



8421 Wayzata Blvd | Suite 110 | Golden Valley, MN 55426

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Dear Madam Chair and Members of the Housing and Homeless Prevention Committee:

My name is Martha Njolomole, and I am an Economist at Center of the American Experiment. I would like to testify in support of bill SF 3980 because it would help address the housing affordability crisis in Minnesota.

Minnesota needs more housing

In a lot of ways, Minnesota is a desirable state to live in. Our state has one of the highest levels of income in the country and tends to outperform most states on important metrics such as health outcomes.

However, Minnesotans, especially those living in the Twin Cities, are shortchanged when it comes to housing. In a report published in 2020, Center of the American Experiment found, for example, that,

“Among the 100 largest metro areas in the United States, the Twin Cities is the 16th largest and is tied for the 20th highest housing costs, but if we remove coastal areas from the list, Minneapolis-St. Paul (MSP) has the 6th highest housing costs in the country.

If we look at the Midwest, MSP has the highest costs—by far. In the 10 largest metro areas in the Midwest, MSP does not just have the most expensive housing, it is 37% higher than the next highest metro area (Chicago), and MSP’s costs are more than double both Indianapolis and Cleveland.

Overall, MSP’s housing costs are 56% higher than the other largest metro areas in the Midwest.”¹

This is largely due to one factor: excessive regulations. Building codes and regulations, such as minimum lot sizes, safety codes, energy-saving codes, and zoning rules, are far more stringent in Minnesota compared to other places. This makes it more costly and time-consuming to develop housing in Minnesota, especially in the Twin Cities, leading to high prices.

SF 3980 has a lot of good proposals. Allowing multifamily housing in all residential areas, as well as allowing mixed-use housing, for example, could spur multifamily development all around the state. By giving local and city governments a strict timeline to review applications, SF 3980 could standardize the housing application process, reducing uncertainty and risk to developers. Similarly, reigning in the discretionary power that local and city governments possess over development projects could also help streamline the housing development process, reducing costs as well as delays. Reducing parking requirements could provide developers with more flexibility and reduce

development costs associated with parking, which according to research evidence can be as high as \$50,000 per unit if built underground.

While I do not agree with the height restrictions imposed in the bill — in addition to the exceptions carved out for “affordable housing” —, overall, I support the bill because it addresses a lot of the factors that add unnecessary costs to housing development. For that, I urge members of this committee to support it as well.

Thank you, Madam Chair and Members of the Committee.

ⁱ Jeff Johnson, “Out of House and Home: Solving the Twin Cities’ Affordable Housing Problem,” Center of the American Experiment, June 2020, Available at <https://www.americanexperiment.org/reports/out-of-house-and-home-solving-the-twin-cities-affordable-housing-problem>