

February 2024

Revitalizing Minnesota

A Call for Statewide Land-Use and Zoning Reforms to Address
Housing Affordability and Equity





Increasing Minnesota’s housing supply and diversifying the housing stock is imperative to expanding housing access and opportunity in Minnesota. To support the construction of more homes, Minnesota must 1) make significant and sustained financial investments through direct appropriations and tax policies and 2) enable, incentivize, expedite, and increase the production of more homes, especially affordable homes, by enacting and enforcing statewide modernized land-use and zoning laws.

Between August and October of 2023, Minnesota Housing Partnership (MHP) and Habitat for Humanity of Minnesota (Habitat MN) convened a diverse group of stakeholders (the “workgroup”) to inform the policy recommendations outlined in this report. In our assessment, MHP and Habitat MN have concluded that 1) Minnesota’s land-use and zoning policies are dated and contribute to today’s housing disparities; 2) allowing for more homes to be built is essential to thriving lives and communities; and 3) land-use and zoning reform must intentionally enable, incentivize, and expedite the creation of more missing middle and affordable homes.

Now is the moment for the Minnesota legislature to adopt and enforce modernized statewide land-use and zoning laws. In 2023, the Minnesota legislature invested unprecedented funding in affordable and workforce housing. These investments can be maximized by eliminating restrictive growth policies and allowing more diverse housing options.

This report will briefly describe the current landscape, the problem, and the benefits of reform. Several existing resources with more detailed explanations can be accessed for further reading.



Purpose, Goals, and Scope

MHP and Habitat MN set out to identify policy solutions to maximize investments in affordable housing. It is clear that more can be done to enable, incentivize, and expedite the creation of new homes by addressing outdated and exclusive land-use and zoning policies that abound throughout the state. MHP and Habitat MN have determined current discussions about legalizing “middle housing” wrongly omit the opportunity and obligation to reform land-use and zoning policies to spur the creation of more deeply affordable housing and ownership opportunities for families of all incomes. Members of the workgroup have committed to ensuring that proposed solutions reduce racial disparities in housing. The group also endeavored to position solutions as part of Minnesota’s climate resilience strategy. The resulting recommendations are intended to catalyze the creation of affordable housing by eliminating restrictive growth policies and enacting solutions that support the creation of more diverse affordable housing options and opportunities.

To this end, the workgroup recommends allowing more homes on lots currently zoned for single-family, allow multifamily by-right in more areas, enact processes that balance the need for future growth and current residents, and incentivize affordable homes as part of allowing more flexibility and creativity in land use.

The Landscape

Many policies and practices, currently permitted by state and federal policies, constrict the supply of new homes.¹ Zoning and land-use policies make building more expensive, challenging, and time-consuming. Processes enacted that favor these restrictive growth practices support Not In My Backyard (NIMBY) advocates and often result in projects being delayed or significantly modified to the detriment of a project's underlying goals or, at times, even halting development.

Moreover, many of today's restrictive growth policies are rooted in racist policies established, enacted, and enforced to exclude Black, Indigenous, and people of color (BIPOC) residents.² Restrictive growth policies were often crafted to segregate communities by race. Today, these policies continue to perpetuate segregated communities and limit economic and social opportunity and access.³ Eliminating restrictive growth policies and enacting inclusive housing policies is a critical step toward becoming a more equitable state.

Restrictive growth practices are often upheld on the often-false presumption that more density has a negative environmental impact. In truth, increasing density has been shown to reduce energy consumption and carbon emissions per capita by decreasing vehicle miles traveled while also reducing urban sprawl and in-home energy consumption and increasing the total amount of undeveloped land.⁴ Regrettably, NIMBY advocates often use environmental review processes to delay and add costs to projects rather than embrace the climate benefits that come from a denser urban fabric.

At the local level, a few cities have eliminated some anti-growth ordinances. These examples point to the need for uniform, statewide laws. Several state legislatures have recently adopted modern land-use and zoning laws. These states range in their political leanings. Politicians from diverse backgrounds have come together to stop blatant exclusionary housing policies by enacting state-level laws. The Biden administration has tried carrot-and-stick approaches to incentivize local communities to reform their land-use and zoning policies. Soft incentives do not result in a significant change in overall land-use and zoning ordinances. We have seen that state laws that combine mandates, tempting incentives, and enforcement mechanisms can successfully spur the creation of more homes for more people.

As local governments uphold these exclusive policies, too many Minnesotans suffer from a lack of affordable homes, with rents consuming more than a third of their income, and exclusion from opportunities associated with a place. At the perceived benefit of a minority of high-income homeowners, low-income and middle-class households are denied the opportunity to live affordably in the communities where they work and want to raise families.

¹ "What are Zoning and Land-Use Regulations and How Do They Affect Housing Supply?," Bipartisan Policy Center

² <https://www.whitehouse.gov/cea/written-materials/2021/06/17/exclusionary-zoning-its-effect-on-racial-discrimination-in-the-housing-market/>

³ <https://www.startribune.com/how-twin-cities-housing-rules-keep-the-metro-segregated/600081529/>

⁴ McDonald, R. I., Aronson, M. F. J., Beatley, T., Beller, E., Bazo, M., Grossinger, R., Jessup, K., Mansur, A. V., Puppim de Oliveira, J. A., Panlasigui, S., Burg, J., Pevzner, N., Shanahan, D., Stoneburner, L., Rudd, A., & Spotswood, E. (2023). "Denser and greener cities: Green interventions to achieve both urban density and nature," *People and Nature*, 5, 84–102. <https://doi.org/10.1002/pan3.10423>

The Problem

Housing affordability is lower than ever,⁵ as more than 640,000 Minnesotans pay more than 30 percent of their income on housing—and when families are housing cost-burdened, it increases their chances of being evicted, living in substandard conditions, and experiencing homelessness. Restrictive growth policies also push development further and further, and the resulting sprawl means inefficient use of our land and dependency on cars that increases emissions and further strains Minnesotans' budgets.

Workers in the state's most in-demand jobs cannot afford a median-priced apartment and are priced out of owning their own home. Homeownership rates among BIPOC households are worse today than in the 1950s,⁶ and communities remain racially and economically segregated.⁷ In addition to contributing to the homelessness crisis and wealth disparities, Minnesota's affordable housing shortage curtails growth and limits economic opportunities for all.⁸ It contributes to education, health, and individual economic disparities. Studies show rents are unnecessarily high as a consequence of exclusionary housing practices, and housing prices are inflated because there is more demand than supply.⁹

There are simply not enough homes—especially for Minnesota's lowest-income households. According to the National Low Income Housing Coalition, Minnesota needs more than 100,000 more affordable rental units to meet the needs of extremely low-income renters¹⁰, who are primarily elderly, disabled or single caregivers.¹¹

The Benefits of Statewide Reform

Today, local units of government control land use and zoning. Across Minnesota, legacy land-use and zoning practices and policies have locked in racial segregation and perpetuated environmentally unsustainable land-use patterns. Cities and other local units of government today are continuing to utilize “tools” that were crafted with the explicit purpose of keeping some people out. Minnesota has an opportunity to modernize our approach to land use and zoning in every corner of our state, to improve outdated policies that once were intentionally used to segregate communities and are proven to perpetuate segregation.

Feedback from Greater Minnesota developers supported the need for all regions of the state to have modern and uniform land-use and zoning laws, without exemptions or carve outs for certain geographies or size of community. The group did raise concerns that certain communities are better equipped to provide the infrastructure that would allow for more density. This is a solvable concern addressed later in the report.

The following recommendations address both middle or neighborhood-scale housing¹² and housing in traditionally multi-family or commercial districts. Setting a statewide floor for base zoning and land-use requirements will help builders and communities provide a range of housing types needed to sustain flourishing communities, while removing regulations that have historically restricted housing.

⁵ <https://www.minneapolisfed.org/article/2023/waning-housing-affordability-imperils-economic-growth-in-minnesota>

⁶ <https://www.minneapolisfed.org/article/2021/systemic-racism-haunts-homeownership-rates-in-minnesota>

⁷ <https://www.mercatus.org/research/policy-briefs/new-research-shows-how-zoning-slows-racial-integration>

⁸ <https://www.minneapolisfed.org/article/2023/waning-housing-affordability-imperils-economic-growth-in-minnesota>

⁹ <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/04/17/more-flexible-zoning-helps-contain-rising-rents>

¹⁰ “Extremely Low Income” (ELI) is defined as 30 percent of area median income.

¹¹ <https://nlihc.org/housing-needs-by-state/minnesota>

¹² “Middle housing” refers to buildings that are compatible in scale, form, and character with single-family houses and contain two or more attached, stacked, or clustered homes including duplexes, triplexes, fourplexes, fiveplexes, sixplexes, townhouses, stacked flats, courtyard apartments, and cottage housing.



THREE RECOMMENDATIONS

1. Enable and incentivize diverse housing types and densities across neighborhoods.

Minnesota communities have instituted a range of restrictive zoning practices for decades, such as single-family-only districts, large minimum lot sizes, and limits on housing types. While these regulations have a range of goals, the impact of those practices has been to drive up the cost of housing and create racially and economically exclusive neighborhoods. A century ago, smaller homes on smaller lots, row houses, and duplexes were standard construction, and this aging housing stock now forms a highly desirable entry-level housing, both to rent and to own. Without implementing critical reforms to our zoning code, Minnesota will not have sufficient moderately-priced housing options for generations.

The following recommendations form a set of tools—some of which have already been implemented on the local level in Minnesota and others that have recently been adopted in other states—that will serve the dual purpose of removing historically discriminatory practices and enabling more moderately-priced housing (both homeownership and rental units) by allowing for housing types that are smaller and less costly to build.

Expand zoning of housing across Minnesota to allow for the construction of middle housing, including:

- Allow the development of up to six units on a single lot *and*
- Allow the development of up to eight units when the building is (1) within half a mile of a major transit stop or (2) when at least two of the units include affordability protections.¹³

Multiple states have demonstrated that this approach can work, with Montana, Maine, California, Oregon, and Washington already eliminating single-family zoning statewide. Massachusetts modeled a statewide zoning change that allows for more units, specifically when located close to a transit stop,¹⁴ with the recent passage of Section 3A.¹⁵ This approach, which our recommendation echoes with an increase to 6 units, enables slightly greater density in the locations where it is most accessible to transit and jobs.

Older neighborhoods already demonstrate how smaller multi-family buildings of two to six units can blend seamlessly into lower-density neighborhoods alongside single-family homes. By eliminating single-family-only districts, Minnesotans could once again pursue this housing type, which allows for moderate rental units in neighborhoods or the opportunity for homeowners to rent out additional units in their homes as a source of income. Similar changes have already been made in multiple municipalities in Minnesota.

¹³ Affordability protections to be defined by legislation, with a recommendation that for rental units, the development has either (a) at least 20% of units set aside for households whose income does not exceed 50% AMI or (b) at least 40% of units set aside for households whose income does not exceed 60% AMI. For homeownership: Home must be sold to an income-eligible homeowner, aligned with Minnesota Housing's first mortgage maximum income (115% AMI).

¹⁴ "Major transit stop" means: (a) commuter rail stops; (b) stops on rail or fixed guideway systems; or (c) stops on bus rapid transit routes.

¹⁵ <https://www.mass.gov/info-details/multi-family-zoning-requirement-for-mbta-communities>

Allow for larger lots to be subdivided to accommodate multiple single-family homes.

- Enable the subdivision as of right.
- Expedite the process for approving applications to subdivide lots.

In some cases, existing large lot sizes may be more appropriately divided to create multiple detached homes. Minnesota's current median lot size is 13,068 square feet, or nearly 1/3 of an acre, with many lot sizes considerably larger.¹⁶ Single-family homes can easily be built on 1/8 of an acre or less, and lot sizes are shrinking across the country based on consumer preferences. Restrictions that interfere with the desire for smaller lot sizes and homes impose unnecessary constraints on the housing stock and can drive up the price of a modest family home.

Allow attached and detached accessory dwelling units (ADUs), either constructed or converted, as of right in all predominantly residential zoning districts.

- Restrict cities and counties from imposing additional restrictions (such as height, square footage minimums, and maximums, etc.).

Accessory Dwelling Units (ADUs)¹⁷—second homes with their own entrance on the property of a larger, primary home—can be a powerful tool in expanding the range of housing types in a neighborhood. They can also provide an option for multigenerational living, which is becoming more critical as the population of Minnesota ages and diversifies. Many cities currently restrict or prohibit the construction of ADUs, either explicitly or by imposing additional restrictions (such as height, square footage minimums and maximums, etc.) which have the cumulative effect of prohibiting ADUs. ADUs can count towards the overall unit count maximum on lots, as described above, but without rebuilding the primary structure. California, Vermont, and Washington have laws that allow for ADUs to be built across jurisdictions, with additional protections in place that prohibit the sort of restrictions (such as height and square footage maximums) that, in effect, make ADUs impossible to build.

Enact the administrative design review process for proposed buildings of six or fewer units and/or the subdivision of lots when the proposal is aligned with the comprehensive plan and all other zoning requirements.

Administrative design review¹⁸ allows for a staff-level review of neighborhood-scale or middle housing proposals without the cost, expanded timeline, or inconvenience of a full public review process. Public reviews can provide a critical tool in high-impact development, but when imposed on neighborhood projects of 6 units or less, they constitute an unnecessary burden that will limit the ability of ordinary citizens to build middle housing types on their property. Additionally, the extended timelines required for a public review process add costs to the project, which work against the goal of enabling moderately priced housing. Administrative review processes have been implemented successfully in other states while still ensuring local governments' staff have adequate time to review proposals for compliance.

¹⁶ <https://www.visualcapitalist.com/cp/the-median-lot-size-in-every-american-state-2022/>

¹⁷ "Accessory dwelling unit" is defined as an attached or detached residential dwelling unit that provides complete independent living facilities for one or more persons and is located on a lot with a proposed or existing primary residence. It includes permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel as the primary single-family or multi-family dwelling.

¹⁸ "Administrative design review" means a development permit process whereby an application is reviewed, approved, or denied by the planning director or the planning director's designee based solely on objective design and development standards without a public predecisional hearing, unless such review is otherwise required by state or federal law, or the structure is a designated landmark or historic district established under a local preservation ordinance. A city may utilize public meetings, hearings, or voluntary review boards to consider, recommend, or approve requests for variances from locally established design review standards.

Additional considerations

This proposal encourages but does not require cities to change their underlying zoning, which can allow for a more comprehensive approach. Minnesota should consider supporting these changes with technical assistance grants to local government. Still, to expedite implementation, this “middle housing” will be treated as an as-of-right non-conforming use and can go into effect without requiring each city, township, or county to undertake a full update to its zoning code. Local governments may also want to explore incentives through small grants or tax incentives, which can encourage middle housing construction—particularly housing with affordability protections.

None of these recommendations are intended to interfere with Minnesota cities and counties’ ability to control the siting and design of housing permitted, provided that the regulations do not, individually or cumulatively, discourage the development of housing types permitted in the area through unreasonable costs or delay. Cities and counties may also identify further steps to enable missing housing appropriate for their community. These proposals constitute a “floor” for regulating neighborhood-scale housing. Together, these approaches would modernize Minnesota zoning while learning from the building forms, home styles, and models that helped build Minnesota decades ago.

Race equity considerations are particularly important to these recommendations. Removing racially exclusionary zoning practices will mitigate racially disparate outcomes in transportation cost burden as well as increasing opportunities for homeownership. We note that there is a possibility for increased development potential of land to incentivize conversion of smaller, older homes into multi-family developments. **One way to mitigate this pressure would be to reduce the tax burden on owner-occupied or affordable multi-family units, either through homesteading or 4d tax status expansions. Alternatively, local municipalities could be given the option to levy a one-time fee on new construction that would take advantage of increased density by assessing a fee of a percentage of the new value created by the extra density.** For example, if land value is \$75,000 when single-family homes are allowed, and increases to \$125,000 when fourplexes are allowed, the city could choose to assess a fee on the increased \$50,000 value, provided that fee goes towards an affordable housing trust fund. This fund could then support anti-displacement and affordable housing strategies.

Finally, the workgroup acknowledges that removing regulation, while a necessary step, may not be sufficient to produce additional housing and will almost certainly be insufficient to produce housing affordable to low-income households. Ongoing and targeted public investment at the state and local levels will be critical to maximizing the benefits of these proposed changes.

2. Expedite and increase production and affordability of housing through land-use reforms.

Minnesota’s increasing housing shortage, wherein housing construction cannot keep pace with demand and prices continue to rise, is detrimental. The workgroup proposes the following recommendations as tools to make it faster, simpler, and less expensive to provide housing for all income levels, particularly moderate- and low-income housing. We propose a series of changes to reduce unnecessary, burdensome, or costly requirements on all housing construction.

Allow for multi-family housing as an as-of-right conditional use in all commercial zoning districts.

The desire for walkable communities and integrated living suggests that firmly segregating residential and commercial uses is no longer desirable or helpful in Minnesota. By enabling multi-family housing as of right in commercial districts, we can expand our options for new housing and allow Minnesotans to live closer to workplaces and city centers.¹⁹

¹⁹This proposal does not include enabling as-of-right multi-family developments in industrial or agricultural zoning districts, where unique considerations may apply.

Simplify off-street parking requirements to require no more than one parking space per dwelling unit.

For both the neighborhood-scale housing described in the first recommendation and larger multi-family housings, off-street parking requirements are a significant and unnecessary driver of costs. Depending on local market needs, builders and developers may choose to provide parking above the one-spot threshold. However, imposing higher parking restrictions only serves to increase the total cost of development. In fact, many municipalities seek to scale back parking requirements and regularly waive parking restrictions through variances on currently proposed projects. This recommendation would standardize a lower threshold for parking requirements for all housing types and allow the market to help determine if there is additional parking need.

Reduce aesthetic, material, shape, bulk, size, floor area, and other massing requirements for housing developments that go beyond statewide building code requirements.

Aesthetic building mandates can increase project costs significantly. As a result, Minnesotans who prefer or need to live in a more modest development may find their rent levels increasing. At times, requirements for affordable housing developments may be even higher than for market rate housing. While communities may have certain districts with unique requirements, such as historic districts, blanket requirements driven by tastes and preferences can impose costs that unintentionally price out families. The workgroup considers it important to cast a critical eye on those requirements. Other states, such as Montana,²⁰ have taken the approach of requiring jurisdictions to adopt a set number of affordable housing strategies. This effectively limits the number of additional requirements local governments can impose while enabling flexibility with local preferences.

Allow for flexible unit design and configuration by eliminating restrictions on the size or configuration of units.

As individual preferences and community needs change, it is critical that builders be able to develop housing that fits the market. Restrictions on housing types, such as single-room occupancy (SRO) or co-housing arrangements, make it so that developers cannot adjust as the market moves. Minimum unit sizes also impose an unnecessary restriction on consumer preferences. Whether by preference or economic need, when someone is looking for a smaller and more affordable unit, these restrictions artificially inflate the cost of housing by practically increasing the size of housing.

Additional considerations

These recommendations are designed to facilitate expanded housing construction, which is critical to addressing the shortage of homes in Minnesota and enabling more even development. At the same time, because these changes are executed through zoning, they are not necessarily targeted—i.e., they do not ensure housing is developed where low-income households or communities that have suffered from racially discriminatory practices most want to live. They also do not guarantee the savings from building smaller and more densely are passed on in the form of affordable rents and prices.

There are several recommendations in the next section to address these concerns and that specifically target affordability goals. Some of these recommendations may be most optimally implemented alongside affordability protections.

²⁰In Montana SB 382, the state identified a range of changes which would help enable or expedite housing construction and required local governments to adopt at least five of the strategies on the list. For example, eliminating setback requirements, legalizing SROs and ADUs, and eliminating minimum lot size.

On the one hand, these statewide changes may limit opposition to lower-income or racially-integrated neighborhoods under the guise of objections to density or built form. Environmental or conservation concerns have also been used to block more dense housing, and this approach protects against that while still encouraging climate-resilient construction.²¹ However, reforms that increase the developability and value of land could disrupt and displace historically marginalized communities. **The state and local jurisdictions should consider additional protections to combat this displacement, such as zoning incentives to preserve small businesses, tax abatement for low-income homeowners, notice of sale and relocation fees, and source of income protections for renters.**

Finally, the workgroup acknowledged that not all factors that increase the cost of building come from zoning. In particular, aesthetic and material requirements can come from funders, including the Minnesota Housing Finance Agency (Minnesota Housing). It would be counter to the goals of these recommendations for it to be significantly easier and more cost-effective to build market-rate housing than affordable housing, and so the workgroup recommends **that aesthetic and material requirements from funders be reassessed to bring market rate and affordable housing into parity.**

3. Incentivize affordable housing.

The changes proposed in the first two categories of recommendations are critical to ensuring that, as a state, Minnesota is not artificially driving up the cost of housing by burdensome land-use and zoning restrictions. **For many Minnesotans, we need to go a step further and ensure there are long-term affordability protections—houses and apartments where funding and public incentives are used to keep costs at a sustainable level for low-income households.** This recommendation contains both tools that incentivize developers to produce more of this protected affordable housing and tools that hold local governments accountable for enabling or discouraging affordable housing in their jurisdictions.

For the purposes of these recommendations, “affordable housing” is defined as buildings where the following is true:

- For rental: At least 20% of units set aside for households whose incomes do not exceed 50% AMI; *OR* at least 40% of units set aside for households whose incomes do not exceed 60% AMI.
- For homeownership: Homes must be sold to an income-eligible homeowner. Income eligibility could be aligned with Minnesota Housing’s first mortgage maximum income (115% AMI).
- All units must be protected as affordable by deed restrictions.
- Only the units that are income-restricted will count as affordable units.

This recommendation works to ensure that all communities in the state provide the housing needed for Minnesotans of all income levels to consider making that community their home.

Allow an as-of-right density bonus to developments meeting the affordability requirements.

Density bonuses allow projects to include additional dwelling units, height, or bulk to a building, effectively increasing the total amount they can build in exchange for meeting certain public goods. For enabling affordable housing, the workgroup proposes density bonuses equivalent to the greater of both:

- 3 stories in height *OR* matching the maximum allowed height in any zoning district within one mile of the parcel; *AND*
- Double the dwelling units/acre or 30% Floor Area Ratio (FAR) increase *OR* matching the maximum allowed dwellings per acre (du/ac) or FAR in any zoning district within one mile of the parcel.

²¹ <https://www.theatlantic.com/ideas/archive/2024/01/housing-shortage-minneapolis-environmentalism/677165/>

Developing affordable housing is costly and time-consuming. For multi-family buildings, these bonuses can offset that cost and incentivize critically needed housing. These specific bonuses would not apply to the neighborhood-scale construction described in the first recommendation, but that recommendation did include a similar increase from 4 to 6 units when protected affordability was included.

Allow staff-level design approval and limit the use of Planned Unit Developments (PUDs) for developments meeting the affordability requirements.

For projects where the proposed residential development complies with existing city zoning ordinances or subdivision regulations (including the bonuses described above), Minnesota communities would be better served by expediting the processes for affordable projects, even if the specific housing type qualifies as a conditional use. Affordable housing projects face a unique burden in public perception and must also navigate complicated timelines and approvals for public funding. An administrative design review process at the local level would ensure projects comply with local regulations without forcing them through cycles of uncertainty and political or public pressure that can jeopardize this critical housing development. These projects may be fully affordable and supported by public investment, or they could be partially affordable and provided without public investment, so long as they meet the affordability requirements described above.

Create and track a statewide standard that all cities and townships should have at least 10% of their units (single-family or multi-family, rented or owned) protected as affordable housing for households making less than 60% AMI (or 115% AMI for homeownership units).

While most Minnesota communities understand the need for a range of housing types and prices, some jurisdictions have been resistant to multi-family and affordable housing. All parts of the state have a role to play in supporting Minnesotans, and all communities in Minnesota should have a base level of affordable housing. This recommendation would set a threshold expectation that 10% of any jurisdiction's housing stock should be protected as affordable. A statewide database should be created (building on existing databases) to track the inventory of protected affordable housing units by jurisdiction, with cities submitting their inventory to the state housing agency for validation. This model has been in place for more than 50 years in Massachusetts and can be improved upon here in Minnesota.²² With this standard and database in place, technical assistance can be targeted to disproportionately high-cost communities, and communities that exceed affordability expectations can be recognized and rewarded.

Develop enforcement mechanisms that balance statewide accountability for meeting the housing needs of Minnesotans with the ability of jurisdictions that exceed affordability minimums to retain and maintain local zoning control.

Should a city or township fall below the 10% affordability expectation, the State of Minnesota should have the opportunity to provide additional mechanisms to enable affordable housing. Specifically, developers proposing projects that meet the affordability set aside minimums would have the right to either (1) Appeal local land-use decisions that denied their project to a state-appointed housing appeals board,²³ or (2) Seek authorization for land-use approvals through an alternative process by a state-appointed housing appeals board instead of the local city or county process.

²² Massachusetts 40B is a planning law enacted in 1969 and reaffirmed by popular vote in 2010 that sets a target that at least 10% of every Massachusetts community's housing stock be affordable for moderate-income households. This is a robustly managed program with a track record of success, credited with the creation of more than 60,000 affordable homes. <https://www.masshousing.com/en/programs-outreach/planning-programs/40b>

²³This recommendation could either involve the creation of a new statewide board, which would expedite the review process, or could potentially provide a legal right of appeal in existing courts on the grounds that a community has not met their affordability targets.

This form of recourse and alternative approval mechanisms would only apply to jurisdictions that are out of compliance. Cities or townships meeting the 10% affordability threshold would retain full control over public approvals in keeping with the statewide changes discussed in earlier recommendations. Cities or townships that fall out of compliant status would have the opportunity to regain that control once they meet the threshold. As proposed, no community would be forced to build affordable housing projects, but they would be unable to deny proposed projects that meet the affordability minimums. This balances local needs and inputs with a statewide interest in ensuring that all communities do their part to enable their residents to thrive.

Develop an implementation grant program for local jurisdictions to implement and enforce zoning reform.

Knowing the implementation, design, and training of these reforms may burden local governments, the workgroup also proposes the State appropriated funds for an implementation grant program to support communities in this work proactively.

Additional considerations

This third category of recommendations is critical to ensuring a focus on affordability and accessibility to balance the regulatory relief offered in the first two recommendations. Without these tools—or without continued public funding—low-income families will not see benefits from the proposed zoning changes.

It is also important to note that these critical recommendations are coming after generations of Americans have lost the ability to gain generational wealth through homeownership simply because of the color of their skin or the zip code in which they were born. Racially discriminatory zoning practices were coupled with racially discriminatory lending practices, poor investment infrastructure, and generations of broken promises.²⁴ Homeownership rates for Black and white Minnesotans are staggeringly different (29% compared to 77%)²⁵. These recommendations are woefully insufficient to compensate for the loss in wealth, opportunity, and generational stability wrecked by historic policies. Permanently affordable housing, while critical to supporting a thriving community where everyone can live, does not carry with it the same opportunities for building and passing on generational wealth—so there will need to be additional targeted support for BIPOC homeownership as well.

Another meeting of the workgroup was convened in December 2023 to conduct a Race Equity Impact Assessment (REIA) to evaluate this third bucket of recommendations. This meeting included an expanded group of community members and practitioners. While participants in an earlier workgroup meeting identified these recommendations as having the greatest impact on affordable housing and advancing racial equity, participants in the December meeting disagreed, articulating concerns about forcing racial and economic integration in communities that have historically defended policies intended to maintain segregated communities. Resources to support efforts in community organizing, relationship-building, and developing understanding will be critical as communities work to ensure they are vibrant and inclusive places.

²⁴ <https://www.tchabitat.org/blog/roots-of-racial-wealth-inequities-in-minnesota>

²⁵ MHP's 2024 *Minnesota State Profile*



Next Steps

Restrictive growth policies combined with underinvestment in affordable housing, a dwindling labor force, and the rising cost of materials limit access to affordable, dignified homes and economic and social opportunities. Reforming land-use and zoning policies is imperative to making it easier to develop middle and affordable housing, but it is insufficient on its own. **Local, state, and federal governments will need to encourage and finance new development.** Without adequate investments, reforms will likely only result in slow and modest increases in housing supply and affordability.²⁶

The workgroup was tasked with developing policy solutions that would have the greatest impact on housing development, racial equity, and sustainability. Lawmakers must consider these recommendations as a package; a comprehensive package is required to eliminate unnecessary barriers. In negotiating solutions at the Minnesota Legislature, we urge lawmakers to preserve these recommendations in their entirety. Any compromise will diminish the impact of any individual recommendation and the collective impact of how the recommendations will complement one another.

Stakeholders have identified that creating local affordable housing goals would have the greatest impact on the creation of affordable homes for households traditionally underserved by the market. MHP has committed to convening a new workgroup to develop legislation to advance this in the 2025 Minnesota Legislative Session. Habitat MN is committed to continuing to explore and understand which policy solutions would support an increase in supply of affordable homes, while advancing the goal of closing the racial gap in homeownership. They have begun talking with national leaders about this topic and will continue advocating for policies that achieve both goals.

Process

MHP and Habitat MN convened a workgroup that met five times throughout August and September 2023. The workgroup comprised planners, nonprofit and for-profit developers, and organizations representing metro, rural, and statewide interests. MHP and Habitat MN contracted with Yellow House Ideas to facilitate the meeting series and produce the final report.

As part of the process, the workgroup surveyed what other states have done to eliminate development barriers. Members of the workgroup participated in calls with Florida, Massachusetts, and Oregon. Additionally, the workgroup asked MHP and Housing Justice Center's (HJC) Minnesota Rural Development Workgroup to review recommendations.

The workgroup conducted a race equity impact assessment to identify and mitigate unintended adverse outcomes and amplify positive outcomes on equity. The group also assessed recommendations for their impact on climate resiliency.

Contact

Jeru Gobeze (she/her)
Advocacy Director
Habitat for Humanity of Minnesota
612-331-4439, ext 2 (o) • 651-341-0278 (c)
jeru.gobeze@habitatminnesota.org
habitatminnesota.org

Libby Murphy (she/her)
Director of Policy
MHP
612.716.9703 (c)
libby.murphy@mhponline.org
mhponline.org

²⁶ "Land-Use Reforms and Housing Costs," Urban Institute