SENATE COUNSEL, RESEARCH, & FISCAL ANALYSIS

BILL SUMMARY

S.F. No. 2231 – Requiring the creation of mixed housing and commercial corridor districts (as proposed to be modified by the A-2 amendment)

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This bill requires certain cities and towns to designate zones within their residential districts called "mixed housing districts" to allow multifamily housing with up to four units, depending on the population of the city or town. The bill also requires certain cities and towns to create "commercial corridor districts" on their municipal state aid streets that permit a certain residential density.

Covered municipalities are divided into three groups: (1) cities of the first class, which are cities with a population of 100,000 or more, (2) "urban municipalities," which are cities and towns that are adjacent to a city with a population of more than 150,000; and (3) "nonurban municipalities," which are cities and towns with more than 10,000 residents that are not urban municipalities or cities of the first class. This bill does not impose requirements on cities or towns with 10,000 or fewer residents.

Subdivision 1 provides definitions.

Subdivision 2 requires municipalities to create mixed housing zones.

> **Paragraph (a)** requires cities of the first class and urban municipalities to create mixed housing zones that cover 75% of each municipality's residential districts.
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> > **Clause 1** requires cities of the first class to allow accessory dwelling units, duplexes, townhouses, triplexes, and fourplexes—collectively called "mixed housing" in this bill—on every lot in mixed housing zones, and urban municipalities to allow all of the types of mixed housing except fourplexes.
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> > **Clause 2** provides that, rather than allowing the housing described in clause (1), cities of the first class and urban municipalities can choose to allow a combination of housing that would result in an average residential density of at least one residential unit per every 1,500 square feet in the mixed housing zone.

Paragraph (b) requires nonurban municipalities to create mixed housing zones that cover 50% of each municipality's residential districts.

Clause 1 requires nonurban municipalities to allow all of the types of mixed housing except fourplxes on every lot in mixed housing zones.

Clause 2 provides that, rather than allowing the housing described in clause (1), nonurban municipalities can choose to allow a combination of housing that would result in an average residential density of at least one residential unit per every 4,000 square feet in the mixed housing zone.

Paragraph (c) requires covered municipalities to create commercial corridor districts that encompass every lot that is on a municipal state-aid street in each municipality. **Clauses (1) through (3)** require cities of the first class, urban municipalities, and nonurban municipalities to permit a certain density of residential units per acre in the commercial corridor districts. The current draft of the bill does not specify those densities and instead has ellipses as placeholders.

Paragraph (d) requires municipalities to consider proximity to transit, public amenities, and commercial areas when deciding where to site commercial corridor and mixed housing districts.

Paragraph (e) provides that, except for the restrictions on zoning authority in subdivisions 3, 4, and 5 of this section, municipalities may still require the developments authorized in paragraphs (a) and (b) to comply with other municipal requirements and restrictions.

Paragraph (f) provides that this section does not authorize housing that is otherwise restricted by certain state and federal laws.

Subdivision 3 provides specific restrictions on the power of municipalities to regulate the construction of residential developments in the mixed housing and commercial corridor districts.

Paragraph (b) requires covered municipalities to allow every type of mixed housing as a permitted use on any lot that is zoned to allow the number of units in that type of housing.

Paragraph (c) limits the ability of covered municipalities to regulate the bulk and size of mixed housing developments if the regulations would prevent mixed housing from being developed with at least 1,500 square feet of living space per residential unit.

Paragraph (d) prevents municipalities from requiring specific construction materials and methods, other than those required by the State Building Code or other state or federal law.

Paragraph (e) prohibits municipalities from requiring or encouraging any residential property to be part of a homeowners association or any homeowners association to make any changes to its governing documents. Paragraph (i) also prohibits municipalities from conditioning construction and development approvals on the creation of a homeowners association, the inclusion of common services, features, or property in a development, or the inclusion or change of any terms that govern a homeowners association.

Subdivision 4, paragraph (a) requires municipalities to establish and follow an administrative process that complies with Minnesota Statutes, section 15.99 to review residential development requests in commercial corridor districts, including proposed lot splits and subdivisions.

Paragraph (b) requires municipalities to use the same process to approve development of mixed housing in mixed housing districts that the municipality uses for single-family homes.

Paragraph (c) requires a municipality conducting the processes in paragraph (a) or (b) to approve or deny building permits or subdivision related requests based on alignment with the municipality's comprehensive plan, applicable zoning requirements, and subdivision regulations.

Paragraph (d) imposes specific requirements on municipalities that are conducting the administrative process described in paragraph (a).

Clause 1 limits the power of a municipality to require a conditional use permit or a planned unit development agreement to matters that address identified and documented risks to health or safety.

Clause 2 prohibits municipalities from requiring more than one community meeting before approving or denying a request, unless more are required by state or federal law, or the development is in a historic district.

Clause 3 requires municipalities to provide applicants with a development agreement at least three days before issuing a final approval.

Subdivision 5 prohibits municipalities from using their powers in ways that blocks the application of this section.

Subdivision 6, paragraph (a) requires municipalities to enact the required changes in this section by the dates set out in paragraph (b). If the municipalities do not meet the deadline, then the bill preempts local ordinances to allow the construction of any type of mixed housing in every lot in the noncompliant municipality that is zoned for residential use.

Paragraph (b) provides the deadlines for each category of covered municipality.

Clause 1 requires cities of the first class to comply by June 30, 2026.

Clause 2 requires urban municipalities to comply by December 31, 2026.

Clause 3 requires nonurban municipalities to comply by June 30, 2027.

Subdivision 7 prohibits municipalities from enacting interim ordinances to delay or prohibit the application of this section. Section 462.355 permits adoption of an interim ordinance in certain circumstances to regulate or prevent new development for up to one year while a municipality studies an issue.