



Making Minnesota the Land of Affordable Homes

Zoning, aesthetic mandates, parking requirements, and other restrictions have choked the availability of reasonably priced homes. Workable solutions are right in front of us. Do we have the political will to embrace them?

The lack of housing that the average consumer can afford is a mounting crisis in Minnesota and across the nation. At the end of 2023, there was less than two months' supply of homes for sale in the state. Contrast that to the most recent peak of housing supply in 2016 when there was a much healthier four months supply. Put another way, Minnesota has a housing deficit of more than 100,000 homes. Even those with comfortable middle-class incomes feel the squeeze as they compete for limited inventory where a new median-priced home is \$533,039, according to Housing First Minnesota, a trade association representing residential builders, remodelers, developers, and building industry suppliers.

Home to the most expensive housing costs in the region

So, how did the Land of 10,000 Lakes become the Land of Unaffordable Homes? Even when the cost of land, lumber, materials, and labor are factored in, Minnesota homes are still far more expensive than neighboring states grappling with similar expenses for comparable homes. In Iowa, for example, the median price for a new home is \$380,000. Even in Illinois, a densely populated state of over 12 million, the median new home price is considerably lower than Minnesota—\$473,500.

One of the key differences between Minnesota and its Midwestern neighbors is regulations. Like watery places, Minnesota has them in abundance. From zoning codes that compel developers to build single-family homes on big lots to aesthetic mandates that dictate the use of expensive exterior materials like brick and stone. There are even parking requirements that drive up costs by requiring a minimum number of spaces or stalls for residential buildings, including apartments, townhomes, and single-family dwellings.

Tilting at windmills or toppling giants? A bi-partisan coalition takes on zoning

In a promising attempt to reduce the barriers to developing new housing, Representative Larry Kraft (DFL) and Senator Nicole Mitchell (DFL) sponsored the Missing Middle Housing bill during the 2024 Legislative Session. This legislation would revise zoning laws to allow greater density and more housing types on residential lots—including accessory dwelling units (ADUs)—in communities currently limited to single-family homes. It also

would shave minimum lot size requirements, reduce parking requirements, and prohibit most aesthetic mandates. Lastly, it would streamline the approval process for new developments, greatly speeding up the pace of new construction—all of which would have saved developers, and in turn home buyers, tens of thousands of dollars.

Although the bill attracted broad bi-partisan support in the Legislature and open embrace from a disparate coalition of groups that included the Minnesota Chamber of Commerce, home builders, construction unions, and Realtors®—as well as environmentalists, transit advocates, AARP, and affordable-housing activists—the League of Minnesota Cities and other city organizations aligned against it. Their central objection was that it reduced local government control to guide development and they opposed allowing more housing—units like duplexes, triplexes, and fourplexes—to be built by right on residential lots zoned for single-family homes. It would also have allowed multistory apartment buildings to rise in commercial zones. While the bill moved swiftly through the Senate and House Housing Committees early in the Session, in April legislative

leaders announced, in response to this vocal opposition, the bill would not move forward this Session.

Despite this setback, the bill demonstrated that housing supply and affordability is a hot issue that can unite Republicans and Democrats with activists across the political spectrum in common cause for the good of the entire state. And though the Missing Middle Housing bill will not become law this Session, the issues it targeted are stubbornly rooted and will only become more pressing in the future. Following is a look at some factors that keep homes unaffordable and some potential solutions.

100 years of single-family zoning takes its toll

In 1924, the City of Minneapolis passed the state's first zoning code. Designed to encourage the construction of single-family homes, it paved the way for the tangle of regulations that shape today's landscape, from densely populated urban neighborhoods to rural towns.

As Minnesota's population rapidly expanded after World War II, the single-family-home zoning model became the template for burgeoning suburbs. Communities were neatly compartmentalized into residential neighborhoods serviced by commercial districts with supermarkets, auto dealers, restaurants, medical clinics, and other businesses. Networks of streets and highways tied it all together, connecting suburbs to work centers in cities. As the middle class became more prosperous, homes got bigger and lot sizes expanded, too. These changes were codified in zoning laws along with other requirements like minimum setbacks.

An economic earthquake leaves zoning laws unshaken

The decades-long boom began slowing as tremors rippled through the housing market in 2006. Barely qualified buyers who had purchased homes with adjustable-rate mortgages (ARMs), were suddenly "underwater" as rates shot up. By the end of 2007, there were more than 38,000 foreclosures in Minnesota, a trend echoing across the nation. As the Great Recession roiled the U.S. economy, Minnesota suffered tens of thousands of foreclosures. As the market heated up in 2014, housing inventory increased and buyers swooped in, taking advantage of historically low interest rates. As demand rose, supply was not keeping pace. In 2020, the pandemic hyper accelerated the market with bidding wars and skyrocketing prices.

Developers scrambled to build new homes, but were saddled with rising material and property costs, supply-chain issues, labor shortages, and rigid zoning laws that prevented them from building a denser mix of more affordable housing types. Add on stringent aesthetic mandates, fees, and lengthy timelines for approval of developments, the pace of building slows and new home prices keep soaring.

Today, despite desperate need, Minnesota's zoning laws remain much as they were when the Charleston was a hot dance, Model T Fords ruled the roads, and the state's population was just over two million. While towns and cities become further entrenched on home rule and their ability to control every aspect of housing in their communities, hundreds of thousands of people—especially those with lower incomes—find the land of Minnesota Nice increasingly inhospitable. Inevitably, if the state is to grow and prosper, parties from all sides of the issue must be willing to come to the table, do the hard work, and bang out a compromise. Potential solutions already exist.

Tear down this parking lot

Layered into the strictures imposed by zoning, another barrier lurks right beneath our feet—parking space. After World War II, expanding cities and suburbs were designed around the automobile. Most communities mandated a minimum number of parking spaces for commercial, residential, and public facilities. That's why shopping centers and residential complexes are dwarfed by the seas of asphalt surrounding them. As land becomes more scarce and costly, vast acres lie fallow, dead, and underutilized. Apart from adding to construction costs, large parking lots limit the number of apartment units or homes in each development. Additionally, impervious surfaces increase the chances of flooding, and raise local temperatures through the heat-island effect. Coupled with other zoning restrictions that create large distances between residential, commercial, and business districts, car trips increase, highways clog, and pollution increases.

According to Seth Goodman, author of *Reinventing Parking*, parking minimums impose huge costs on commuters, averaging \$225 a month. In Minnesota, some cities are making requirements less burdensome. In Bloomington, the minimum has been reduced to one stall in a garage in a single-family home, and one space on a driveway. St. Paul has abolished all parking mandates.

Building homes and creating wealth for future generations

Minnesotans are faced with a clear choice. Maintain the status quo where restrictive and exclusionary zoning ordinances at the local level put up barriers to building more housing and more types of housing to meet demand. Or, they can reimagine a landscape where more "local control" is given directly to the property owner and the inventory of homes grows and provides options for aspiring first-generation homebuyers scraping together a downpayment for a starter home and growing families that need more or different space, and everyone in between that are challenged by the lack of adequate housing supply and the rising cost of homeownership. Homeownership is much more than the roofs over our heads. It is safety, security, community, and the foundation of personal and multigenerational wealth. When more Minnesotans own homes, the prosperity and quality of life in our state improves for all.

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