

Hello.

My name is John Phelan and I am an economist at the Center of the American Experiment, a think tank based in the Twin Cities. I am here to speak in support of this bill.

There is broad agreement that we have an affordable housing crisis in Minnesota – and especially in the Twin Cities. In 2017, the [Pioneer Press](#) reported that, outside coastal states like New York and California, the Twin Cities ranked top for housing costs among the nation's 20 largest metro areas; Twin Cities residents paid an average of 26 percent more than neighboring states.

This should be a cause of concern to political conservatives, libertarians, small government, free market types, or whatever else you want to call them. All generally share a belief that, with honest, productive work, a person should be able to get on and provide a decent life for themselves and their family. A good place to live is an important part of that, but it is beyond the reach of too many here.

It is especially important for these people to address the affordable housing shortage because they have the solutions. A price is not a problem so much as the indicator of a problem. A high price, which is how our affordable housing crisis manifests itself, acts like a big, flashing light, screaming to us that demand is high relative to supply. The price is the symptom of the illness, the illness is this mismatch.

To deal with the affordable housing crisis, it is this mismatch, the underlying illness, which needs to be treated, not the symptom of high prices. Attempts to treat the symptom without treating the underlying illness – such as [St. Paul's disastrous rent control policy](#) or proposals to pump more money into the housing market by subsidizing buyers and tenants – will only make the problem worse.

To treat the illness we need to figure out what is causing it. The [Pioneer Press](#) put this question to 60 government officials, builders, realtors, housing and energy lobbyists, and home buyers. The leading answers were “regulations, including energy-saving rules and safety codes, [which] are tougher and costlier than in surrounding states”; the cost of metro-area land which “is elevated by centralized planning, larger mandated lot sizes and a public resistance to development”; and “An increasing use of city fees, tucked into the price of a new house,” which can add tens of thousands of dollars.

[A 2019 study by Housing First](#) found that municipal fees and regulations in the Twin Cities account for up to one-third of the cost of a new house here so that an average home in Lake Elmo would cost \$47,000 less in Hudson, Wisconsin, and that a new home in the Twin Cities costs as much as \$82,000 more than a similar home built by the same builder in the southwestern Chicago suburbs.

If ‘regulations’ is too vague, Paul Heuer, a developer and former city engineer, offered examples in the [Star Tribune](#) last year: “requiring stone on the fronts of starter homes, having five or six wetland experts meet on site to verify that wetland boundaries are correct, navigating through duplicative stormwater reviews from both cities and watershed districts, [and] completing Environmental Assessment Worksheets for modest size neighborhoods.”

In short, affordable housing is rare here because state and local governments effectively make it illegal to build it. [This bill](#) offers a way forward. While it clearly leaves a long way to go, it is a definite step in the right direction. It tackles the illness, not the symptom, and will bring the American Dream of homeownership closer to many Minnesotans. That is something conservatives should be able to get behind.