

Legalizing More Flexibility for New Housing Can Help Revive the Starter Home in Minnesota: HF 3895 Targets Some of the Major Regulatory Contributors to the State's Housing Shortage

CHARLES GARDNER

Senior Research Fellow, Mercatus Center at George Mason University

Minnesota Elections Finance and Government Operations Committee

March 23, 2026

Co-chairs Quam and Freiberg, Vice Chairs Altendorf and Lee, and members of the Elections Finance and Government Operations Committee, thank you for allowing me to offer informational testimony relating to the HF 3895, a bill that would modernize Minnesota's antiquated zoning enabling act to restore certain basic property rights to Minnesotans, promote the revival of the starter home, and limit the regulatory barriers to more and lower-cost homes of all types that are contributing to the state's ongoing housing shortage.

Local restrictions on individuals' rights to build housing significantly contribute to high housing costs in Minnesota and across the United States.¹ Restoring property owners' flexibility to build a greater variety of homes—as the City of Minneapolis has already begun to do²—is an essential step toward bringing rents and prices under control. Dozens of states have already enacted similar policies over the past few years, with 33 states enacting pro-housing reforms in 2025 alone.³ Minnesota was not one of those states.⁴

Minnesota's local governments purportedly derive their authority to restrict property owners' flexibility to subdivide land and to build homes from the zoning powers delegated by the state legislature.⁵ Those powers,

¹ For examples of how common restrictions such as minimum lot size regulations drive up housing costs and how reforms to those regulations can ease price pressures, 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, "The Effects of Minimum-Lot-Size Reform on Houston Land Values" (Mercatus Center at George Mason University, January 9, 2024).

² Megan Thompson and Melanie Saltzman, "How Minneapolis Became the First to End Single-Family Zoning," PBS (November 23, 2019).

³ Eli Kahn and Salim Furth, "Framing Futures: Pro-Housing Legislation Goes Vertical in 2025" (Mercatus Center at George Mason University, July 2025).

⁴ Id. Of the other 49 states, only Alaska, Wyoming, South Dakota, Wisconsin, Illinois, Missouri, Michigan, Oklahoma, New Mexico, Mississippi, Georgia, South Carolina, West Virginia, Pennsylvania, Delaware and New York did not enact at least one pro-supply housing bill from July 2024–June 2025.

⁵ See Minnesota Statutes § 462.357.

however, 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 asserted these powers and used them to zone land for homes at low density even where available infrastructure could support more housing, including more single-family homes.⁷ State legislators therefore have a role in restoring balance by setting limits on local authorities' power to infringe on individual property rights, particularly when those infringements contribute to a statewide housing shortage.

Local Land Use Regulations Are Driving the Starter Home to Extinction

Land use regulations, such as those imposed by all, or virtually all, of Minnesota's jurisdictions, limit property owners' rights to build housing. The entry-level home, or starter home, has been particularly affected by these regulations.⁸ The Annual Housing Market Report recently issued by Minnesota Realtors found that, in 2025, median home prices in Minnesota rose 2.9 percent to an all-time record of \$355,000.⁹ Current listings show that of over 2,000 new construction single-family homes listed for sale across Minnesota, only seven are priced at less than \$300,000.¹⁰ Across the nation, the proportion of first-time buyers declined to 21 percent, the lowest level in at least 45 years, with the median age of first-buyers rising to around 40.¹¹

When increasing demand for housing meets a market where zoning rules constrain housing supply, the result is that a limited supply of homes becomes more expensive, forcing young families to postpone their aspirations of homeownership or endure financial hardship in competition for a scarce supply of rentals.

The Importance of Restoring Housing Flexibility for Choice and Affordability

The proposed bill would implement several commonsense reforms to curb abuses of local land use authority that are harming Minnesota's residents, especially residents hoping to purchase a home of their own within their budget.

First, the proposed bill would eliminate local mandates requiring house lots in undeveloped greenfield areas with adequate infrastructure to be larger than one-eighth of an acre. This reform would address one of the most pernicious contributors to the high cost of building new single-family homes.¹² It would also end the

⁶ 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." Minnesota Statutes § 462.357. No express power to regulate lot sizes, to regulate the number of units per building, or the number of buildings per lot is included.

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 January 5, 2026.

⁸ Tadeo Ruiz Sandoval, "First-time buyers often sidelined in 2025 Minnesota housing market," *MPR News*, February 2, 2026.

⁹ 2025 Minnesota Annual Housing Market Report, January 28, 2026.

¹⁰ See Zillow.com, last accessed March 2, 2026.

¹¹ 2025 Minnesota Annual Housing Market Report, January 28, 2026.

¹² For a sampling of the growing literature on this point, see Eliza Terziev, "Mandating inefficiency: Minimum lot size regulation and housing" *Reason*, December 8, 2025; John Bonura, "Unlocking Affordability: The Impact of Lot Size Regulations on Housing Costs," (Texas Public Policy Foundation, January 2024); Andrew Cline, "Addressing excessive residential lot size regulations," (Josiah Bartlett Center, March 5, 2025) and Charles Gardner, "How Reno's Minimum-Lot-Size Regulations Are Blocking Affordable Homeownership for Nevadans" (Mercatus Center at George Mason University, September 9, 2024). In 2025, both Texas and Maine enacted starter home bills that set limitations on certain localities' ability to mandate large lots. Texas SB 15 (2025) and Maine LD 1829 (2025).

practice of mandating homeowners associations for new residential developments, a practice that is far beyond localities' authorized zoning powers and that artificially limits housing choice for Minnesota residents. These changes, if enacted, will help promote lower-cost single-family homes that are affordable to more Minnesotans.

Second, the bill would restore the right of homeowners to build an accessory dwelling unit (ADU) on their property. To date, 18 states have enacted laws broadly legalizing ADU construction.¹³ In 2025, Minnesota's neighboring state of Iowa passed a strong ADU bill.¹⁴ The right to construct an ADU not only provides a valuable and useful right to Minnesota homeowners, but as experience from other states and cities shows, can also provide an important source of new housing supply.

Third, the bill would legalize residential uses in certain commercial districts, another commonsense reform that has been explored and adopted by several states.¹⁵ These laws can open up underutilized but centrally located land for residential development.¹⁶ Other positive ideas in the bill include administrative streamlining for multifamily permitting, the promotion of mixed housing districts, and a menu of additional pro-housing policies from which localities may choose.

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, which remains the source of local zoning power, has an important role in setting limits on how much localities may stand in the way of new housing construction.

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 less-expensive housing in other areas that residents of the new building are leaving behind. This dynamic 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.

Reforms such as those proposed in this bill would achieve these benefits 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 rapidly growing list of states that have enacted legislation promoting more flexibility in land use to control housing costs, increase housing options, and revive the starter home.

¹³ See Emily Hamilton and Kol Peterson, "A Taxonomy of State Accessory Dwelling Unit Laws 2025" (Mercatus Center at George Mason University, August 2025).

¹⁴ General Assembly of the State of Iowa, Senate File 592 (2025).

¹⁵ See Eli Kahn and Salim Furth, "Framing Futures: Pro-Housing Legislation Goes Vertical in 2025" (Mercatus Center at George Mason University, July 2025), 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).

¹⁶ By Salim Furth and Eli Kahn, "Office Overhauls and 'God's Backyard': Reforms for Housing in Commercial Zones and Faith Land" (Mercatus Center at George Mason University, May 1, 2024).



March 20, 2026

Re: Starter Home Act HF 3895

To: Members of the Elections Finance and Government Operations Committee

Dear Co-Chair Quam, Co-Chair Freiberg and Members of the Committee,

Twin Cities Habitat for Humanity is glad to support HF 3895 and encourages the committee to consider its passage. Our organization supports the production and preservation of affordable homeownership opportunities across the 7-county metro area. We know that safe, decent, affordable housing is foundational for families and communities to thrive, but our state's current housing stock cannot meet the needs of Minnesotans.

Across our state and the metro area, the shortage of homes drives up prices and prevents working class families from accessing homeownership. There are many tools needed to address this, and this bill provides valuable solutions and standards needed in this environment. By addressing density, zoning, streamlining the process of approval, and removing barriers to development, this bill can help drive down costs, increase housing supply, and expand choices so we can better meet the needs of our neighbors and residents.

As a housing developer dedicated to unlocking homeownership for more families and preserving affordability for current homeowners, we look forward to the improvements this bill can provide. And, as a developer who works in close partnership with local municipalities to advance our work, we appreciate the consideration given to ensuring cities can still work within tailored criteria to meet their specific housing needs. We know a healthy housing stock is one with a diverse array of options for everyone within a community, whether that's a family looking for their first home, current homeowners looking to downsize, or seniors trying to ensure they can stay and live in their communities comfortably.

By passing the Starter Home Act, we can work towards a reality where all Minnesotans have a place to live and thrive with more housing choices. I appreciate your consideration of this issue. Thank you for your leadership and service to our state, and we look forward to working with you to pass this important legislation.

Sincerely,

Eva Goldfarb

Government Affairs Coordinator, Twin Cities Habitat for Humanity



March 23, 2026

Re: HF 3895 – Minnesota Starter Home Act

Chair Igo, Chair Howard and Members of the House Housing Finance and Policy Committee:

On behalf of our 842 member cities, the League of Minnesota Cities appreciates the opportunity to provide comments on HF 3895, the Minnesota Starter Home Act. The DE1 Delete Everything Amendment reflects more than two years of debate and negotiations between the League, bill authors, and other stakeholders.

To be clear, the League of Minnesota Cities opposes legislation that directly preempts city authority. While we cannot support those aspects of the bill, the League recognizes that the authors have addressed our implementation concerns by removing or modifying some of the most problematic provisions. The current language is the result of a robust good-faith policy making process and we believe the bill as written can be implemented.

As the legislature considers this legislation, the League will continue to be available to provide feedback and input, but we are not actively seeking votes in support of or in opposition to the bill.

Sincerely,

A handwritten signature in black ink that reads 'Daniel Lightfoot'.

Daniel Lightfoot
Senior Intergovernmental Relations Representative
League of Minnesota Cities

A handwritten signature in black ink that reads 'Craig A. Johnson'.

Craig Johnson
Senior Intergovernmental Relations Representative
League of Minnesota Cities

March 20, 2026

Chair Quam, Chair Freiberg and Members of the House Elections Finance and Government Operations Committee:

I appreciate the opportunity to provide written testimony on Rep. Igo's HF 3895, the "Minnesota Starter Homes Act."

Founded in 1919, Minnesota Realtors (MNR) is a business trade association with over 21,500 members statewide who work with buyers and sellers across all property types and price ranges.

MNR believes strongly in the importance of homeownership and increasing opportunities for more Minnesotans to own a home and our 2026 Session Agenda includes, "*Support for actions that will improve housing affordability, placing emphasis on those that receive broad bipartisan support, promote increased housing supply, and provide flexibility for local units of government.*"

Lack of adequate housing supply drives up prices and puts homeownership out of reach, particularly for first-time and first-generation homebuyers. MNR shares the goal of trying to remove barriers to building more market-rate housing to meet current and future demand.

We also believe the best chance for enacting and implementing meaningful housing policy legislation that addresses supply and affordability is through consensus. We appreciate the work of all the bill authors, advocates, and local government representatives that led to the bill before the committee today.

A menu or toolbox of options approach resonated with our members because it could increase supply while also providing cities with more flexibility in implementation.

HF 3895 includes a version of a menu or toolbox approach. We think there would be merit in trying to develop stronger consensus on that type of approach.

We welcome the opportunity to continue working with the bill authors and other stakeholders as this legislation moves forward.

Sincerely,



Paul Eger
Senior Vice President, Governmental Affairs
Minnesota Realtors®



Zillow Proponent Testimony House File 3895
Elections, Finance and Government Operations Committee
March 23, 2026
Beth Wanless,
Senior Manager, Government Relations

Co-Chair Quam, Co-Chair Freiberg, and Members of the Committee, thank you for the opportunity to submit written testimony in support of House File 3895, the “Starter Homes Act,” on behalf of Zillow, a leading online real estate marketplace serving Minnesota households, housing providers, and home seekers.

Zillow’s mission is to empower consumers with information and tools to find a home that fits their needs and budget, and we see every day the impact of Minnesota’s shortage of starter homes and modest multifamily options near jobs, schools, and transit. Zoning constraints, excessively large minimum lot sizes, and complex reviews have held back production of this “missing middle” housing, even as demand for homeownership and rental opportunities remains strong. In a 2024 survey of 26 large metro regions, Zillow found that 78% of homeowners supported at least one type of middle housing option; support was even higher (91%) among renters¹. The general narrative that residents do not want housing is simply not true.

HF 3895 takes practical steps to address these barriers while respecting and maintaining reasonable local authority. The legislation makes much needed reforms to allow for more housing types—duplexes, triplexes, townhomes, and small multifamily—in high-opportunity areas; limits minimum lot sizes, and allows for accessory dwelling units which are quickly becoming an excellent housing option for many home seekers across the nation. The bill also requires municipalities to use predictable, timely administrative review for permitted mixed housing and multifamily projects, giving builders and homeowners greater certainty and helping keep homes more attainable.

HF 3895 establishes a clear statewide framework while offering cities a flexible menu of implementation options and requiring transparent reporting. We believe these are sensible reforms that will allow more housing options for Minnesota households, especially modest


¹ <https://www.zillow.com/research/modest-densification-zhar-30934/>

income earners. Thank you for the opportunity to submit comments in support of the bill and we respectfully urge the committee to support HF 3895.



Memorandum

To: Members of the House Elections and Government Operations Committee

From: Daniel R. Buchholtz, MMC, Administrator, Clerk/Treasurer 

Date: March 20, 2026

Subject: Opposition to HF 3895 (Igo)

Thank you for the opportunity to provide testimony on House File 3895.

From the perspective of local government administration, HF 3895 represents a significant preemption of local land use authority. While increasing housing supply is an important goal, this bill imposes a one-size-fits-all mandate that overrides local planning, reduces public accountability, and creates real implementation challenges for cities.

HF 3895 removes local decision-making.

The bill mandates where and how cities must allow certain housing types—requiring mixed housing across substantial portions of single-family districts and mandating multifamily development in commercial areas. These are not incremental changes; they fundamentally shift who decides how communities grow.

Local officials are directly accountable to residents for these decisions. This bill removes that accountability.

HF 3895 eliminates meaningful public process.

By requiring administrative approval for many developments, the bill removes Planning Commission and City Council review. That means fewer public hearings, less transparency, and reduced opportunity for residents to have a voice in decisions that directly affect their neighborhoods.

HF 3895 disconnects development from infrastructure realities.

Cities are responsible for ensuring that roads, utilities, stormwater systems, and public safety services can support development. This bill limits the ability to phase or guide growth based on infrastructure capacity, while leaving cities responsible for the cost and consequences.

HF 3895 conflicts with established planning law.

Under the Municipal Planning Act (Minn. Stat. Chapter 462), cities are required to adopt and implement comprehensive plans that guide land use and growth. In the Twin Cities metropolitan area, those plans must also be reviewed and approved by the Metropolitan Council.

HF 3895 appears to authorize—or require—development that may not align with those locally adopted and regionally approved plans.

What happens when this bill conflicts with a comprehensive plan approved under state law and by the Metropolitan Council? That question is not addressed—and it should be.

HF 3895 does not ensure affordability.

Expanding zoning capacity does not guarantee lower housing costs. Cities have seen that reducing lot sizes or increasing flexibility often results in the same market-driven outcome: the largest home the market will support on a smaller lot, with little or no impact on affordability. There is nothing that requires builders to provide affordable housing in this bill.

HF 3895 is not a modest reform. It is a broad preemption of local authority that creates conflict with existing law, reduces public accountability, and introduces uncertainty into planning and infrastructure coordination.

Cities are not the obstacle to housing—we are responsible for making it work. This bill removes the tools necessary to do that effectively.

For these reasons, I respectfully urge you to oppose HF 3895.



AEI Housing Center

House Elections and Government Operations Committee

Monday, March 23, 2026

Statement in Support of the Minnesota Starter Home Act

Tobias J. Peter

Co-Director, AEI Housing Center

Senior Fellow, American Enterprise Institute (AEI)

Co-Chairs Quam and Freiberg, and Members of the Committee,

My name is Tobias Peter. I'm the co-director of the AEI Housing Center, a nonpartisan, nonprofit public policy organization. I previously lived for several years in both St. Cloud and Duluth and I write to express my support for the Minnesota Starter Home Act.

Based on the AEI Housing Center's research, I encourage you to support this legislation because Minnesota is not building enough homes to meet demand. Targeted reforms like these, implemented largely by right, can enable roughly 11,000 homes per year—lowering price pressures and strengthening the state's economy.

Minnesota's housing shortage is real, measurable, and increasingly harmful to families and employers across the state. More than half of Minnesota households can no longer afford the median-priced existing home, and roughly three-quarters cannot afford a new one.¹ The underlying cause is straightforward: the state has not built enough homes to keep up with demand.

This legislation addresses that shortage in practical, targeted ways.

First, the bill limits minimum lot sizes in new subdivisions and allows more housing options on many existing lots, making it possible to build smaller, more affordable starter homes. When smaller lots are allowed, builders produce more homes at 15-20% lower price points—without subsidies.²

Second, the bill allows homes near jobs and shopping. Minnesota has vast amounts of underused commercial land. Allowing housing in commercial areas helps workers live closer to their jobs and takes better advantage of existing infrastructure. 15 states have enacted a version of this policy.³

¹ See: <https://www.housingaffordabilityinstitute.org/minnesotas-homeownership-challenge/>

² See: https://heat.aeihousingcenter.org/toolkit/housing_playbook

³ See for example: <https://www.pew.org/en/research-and-analysis/articles/2025/09/15/state-legislatures-make-bipartisan-breakthroughs-on-policies-that-promote-housing>

Third, the bill also reduces unnecessary design mandates and procedural barriers that add cost without improving safety.

These are practical, bipartisan ideas, that expand access, respect property rights, reduce sprawl, and support employers.⁴

One point is especially important: to meaningfully increase supply, reforms should be clear, by-right, and apply citywide, leaving little room for workarounds. At the same time, the state shouldn't micromanage outcomes—the market will build more starter homes.

Based on our research, I respectfully encourage you to support this legislation.

Note that individualized, local-specific editions of *Strong Foundations: A Playbook for Housing and Economic Growth*, a collaboration between AEI and the U.S. Chamber of Commerce are available for more than 40 jurisdictions across Minnesota. These reports provide tailored data and policy recommendations for each community. They can be accessed at: <https://www.aei.org/strong-foundations-a-playbook-for-housing-and-economic-growth/>

Sincerely,

Tobias Peter

Senior Fellow | American Enterprise Institute

Co-Director | AEI Housing Center

Tobias.Peter@aei.org

Office: 202-419-5201

www.AEI.org/housing

⁴ See for example: <https://www.pew.org/-/media/assets/2025/09/principles-for-enhancing-housing-availability-and-affordability.pdf>

We are,



The Yes to Homes Coalition is a group of leaders and organizations from across Minnesota, including housing advocates, community organizers, home builders and housing industry groups, businesses, labor groups, environmental groups, faith-based groups, and transportation advocates.

We come together, unified across different perspectives, to ask you to pass the Starter Homes Act (HF 3895/SF4123).

