



March 6, 2023

Mr. Chair and members of the Committee:

I write today on behalf of the Minnesota Multi Housing Association (MHA) in regard to Representative Elkins HF 2235, the "Legalizing Affordable Housing Act". We want to thank the committee for the conversation on market solutions to some of Minnesota's housing shortages.

We appreciate the author's attempt to take on Not in My Backyard (NIMBY) policies, ordinances, and sentiment. The requirements of many local housing policies effectively zone lower incomes out of their community, to the detriment of the State of Minnesota. We appreciate that the author looks to scale back some of these types of efforts in the proposal, while providing that local control is continued where it makes sense. These market solutions can help Minnesota create more affordable housing opportunities. When developers can reduce the total cost of construction, the subsidy required to reach 30% AMI affordability is reduced and limited funds can reach more projects.

Governor Dayton's Task Force on Housing showed that Minnesotans are value renters. This is important information to consider when we understand the development of missing middle housing – new housing that is not subsidized but also not Class A luxury. Without new development of missing middle housing, middle-income earners will continue to compete for the same, limited affordable opportunities in the housing market.

While we appreciate all the efforts to incentivize housing development, we are concerned with the creation of impact fees. Local housing cost drivers are already hindering development and viability of projects. These fees specifically do not have any cap on the assessed fee and a very broad range of uses. We are concerned that this language would reduce the progress made in the other articles of the proposal.

The housing market is currently facing many headwinds. As presented by Cecil Smith, President and CEO of MHA earlier this year, these include high interest rates, rising property taxes, climbing insurance rates, costs of staffing, and market regulations such as rent control.

Overall, we appreciate the market driven conversation on meeting housing needs. We feel there are a lot of good steps forward towards making housing more affordable and available.

Regards,

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