lobbyists, and public feel when they arrive there everyday. Contrasting the 2016 session, which was confined to the hallways and offices of the two legislative office buildings, the 2017 session finds the splendid rotunda and grand corridors of the Capitol once again filled with life, energy, and a renewed sense of purpose.



Builders Association of Minnesota

Following the contentious
from all over Minnesota
the desks in the Senate and



2016 election, new faces
looked out from behind
House chambers, ready

to work hard for their districts and the state. The urgency to pass meaningful legislation for Minnesota was evident from all involved in the process. Working with friends of the homebuilding industry in the House and Senate, progress was made for affordability in housing for Minnesotans, and Builders Association of Minnesota (BAM) staff is pleased to continue to work hard for you and your business at the Minnesota Legislature.

BAM's electoral efforts in 2016 positioned the organization - and the state's building industry -- to successfully advance priorities at the Capitol. BAM worked with candidates and now legislators to advance common sense, pro-housing legislation. During the 2016 election season, BAM staff volunteered time working with candidates on the campaign trail while BAM-PAC supported numerous pro-housing legislators throughout the state. The industry's shoe leather efforts and direct campaign donations were conducted in a bipartisan fashion. This effort has proven valuable. BAM thanks our membership for their generous participation in all aspects of BAM's political and policy efforts.

Day at the Capitol

The Builders Association of Minnesota (BAM) had a successful Day at the Capitol with our friends at the MN Association of Exterior Specialists (MNAES). On January 25, 2017, over 60 attendees had meetings with their individual legislators to discuss ongoing policy priorities for Minnesota's building industry. The relationships our members have with their legislators are vitally important to BAM's success at the Minnesota State Capitol!

A big thank you to BAM's 2017 team! Our team includes the following talented people:

- Terry Hammack, BAM's Government Affairs Committee Chair
- Remi Stone, Executive Vice President
- Forrest Cyr, Director of Government Affairs and Communications
- Priscilla Conway, Manager of Operations
- Brian Halloran, Andrea Perzichilli, and Larry Redmond of Redmond Associates
- Rob Moschet of the McCollum Crowley law firm
- Jane DeAustin, CMBA Government Affairs
- Keith Cousins, RAB Public Affairs Director, and
- A special thanks to Lisa Frenette, Frenette Legislative Advisors and the Minnesota Association of Exterior Specialists.

Bonding, Budget, & Taxes

BAM carefully watches the state's big finance bills. Construction career development and housing stimulus programs are tucked away in the budget bills. The bonding bill is the vehicle for capital investments in the state that support development of housing and businesses. The tax bill sets in place the very policies that drive the cost of doing business in Minnesota.

Upon the conclusion of the 1st Special Session of 2017, the Governor signed the bonding, tax, and 2018-2019 state budget bills, however the state is still mired in conflict. The Governor exercised his line item veto authority to defund the Legislature in a thrust and parry move to the Legislature's requirement that the Governor sign the tax bill or else face the defunding of the Department of Revenue. BAM expects to see further action on the state's finances through litigation and another special session.

BONDING CHAPTER 8 - 1ST SPECIAL SESSION

The Legislature passed and the Governor approved a \$851 million bonding bill. Appropriations of interest include \$136 million for water related infrastructure - stormwater, wastewater, and drinking water - and \$116 million for local roads.

BUDGET VARIOUS CHAPTERS - 1ST SPECIAL SESSION

Odd-numbered years are budget years for the Minnesota legislature. The 2017 1st Special Session concluded in the passage of nine budget bills that create the state's \$46 billion two-year budget. Within the various budget bills, many provisions remain of interest to BAM including:

- An appropriation to continue working to assume state responsibility for section 404 permitting – by a single state permitting authority – and to establish an online permitting portal.
- Money for workforce development including \$1,000,000 for each year to the Construction Careers Foundation to encourage careers in the construction industry
- A multi-million dollar appropriation to the Housing Finance Agency to include funding for the Challenge Program to help spur development of

housing in areas where development is not economically feasible; money for workforce housing development; resources for the Housing Development Fund; and an appropriation for the Home Ownership Assistance Fund.

TAXES

CHAPTER 1 - 1ST SPECIAL SESSION

In 2016, both the House and the Senate passed the tax bill, which provided middle class tax cuts, including for business property, student loan relief, farmers, tobacco, and many other provisions. However, due to a minor typo in the final bill that could have cost the state \$100 million in lost tax revenue, the Governor vetoed the bill, much to the chagrin of the legislature.

Finally, at the conclusion of the 2017 1st Special Session, the Governor signed the \$650 million tax bill. Items of interest include:

- A provision, pushed by our real estate industry partners, provides new state law to assist first-time homebuyers who save for a down payment in a special account.
- Commercial-industrial property tax freeze.
- Authority to MHFA to allocate funds to support federal low income housing tax credit eligible projects that are deemed to be not financially feasible. The language requires half of the credits be used for Greater Minnesota projects.

BAM Policy Issues

TWIN HOME SPRINKLER RELIEF & HOUSING AFFORDABILITY HF792 (THEIS, R-ST. CLOUD) / SF578 (DRAHEIM, R-MADISON LAKE) SIGNED INTO LAW - CHAPTER 20 EFFECTIVE MAY 2, 2017

A top session priority for the BAM, legislation to drive housing affordability and clarify that two-unit town houses are not required to have sprinklers installed passed unanimously in both the House (**132-0!**) and Senate (**65-0!**) was signed by Governor Dayton on May 2, 2017.

As of May 2, 2017, two-unit town homes are not required to have automatic fire sprinkler systems installed. It clarifies the October 2015 court decision stating

that one-family and two-family homes do not have to have such systems installed, too.

We're thankful to have worked with Rep. Tama Theis (R - St. Cloud) and Sen. Rich Draheim (R - Madison Lake) on this issue. Both are talented and passionate authors, and are strong advocates for housing affordability and availability. Through the leadership of these exemplary lawmakers, the votes in both the House and Senate were unanimous. We look forward to working with them, and the entire legislature to address pressing housing issues in the future.

Working with a strong coalition of various stakeholders, including the city of Moorhead, the fire service, and a bipartisan group of legislators, BAM's efforts to pass this bill demonstrated of the power of bipartisanship and coalition building.

Following the signing of HF792 by Governor Mark Dayton, the Department of Labor and Industry issued guidance to local building officials about two-unit town homes immediately suspending the sprinkler mandate for permits issued after May 2, 2017.

In early June DLI finalized the required expedited rule making process to amend the Minnesota Residential Code to conform with the 2015 Minnesota Court of Appeals decision and to clarify that one-family dwellings, two-family (duplex) dwellings, and newly built two-unit townhouses are not required to have installed automatic fire sprinkler systems.

INTERIM ORDINANCES AND ADVANCE PUBLIC NOTICE
HF330 (NASH, R-WACONIA) / SF201 (HALL, R-BURNSVILLE)
SIGNED INTO LAW - CHAPTER 94, ARTICLE 11, SECTION 3
EFFECTIVE AUGUST 1, 2017

After a rocky start and a Gubernatorial veto, the residential land use moratoria bill became law on its second 2017 attempt and upon complying with the terms of the Governor's veto message. Partnering with our real estate industry peers at the Minnesota Association of REALTORS and BATC, BAM worked to pass legislation that increases transparency and communication between municipalities and interested parties.

The new law, carried by Rep. Jim Nash (R - Waconia), and Sen. Dan Hall (R - Burnsville), requires public notice and simple majority approval before a housing land use moratorium can be implemented. As instructed by the Governor, removed from the final bill was the provision requiring approval by a super majority vote of city council members.

MINNESOTA COMMON INTEREST OWNERSHIP ACT
HF1538 (SMITH, R-MAPLE GROVE) / SF1455 (DZIEDZIC, DFL-MPLS)
SIGNED INTO LAW - CHAPTER 87
EFFECTIVE AUGUST 1, 2017

BAM worked alongside a coalition of interested stakeholders, including the cities of Minneapolis and St. Paul, to pass the MN Common Interest Ownership Act (MNCIOA), which will help spur development of owner-occupied multi-family developments by reducing the risk of Homeowner Association (HOA) inspired litigation.

Authored by Rep. Dennis Smith (R - Maple Grove) and Sen. Kari Dziedzic (DFL - Minneapolis), the new law will require HOAs to prepare and implement written preventative maintenance plans and schedules, notify all members about the nature of construction defect claims, engage in mediation prior to litigation, and require majority approval of the HOA's members before proceeding with a litigation claim.

STATE INSPECTION IN NON-BUILDING CODE AREAS
CONSTRUCTION CODES AND LICENSING CHANGES
MISC. DEPARTMENT OF LABOR AND INDUSTRY PROVISIONS
SEVERAL BILLS
SIGNED INTO LAW - VARIOUS EFFECTIVE DATES

The Department of Labor and Industry Housekeeping Bill along with the Omnibus Jobs and Economic Development Bill contain language that makes several changes to outdated statutes, and provides technical fixes to unclear, ambiguous, or incorrectly written laws.

A new law that is of particular interest to BAM is a provision that requires state inspection of construction, additions or alterations to public assembly spaces designed for 200 or more people where there is no local building code inspection. Starting July 1, 2017, DLI will review plans, issue permits, and inspect public assembly spaces in non-code jurisdictions.

The issue of inspection of construction in non-code enforced areas is at the top of BAM's legislative and regulatory agendas. This new law may inform policy makers and members on the best methods to address unlicensed building and lack of inspections and enforcement.

Other provisions to be aware of are:

- Increasing the payment limits for the contractor recovery fund from \$150,00 to \$300,000.
- A \$5.2 million cut in CCLD fees reducing business license fees and building permit fees for state owned and state licensed facilities.
- Language making wage theft a gross misdemeanor, defines these prohibitive practices, and requires employers to provide employees written notice of pay, benefits, and pay schedule at the start of employment.
- Clarifying licensed water conditioning professionals' allowed work.
- Appropriating \$200,000 to the Helmets to Hardhats program to support veterans and active military personal participation in construction related apprenticeships.

APPRAISERS BILL - VERSION I
HF593 (O'DRISCOLL, R-SARTELL) /SF366 (HOUSLEY, R-STILLWATER)
SIGNED INTO LAW - CHAPTER 37
EFFECTIVE JULY 1, 2017

Despite BAM and NAHB's coordination with the appraisers' national association and state chapter, Minnesota's appraisers' organization choose to move forward with a new law that will make data on disciplinary action against appraisers classified. Further, it requires disclosure of crimes, fingerprinting, and a criminal background check for an initial real estate appraiser license.

Regretfully, the bill does not take up any provisions to improve the manner in which new homes are appraised, nor does it establish criteria to recognize advanced construction codes or green technologies. In 2018 BAM will initiate a bill to address members appraisal concerns, a.k.a. Appraisers - Bill Version II.

UNLICENSED BUILDERS AND INCREASED PENALTIES
HF1119 (THEIS, R-ST. CLOUD) / SF1533 (DRAHEIM, R-MADISON LAKE)
REMOVED FROM FINAL BUDGET BILL. CARRY OVER TO 2018

In its ongoing effort to help protect Minnesota's consumers and raise the professionalism of the industry, BAM is lobbying to increase the penalty for those operating as a residential contractor without obtaining proper licensure under Minnesota Statute 326B. This will put the residential construction industry on par with its realtor and insurance industry peers and assist enforcement agencies who are working to stop unlicensed activity.

Currently a misdemeanor, BAM advocates to reclassify this offense as a gross misdemeanor to align the penalties with comparable professions, deter unlicensed builders with stricter penalties, and encourage enforcement. Sen. Rich Draheim (R - Madison Lake) and Rep. Tama Theis (R - Saint Cloud) are once again the chief authors for industry priority bills (they're awesome!).

Although the bill passed easily through 3 House Committees and 1 Senate Committee and was included in the initial Omnibus Jobs and Economic Development bill, it met with last minute resistance by a handful of Republican and Democrat Senators. Disappointingly, it fell to the cutting room floor as final negotiations took place between legislators and the Governor.

Going forward, BAM will work with stakeholders to find meaningful solutions to this complex problem, including stiffer administrative civil penalties, allowing non-payment for work done without a license, and public affairs campaigns to encourage consumers to hire licensed builders.

LEGISLATIVE OVERSIGHT OF CONSTRUCTION REGULATIONS
"THE WISCONSIN RULE"
HF1001(VOGEL,R-ELKO*NEW MARKET)/SF745(KIFFMEYER,R-BIG LAKE)
VETOED. CARRY OVER TO 2018

BAM, along with industry partners, is advocating for a bill that would require legislative oversight of the rule making process for any provision that would increase the cost of housing by \$1000 or more. The bill sought to increase the affordability of housing for Minnesota's homebuyers. Authored by Rep. Bob Vogel (R - Elko New Market) and Sen. Mary Kiffmeyer (R - Big Lake), successfully passed off the House floor and the originating committee in the Senate. The bill became subject to significant opposition by several state agencies and interest groups. Although it was included in the original Omnibus Jobs and Economic Development Bill, it was specifically identified as one of the reasons for the bill's veto.

UNIFORM STATE WAGES AND STANDARDS
HF600 (GAROFALO, R-FARMINGTON) / SF580 MILLER (R-WINONA)
VETOED. IN THE COURTS AND CARRY OVER TO 2018

The issue of uniform state wages and standards including the pre-emption on local employment regulations such as paid time off and local minimum wage requirements issue surfaced last year as cities including Duluth, Minneapolis, and St. Paul, considered and adopted a patchwork of local ordinances. The matter was vetoed, however, it remains as pending litigation that BAM is following.

FIRE CODE TRANSFER FROM DLI TO DPS
HF700 (HOWE, R-ROCKVILLE) / NO SENATE COMPANION
CARRY OVER TO 2018

This issue surfaced last year and continued into this legislative session. The fire service community is interested in transferring the responsibility of fire code rule making from the Department of Labor and Industry to Department of Public Safety. It did not advance in 2017, but we expect to see it again soon.

INSURANCE ISSUES
CARRY OVER TO 2018

All too often, an insurance adjusters are not be adequately familiar with Minnesota's building codes, and ill-equipped to provide an accurate assessment of damages. BAM is collaborating with and supporting the efforts of MNAES to require continuing education for insurance adjusters on building codes in Minnesota, so that consumers receive compensation equal to the damage sustained and contractors are not making required repairs that won't be covered by an insurance company. Also, BAM joined with MAES to express concerns about legislation (HF2285 (O'Driscoll, R-Sartell) / SF1826 (Koran, R-North Branch) that allows insurers' forms - both ACV & RCV - to include depreciation of labor as a potential element to their repair estimates. We expect these conversations to continue into next session.

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