

August 13, 2020

Re: Metropolitan Council's Role in Housing

Members of the Legislative Commission on Metropolitan Government,

The Legislative Commission on Metropolitan Government's discussion of the Metropolitan Council's role in housing and homelessness is timely given the challenges facing Minnesotans on these critical issues. Housing First Minnesota has long been concerned with affordability, inventory and the growing challenge of homelessness. In fact, our charitable arm, the Housing First Minnesota Foundation, holds a mission of ending homelessness in Minnesota and is currently engaged in multiple projects to house homeless Minnesotans, including veterans and women in chemical dependency recovery.

Regarding the broader housing ecosystem, Housing First Minnesota offers the following written comment relating to the role of the Metropolitan Council in the region's housing market.

Minnesota's housing market is facing a three-pronged crisis of housing supply, affordability, and equity. These challenges are interconnected and are primarily rooted in the chronic, structural barriers limiting the construction of affordably built starter homes. A safe, affordable, and durable code-built new home was the centerpiece of a thriving housing market decades ago but construction of such homes has all but disappeared today. This missing segment in our housing ecosystem has profound impacts on homeownership access for tens of thousands of Minnesotans and ripples across the entirety of the housing continuum. The impacts further extend to our state's economic health, which relies upon and benefits directly from a thriving housing market.

Housing First Minnesota has identified three dozen regulatory roadblocks that are impeding the construction of affordably-priced starter homes in Minnesota. The Metropolitan Council's land use policies, and local government's implementation of these policies, are two of the most consequential roadblocks creating barriers to homeownership in the Twin Cities, Minnesota's largest housing market.

Metropolitan Land Supply

The Metropolitan Urban Service Area (MUSA) line serves as the unofficial land boundary for growth in the Twin Cities region. Analysis of land availability and costs show that the MUSA placement fails to adequately supply buildable land, which causes price surges in land within the growth boundary. The Twin Cities region has the highest land costs in the Midwest, making affordability nearly impossible even before builders can begin construction. We share the Metropolitan Council's goal of coordinated, efficient infrastructure, but we fundamentally disagree that the current amount of land adequately supplies our market to allow for home construction at all price points.

Solutions:

- **Increase the Land Supply** - The Metropolitan Council currently plans for land availability at 100% of projected growth. This policy consistently falls short as MUSA projections fail to account for the ever-increasing land dedication requirements for stormwater mitigation, parks and open space, zoning setbacks, right-of-way, and other requirements. Additionally, some parcels counted as available are not well-suited for development and some landowners within the MUSA simply



aren't looking to sell their property. A land supply greater than 100% is necessary to achieve a healthy housing market. The Council uses such an approach for other engineered systems such as water, sewer, and wastewater, engineering for 200-300% of projected use to account for peaks and unexpected occurrences inherent in engineered human systems. The legislature should consider requiring an increased land supply within the Metropolitan Council territory.

- **Infrastructure Alternatives** - In several of the nation's healthiest housing markets, private construction of infrastructure is utilized to capture efficiencies and to spread the utility costs over a longer period, often 20 years. These entities are called Municipal Utility Districts (MUDs), which are an alternative the legislature should explore to find a better balance of safe, efficient, and affordable infrastructure options.

Local Government Land Use Implementation

Every ten years, cities in Minnesota are required to enact an updated comprehensive plan to address future growth. In the seven-county metro region, these cities (and counties) must demonstrate that their plans will accommodate housing growth equal to 3 units per acre. The Met Council uses this data to plan its wastewater infrastructure to support the planned growth.

Unfortunately, cities often fail to meet their own standards for permitted growth. It is not unusual for a proposed subdivision for new housing to be pared back from what is authorized to what will be tolerated by elected officials and possibly objecting neighbors.

Practical Solutions:

- **Follow the Plans** A city should be able to demonstrate that the minimum density for any housing district that is zoned as such should be required to confirm that such minimum density can in fact be achieved on a given site. Too often, by the time projects apply right-of-way, open space, dedications and setbacks, it is not possible to achieve the minimum prescribed density in a given zone. This forces developments into a Planned Unit Development (PUD) process, which opens the developer to a compelled negotiation that further distances the project from affordability. To illustrate, if R1 zoning in a given city means 3.0 units per acre or greater, then it should be verifiable for the zoned properties. If not, the legislature should require the city to modify its zoning restrictions to help achieve the 3.0 density or better.

These are complex issues that require a full review of the policies along the development path, from the technical concept phase, all the way to the homeowner who will ultimately pay for these costs throughout the life of their mortgage. Housing First Minnesota is working with a growing coalition of stakeholders committed to reimagining a healthier housing market in Minnesota that focuses on homeownership opportunities for everyone, everywhere. It is imperative for future generations of Minnesotans that we achieve this. We look forward to further discussion of these and other housing issues.

Sincerely,



David Siegel
Executive Director