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To: Minnesota House Housing Finance and Policy Committee

Date: Tuesday, March 11, 2025

Subject: Written Proponent Testimony for H.F. 1987 and H.F. 2013

Chair Igo and members of the Housing Finance and Policy Committee, thank you for the opportunity to provide written comments in support of H.F. 1987 and H.F. 2013. H.F. 1987, also known as the “Minnesota Starter Home Act” would create significant opportunities for new housing development and allow for modest housing density. H.F. 2013 would limit aesthetic requirements by local governments that add significant expense to the cost of building a home. These bills are significant steps toward addressing Minnesota’s housing challenges through modernizing the state’s housing policies by strengthening the housing market, lifting unnecessary roadblocks, and increasing housing options and affordability.

On behalf of Zillow, we would like to express our appreciation to Representatives Igo and Nash for introducing these important bills to address housing availability and affordability. Zillow is committed to reducing barriers to housing by advocating for policies that expand access and address the massive inventory shortage throughout Minnesota.

Unfortunately, Minnesota has experienced a massive shortfall in housing construction over the last decade-plus, since 2008. Escalating housing prices across the country (including in Minnesota) are closely tied to an ongoing inventory shortage, which is a function of both very high demand and insufficient supply to meet that demand.

Zillow's 2021 Home Price Expectations Survey polled housing experts and found that relaxing zoning rules to allow for more-efficient new home construction would be the most effective way to increase supply in a housing market facing historic inventory constraints.¹ A 2024 study, found that among the largest 50 metropolitan areas, the worst housing shortages can be found in markets with the most strict building regulations in the country². Reforming zoning rules to allow for even a modest amount of new density in overwhelmingly single-family dominant zoned communities could lead to millions of new housing units being built nationwide.

Moreover, there is broad public support for measures to create more housing inventory. A 2022 report by our research economists found that 75% of homeowners and renters in the Minneapolis metro area support “modest densification” options, including allowing accessory

¹ <https://www.zillow.com/research/zhpe-zoning-housing-supply-q22021-29600/>

² <https://www.zillow.com/research/affordability-housing-shortage-34153/>

dwelling units, duplexes, and triplexes³. Support was higher among renters (84%). Reforming archaic parking minimums also provide for more housing opportunities

Single-family zoned neighborhoods account for the lion's share of land in metropolitan America. Over the years, these neighborhoods have generally become insulated from denser development by a thickening tangle of regulations. Thankfully, modest and straightforward zoning updates can be achieved without drastically changing neighborhoods.

According to Zillow's research, out of 17 major metropolitan areas studied, the Minneapolis-St. Paul region has the fifth-highest proportion of housing units zoned for single-family use at 74% of the total housing units. Minneapolis-St. Paul also had the lowest number of housing units located in two to 49-unit structures at only 16% of total housing units.⁴

Even by making relatively minor changes to local zoning rules, such as allowing two housing units to be built on only one out of every ten lots zoned for single-family use, the region could add over 115,000 additional new housing units to this total - a 30% improvement over the status quo. Increasing density to allow four housing units to be constructed on the same number of single-family zoned lots could add over 345,000 additional new housing units by 2040 - a 91% improvement.

There is no "silver bullet" to resolving the housing shortage, but it is certain that passage of H.F. 1987 and H.F. 2013 will have a significant, positive impact on housing access and affordability. The legislation before you are straightforward ways to allow for more modest density that will result in real strides forward in creating housing inventory.

Thank you for the opportunity to provide comments on this crucial legislation, and please feel free to reach out to me with any questions.

³ <https://www.zillow.com/research/modest-densification-zhar-30934/>

⁴ <https://www.zillow.com/research/modest-densification-new-homes-25881/>