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March 7, 2024

Chair Port and Members of the Senate Housing and Homelessness Prevention Committee:

We appreciate the opportunity to raise concerns about the unintended consequences that exist in S.F. 3964. As we have expressed in past testimony before this committee, the housing market in Greater Minnesota is broken. In a normal, functioning market, the price that the market sets for a product (i.e., a unit of housing) would be greater than the cost that it takes to produce that unit of housing. Unfortunately, that is not the case across Greater Minnesota. In communities from Warroad to Worthington and Austin to Pipestone, a new house will cost more than a bank can provide a mortgage for, and a new multifamily rental development will not be able to command enough rent revenue to finance the construction cost. We cannot accept new state policies that will increase the cost of building new housing in Greater Minnesota.

There are two significant portions of this bill we want to highlight that will increase the cost of producing new housing in Greater Minnesota:

1. The upzoning of all residential lots to allow the development of up to four units per lot and up to eight units will require cities to build excess infrastructure capacity to support density that, frankly, will not materialize due to our market forces. These excess infrastructure costs will increase the cost of new housing units, which will further exacerbate our housing market failure.
2. Subd. 11 requires that if a unit of affordable housing is torn down, an equal number of new affordable housing units must be rebuilt. Unfortunately, in communities across Greater Minnesota, it is not affordable housing but market-rate workforce housing that is needed. Under this provision, if a community has a surplus of affordable housing units, and one is torn down (i.e., a house purchased for \$80,000) and is replaced with a needed housing unit for a worker in that community, then an affordable unit that will go unfilled must also be built.

As the committee moves forward on enacting new housing policies, we ask that you make it a goal to not include policies that make it harder to build the new housing that is desperately needed in Greater Minnesota.

Respectfully submitted,

Scott H. McMahon
Executive Director

*The Greater Minnesota Partnership advocates for public policies and investments
that stimulate prosperity throughout Greater Minnesota.*