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March 11, 2024

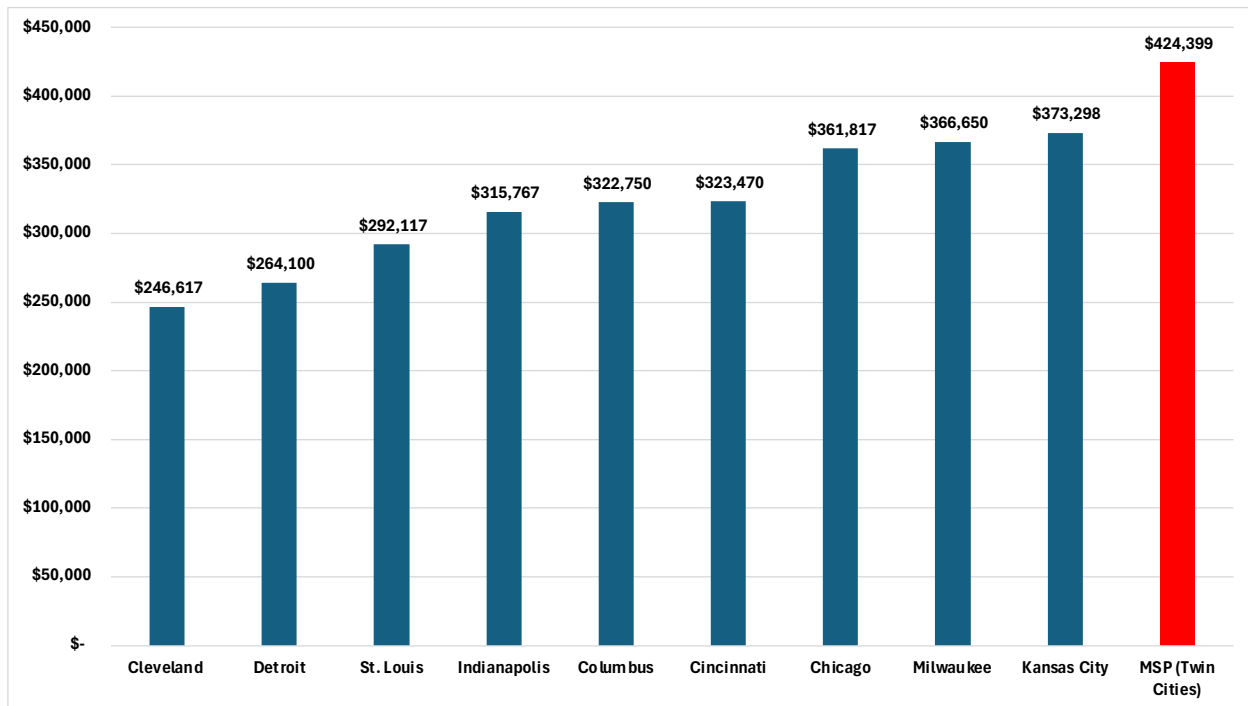
Madam Chair and Members of the Housing and Homelessness Prevention Committee,

My name is Martha Njolomole, an Economist at Center of the American Experiment. Minnesota needs more housing, and the language in SF 2229 addresses regulations that hinder and delay housing development as well as add extra costs to new housing. It will encourage housing development, potentially lowering home prices.

More housing = Affordable prices

Minnesotans, especially those living in the Twin Cities, are short-changed when it comes to housing. Data from Realtor.com shows that in the last quarter of 2024, the median home price in the Twin Cities Metro reached \$424,000. This places the Twin Cities as the third most expensive non-coastal metro area in the U.S. Among Midwestern cities, it ranked as the priciest in dollar terms in Q4 of 2024 and came in fourth after adjusting for household income in 2023.

Figure 1: Median home price in the top ten Midwest Metros, Q4 2024

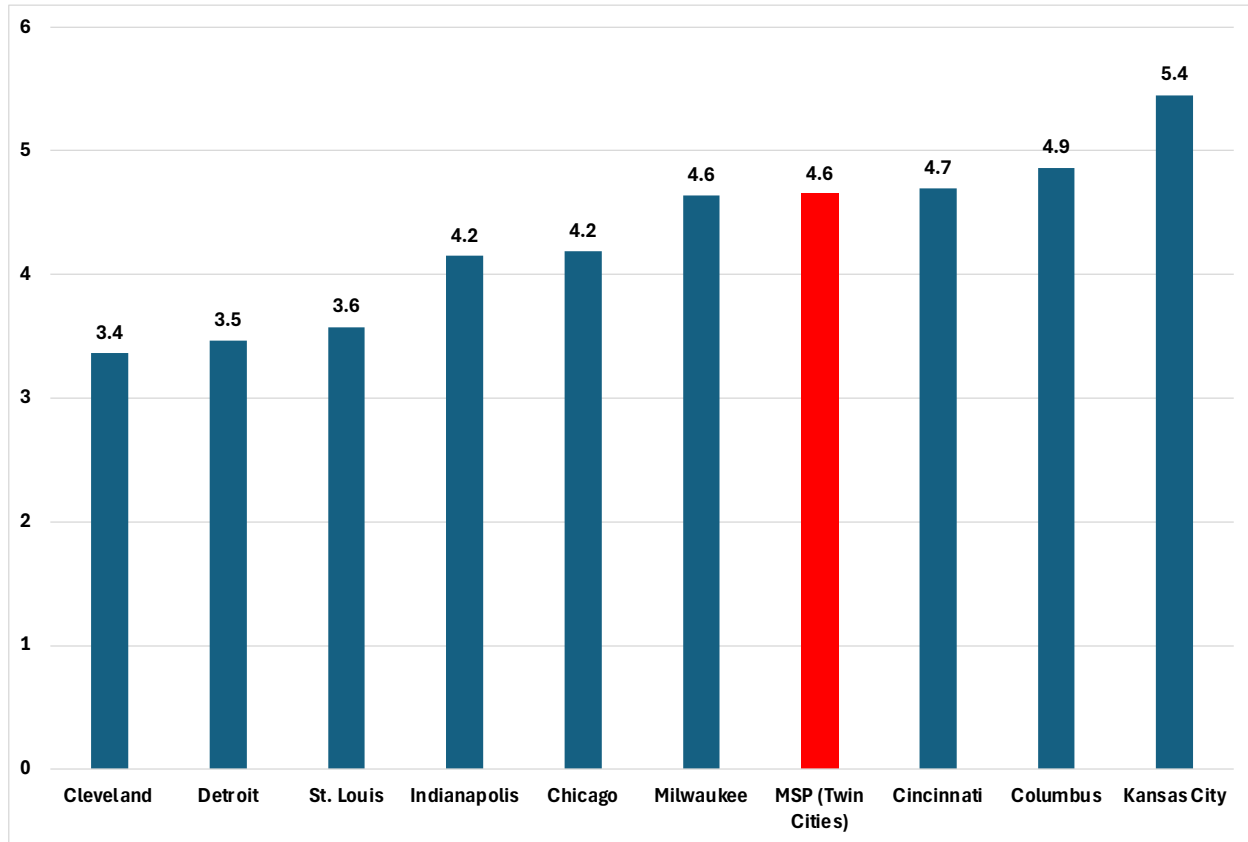


Source: Realtor.com



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Figure 2: Median home price to median household income ratio, 2023



Source: Realtor.com, US Census Bureau

If enacted, SF 2229 would address some of the numerous regulations that hinder and delay housing development as well as add tens of thousands of dollars to the cost of new housing. Rules dictating architectural design or construction materials limit flexibility and add extra costs to the development process. Zoning rules and land use rules, such as minimum lot size requirements, set back rules, maximum floor area ratio, and maximum lot coverage ratio, limit options and raise the cost of housing by preventing development on smaller lots, as well as the development of smaller and more affordable housing options like townhomes and duplexes. Loosening regulations will spur development and increase the supply of new housing in Minnesota. This will lessen competition on existing homes and likely lower prices or lower the rate of price growth.

Certainly, local control is a significant and indispensable part of our federal system of government. However, by going beyond broad land use segregation and limiting what kind of housing can be built and where, dictating how big lots and housing units must be, and how



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housing should look like, local governments have inadvertently restricted opportunities and personal freedoms for Minnesotans. To deliver long-lasting and substantial results, housing reform must deal with these restrictive local rules. SF 2229 provides a pathway for that while also respecting local control.

Thank you, Madam Chair and Members of the Committee,

Martha Njolomole,
Economist
Center of the American Experiment