

Allowing More Residential Options Would Promote Housing Abundance in Minnesota

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Public hearing on HF 2140, Mixed-use housing zones creation required

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Chair Igo and members of the Housing Finance and Policy Committee, thank you for allowing me to offer informational testimony on HF 2140, which would require the creation of mixed-use housing zones in certain municipalities. I am Charles Gardner, a research fellow at the Mercatus Center at George Mason University. I study housing policy and affordability across the country, and, as part of my research, I have recommended reforms to local land use regulations similar to those proposed in this bill as crucial to reducing housing costs.¹

Local restrictions on individuals' rights to build housing significantly contribute to high housing costs and residential segregation in Minnesota and across the United States.² Restoring property owners' flexibility to build housing in different configurations and at higher densities—as the City of Minneapolis has already done³—is an essential step toward bringing rents and prices under control. It is also one that many states have already enacted, including Arizona, Maryland, Montana, Vermont, and Washington.⁴

¹ See Salim Furth, Emily Hamilton, and Charles Gardner, "Housing Reform in the States: A Menu of Options for 2025," (Mercatus Center at George Mason University, August 14, 2024).

² For examples of how common restrictions such as minimum lot sizes, minimum frontages, and minimum parking requirements drive up housing costs, see, e.g., Salim Furth and MaryJo Webster, "Single Family Zoning and Race: Evidence from the Twin Cities," (Mercatus Center at George Mason University, October 11, 2022) and Lewis Lehe, "How Minimum Parking Requirements Make Housing More Expensive," *Journal of Transport and Land Use* 11, no. 1 (2018).

³ Megan Thompson and Melanie Saltzman, "How Minneapolis Became the First to End Single-Family Zoning," PBS (November 23, 2019).

⁴ Eli Kahn and Salim Furth, "Laying Foundations: Momentum Continues for Housing Supply Reforms in 2024," (Mercatus Center at George Mason University, July 22, 2024) and Eli Kahn and Salim Furth, "Breaking Ground: An Examination of Effective State Housing Reforms in 2023," (Mercatus Center at George Mason University, August 1, 2023).

Localities' authority to restrict property owners' flexibility and to limit density purportedly derives from the zoning powers delegated by the state legislature.⁵ Those powers did not and do not include the express power to limit the number of dwelling units per structure or the number of residential structures per lot.⁶ Nevertheless, localities have arrogated these powers and used them to zone land for low-density single-family homes.⁷ State legislators therefore have a role to play in restoring balance by setting limits on local authorities' power to infringe on individual property rights.

Land Use Regulations Limit Property Owners' Rights to Build Housing and Drive Up Housing Costs

Land use regulations, such as those imposed by all or virtually all of Minnesota's jurisdictions, limit property owners' rights to build housing. When increasing demand for housing meets a market where zoning rules constrain housing supply—as in Minnesota localities with rising house prices—the result is that a limited supply of homes becomes more expensive, forcing lower income families to look elsewhere. This result harms the state's most vulnerable residents and undermines Minnesota's position as a center of economic opportunity.

Cities and towns across Minnesota have many rules that limit the quantity and type of homes that can be built, including minimum-lot-size regulations, height limits, and single-family zoning.⁸ Partly due to these rules, many residents across the state are suffering from rising housing costs. Since the beginning of 2020, home prices have risen over 25 percent statewide, with the typical mortgage payment on a median-priced home rising from \$1,600/month in 2020 to \$2,750/month in 2024.⁹

Housing Affordability and Housing Flexibility

The proposed bill would give many property owners across the state the right to build up to three housing units where local zoning rules currently allow only one. The bill would also legalize fourplexes, accessory dwelling units, higher density single-family homes, and structures that contain both residential and commercial uses in more limited areas. Land is a major part of the expense of building new homes, and allowing more homes to be built per acre, whether in the same structure or in multiple structures, is a significant step toward reducing housing costs.

Partly as a result of current zoning restrictions, over 70 percent of the housing units in Minnesota are single-family units.¹⁰ Allowing more and denser housing to be built where currently only single-family

⁵ Minnesota Statutes § 462.357.

⁶ *Id.* The specific authority granted to localities to regulate by form, rather than use, includes the power to “regulate . . . the location, height, width, bulk, type of foundation, number of stories, size of buildings and other structures, the percentage of lot which may be occupied, the size of yards and other open spaces [and] the density and distribution of population” No express power to regulate lot sizes, to regulate the number of units per building, or the number of buildings per lot is included, and would need to be inferred from the power to regulate density of population.

⁷ As an illustrative example, see the zoning code and zoning map of Rochester, Minnesota, which is predominantly zoned “R-1,” a zone described as “intended to maintain and promote areas of low residential density.” See City of Rochester Unified Development Code (UDC), updated November 4, 2024.

⁸ See *id.*

⁹ Dan Netter, “Minnesota Home Sales up 1 Percent in 2024, 12 Percent for Luxury Homes,” *Finance & Commerce* (January 28, 2025).

¹⁰ American Community Survey, 2023 Estimates.

homes are permitted is a market-driven approach to improving affordability.¹¹ This bill would help reduce the cost of newly constructed homes by allowing homebuilders to at least triple the existing density on many lots. Importantly, the bill also provides for a streamlined, administrative approval process for the housing it legalizes and limits localities' ability to stifle housing production through red tape.

The State's Role in Expanding Housing Options for Minnesotans

Zoning and other land use regulations are generally implemented at the local level, but the state—as the source of local zoning power—has an important role to play in setting limits on how much localities may stand in the way of new housing being built.

The benefits of new housing are dispersed. When new housing is built, it benefits the people who will live in it, but it also frees up some less-expensive housing in other areas that residents of the new building are leaving behind. This improves housing affordability for others in the area. Despite these collective benefits, many residents resist the prospect of nearby housing construction and neighborhood change. State action can help reconcile these competing interests in a manner that respects the rights and interests of all state residents.

Ideas like those proposed in this bill would achieve this by setting reasonable limits on local use of zoning power. By transferring some control over what may be built from local governments to individual property owners, the bill would allow the housing market to better respond to rising demand, which would improve affordability without requiring government subsidies. The bill would also put Minnesota in the company of a growing list of states, including Arizona, Maryland, Montana, Vermont, and Washington, that have enacted legislation legalizing more units per lot to address housing shortages.

¹¹ See Charles Gardner and Alex Pemberton, "Tennessee's HPR Law and Its Transformation of Nashville's Housing Market: A Model for Other States," (Mercatus Center at George Mason University, September 24, 2024), showing how duplex zoning has been instrumental in helping urban Nashville increase its housing supply.