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To: Minnesota Senate Housing and Homelessness Prevention Committee

Date: Thursday, March 7, 2024

Subject: Written Proponent Testimony for S.F. 3980 and S.F. 3964

Chair Port, Vice Chair Boldon, and members of the Housing and Homelessness Prevention Committee, thank you for the opportunity to provide written comments in support of S.F. 3980 and S.F. 3964. These bills are significant steps toward addressing Minnesota's housing challenges and modernizing the state's housing policies by strengthening the housing market, lifting unnecessary roadblocks, and increasing housing options and affordability.

On behalf of Zillow, I would like to express our appreciation to Senators Pha and Mitchell for introducing these critically important bills to address housing availability. Zillow is committed to reducing barriers to housing by expanding access and addressing the massive inventory shortage throughout Minnesota.

As part of this commitment, our team of research economists examines housing market data and economic trends, and we share this research and data to help inform policymakers as they work to address the urgent housing issues facing our communities.

According to Zillow research, homebuyers need to earn \$47,000 more in wages than in 2020 to afford a mortgage.<sup>1</sup> This has made homeownership increasingly unattainable as potential homebuyers face a combination of price increases and a shrinking supply of homes.

Unfortunately, Minnesota has experienced a massive shortfall in housing construction over the last decade-plus since 2008. Escalating housing prices across the country (including in Minnesota) are closely tied to an ongoing inventory shortage, which is a function of both very high demand and insufficient supply to meet that demand.

Over the last decade-plus, home builders have simply built fewer new housing units than they used to. If building permits had been issued at historical rates between 2008 and 2020, over 40,000 additional new housing units would have been constructed in the Minneapolis-St. Paul region.<sup>2</sup>

Zillow's 2021 Home Price Expectations Survey polled housing experts and found that relaxing zoning rules to allow for more-efficient new home construction would be the most effective way

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<sup>1</sup> <https://www.zillow.com/research/buyers-income-needed-33755/>

<sup>2</sup> <https://www.zillow.com/research/housing-permits-shortfall-2021-30373/>

to increase supply in a housing market facing historic inventory constraints.<sup>3</sup> Reforming zoning rules to allow for even a modest amount of new density in overwhelmingly single-family dominant-zoned communities could lead to millions of new housing units being built nationwide.

Moreover, there is broad public support for measures to create more housing inventory. A 2022 report by our research economists found that 75% of homeowners and renters in the Minneapolis metro area support “modest densification” options, including allowing accessory dwelling units, duplexes, and triplexes.<sup>4</sup> Support was higher among renters (84%).

Single-family zoned neighborhoods account for the lion’s share of land in metropolitan America. Over the years, these neighborhoods have generally become insulated from denser development by a thickening tangle of regulations. Thankfully, modest and straightforward zoning updates can be achieved without drastically changing neighborhoods.

According to Zillow’s research, out of 17 major metropolitan areas studied, the Minneapolis-St. Paul region has the fifth-highest proportion of housing units zoned for single-family use at 74% of the total housing units. Minneapolis-St. Paul also had the lowest number of housing units located in two to 49-unit structures at only 16% of total housing units.<sup>5</sup>

Even making relatively minor changes to local zoning rules, such as increasing density to allow four housing units to be constructed on the same number of single-family zoned lots, could add over 345,000 additional new housing units by 2040 - a 91% improvement. These minor density changes would be barely noticed, and yet make a drastic improvement to housing inventory.

SF 3980 and SF 3964 pave the way for providing the additional housing supply that Minnesota residents and communities need by simply allowing more housing to be built without excessive restrictions and delays. They will create housing options by allowing multifamily development anywhere not zoned for industrial or agricultural development and will expedite the application process for such housing. Affordable housing development will also be more readily allowed, opening up critical housing for vulnerable residents needing to stabilize their housing costs.

Reforming zoning laws to allow for more multi-family housing would be a significant step forward in addressing housing inequities. As such, SF 3980 and SF 3964 are straightforward ways to allow for more modest density that will result in real strides forward in creating housing options to all Minnesota residents.

We applaud the Minnesota legislature for tackling such an important issue with reasonable legislation, and we hope other communities across the country watch the great work you are doing and follow in your footsteps. Thank you for the opportunity to provide comments on this crucial legislation, and please feel free to reach out to us with any questions.

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<sup>3</sup> <https://www.zillow.com/research/zhpe-zoning-housing-supply-q22021-29600/>

<sup>4</sup> <https://www.zillow.com/research/modest-densification-zhar-30934/>

<sup>5</sup> <https://www.zillow.com/research/modest-densification-new-homes-25881/>