



# 2025 HOUSING ISSUE PAPER

## INTRODUCTION

Metro Cities represents the shared interests of cities in the metropolitan region at the executive, legislative and regional branches of government.

Cities in the metropolitan region are working to address housing needs in their local communities that is affordable and accessible to people at all stages of life. Metro Cities' policies on housing strongly support state resources to assist advancing affordable housing, and expanding various tools and resources to assist cities in facilitating housing production and preservation. This paper addresses governmental roles in housing.

Metro Cities' policies recognize private and public sector roles in housing and support sufficient resources as well as local decision making authority that allows cities to address housing needs of their local communities effectively, innovatively, and responsively.



## GOVERNMENT ROLES IN HOUSING

Housing is predominantly built by the private and nonprofit sectors. Almost all housing in Minnesota is privately owned.



In addressing local housing needs, cities ensure the structural integrity of housing through zoning, inspections, code enforcement, and rental licensing. Cities consider workforce housing needs, affordability, racial disparities, aging populations and the preservation of existing housing. Cities also facilitate and provide the public infrastructure required to serve new developments.



Regional policies and requirements address the need for new affordable housing production across the region. Density requirements vary based on local characteristics and infrastructure capacity. The regional Livable Communities Program funds local housing and redevelopment projects.



The state finances and administers programs to support affordable, lifecycle, supportive, senior, workforce, and family housing.



Federal investments aid affordable and life cycle housing, help first time homebuyers, and provide affordability through rental assistance programs.

## STATE FUNDS ARE OVERSUBSCRIBED

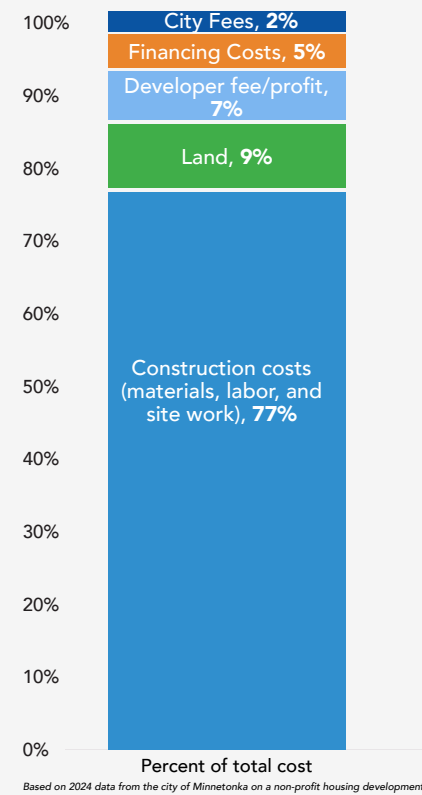
Most affordable housing development requires public funding. Many cities submit requests for funding to Minnesota Housing's Consolidated RFP each year. Limited resources mean that many projects do not receive funding.

Between 2019 and 2022, these cities applied for but did not receive funding due to limited available funding: Anoka, Blaine, Columbia Heights, Coon Rapids, Cottage Grove, Elko New Market, Hopkins, Little Canada, Long Lake, Medina, Minnetonka, Ramsey, and Savage.

Year	Apps Received	Apps Selected	# of non-selects	% of apps that were selected	% of apps that were non-select
2019	77	48	29	62%	38%
2020	83	37	46	45%	55%
2021	81	39	42	48%	52%
2022	70	30	40	43%	57%

[Source: Minnesota Housing Finance Agency, 2024]

## Costs to Build Owner-Occupied Affordable Housing in Metropolitan Area



Based on 2024 data from the city of Minnetonka on a non-profit housing development

## WAYS CITIES ARE ADDRESSING HOUSING NEEDS

Cities across the metropolitan region are working to address housing needs through a variety of tools and resources that fit local needs. These include but are not limited to:

- Providing density bonuses for developments
- Creating affordable housing trust funds
- Reducing lot sizes
- Reducing local fees
- Establishing an inclusionary housing policy
- Reducing parking minimums
- Allowing Accessory Dwelling Units
- Utilizing tax increment financing (TIF)
- Amending zoning ordinances for higher density projects
- Supporting housing rehabilitation and preservation
- Applying for state and regional housing funds

## Housing Assistance Programs Offered in 2023

PROGRAM TYPE	COMMUNITY DESIGNATION			
	Urban Center (5)	Urban (6)	Suburban (7)	Suburban Edge (3)
Down Payment Assistance for low-income homebuyers	4	5	5	3
First-time homebuyer assistance	4	4	5	2
Foreclosure Prevention Program	1	-	1	1
Low-interest Rehab Program	5	6	5	3
4(d) Tax Incentive Program	3	2	2	-
Affordable Housing Trust Fund	4	3	6	-
Local Rental Assistance	3	-	2	1

[Source: Metropolitan Council 2024 Housing Policy and Production Survey]

## Housing Policies Used in 2023

HOUSING POLICY TYPE	COMMUNITY DESIGNATION					
	Urban Center (9)	Urban (12)	Suburban (18)	Suburban Edge (6)	Emerging Suburban Edge (10)	Rural Centers (2)
Active code enforcement program	9	11	17	6	8	2
Rental licensing program	8	11	16	5	6	2
Strong Partnership with County HRA/CDA/EDA	3	7	11	4	9	1
Accessory Dwelling Unit (ADU) policy	6	8	9	4	4	1
Tenants' Rights policies	4	5	4	-	1	-
Displacement Prevention Policy	3	5	4	-	-	-
Mixed-income (inclusionary) housing policy	4	3	4	2	-	-
Equity in Development and Hiring Policy	3	4	4	-	-	-

[Source: Metropolitan Council 2024 Housing Policy and Production Survey]

## Community Plans for Local Affordable Housing Aid (LAHA)

FUNDING USE, PLANNED ACTIVITIES, AND PARTNERS INVOLVED	COMMUNITY DESIGNATION					
	Urban Center (9)	Urban (11)	Suburban (17)	Suburban Edge (5)	Emerging Suburban Edge (8)	Rural Centers (2)
Housing Rehabilitation & Improvement Programs	4	4	5	4	1	-
Homebuyer Assistance	4	2	3	3	-	-
New Construction, Development, Acquisition	2	4	3	3	2	-
Emergency Rental Assistance	3	3	1	-	-	-
New program established	2	-	1	2	-	-
Potential Affordable Housing Trust Fund creation	-	1	1	1	2	-
Working with a CDA/County	-	1	3	1	2	-
Working with a land trust	-	1	1	1	1	-
Working with a nonprofit	-	1	1	-	-	-
Undecided or not specified	1	2	5	-	2	-
Other	1	1	-	-	-	-
Community does not qualify for funds	-	2	5	-	2	2

\*Multiple activities for a single city were counted if the respondent described multiple planned uses for the funding. Many cities are still in the planning stages to determine exact use of funding.

[Source: Metropolitan Council 2024 Housing Policy and Production Survey]



## LAND USE, DENSITY, AND GROWTH

To ensure the adequate and efficient provision of regional sewer, roads, water, and other infrastructure, communities in the seven county metropolitan area are required by the statutory Metropolitan Land Use Planning Act to meet density expectations and plan for existing and future land uses.

### 2040 Minimum Average Net Density Policy

#### OVERALL DENSITY EXPECTATIONS FOR NEW GROWTH, DEVELOPMENT, AND REDEVELOPMENT

##### Metropolitan Urban Service Area: Minimum Average Net Density

Urban Center	20 units/acre
Urban	10 units/acre
Suburban	5 units/acre
Suburban Edge	3-5 units/acre
Emerging Suburban Edge	3-5 units/acre

##### Rural Service Area: Maximum Allowed Density, except Rural Centers

Rural Center	3-5 units/acre minimum
Rural Residential	1-2.5 acre lots existing, 1 unit/10 acres where possible
Diversified Rural	4 units/40 acres
Agricultural	1 unit/40 acres

[Source: Metropolitan Council]

### 2050 Minimum Average Net Density Policy\*

#### OVERALL DENSITY EXPECTATIONS FOR NEW GROWTH, DEVELOPMENT, AND REDEVELOPMENT

##### Metropolitan Urban Service Area: Minimum Average Net Density

Urban	25 units/acre
Urban Edge	14 units/acre
Suburban	7 units/acre
Suburban Edge	3.5 units/acre

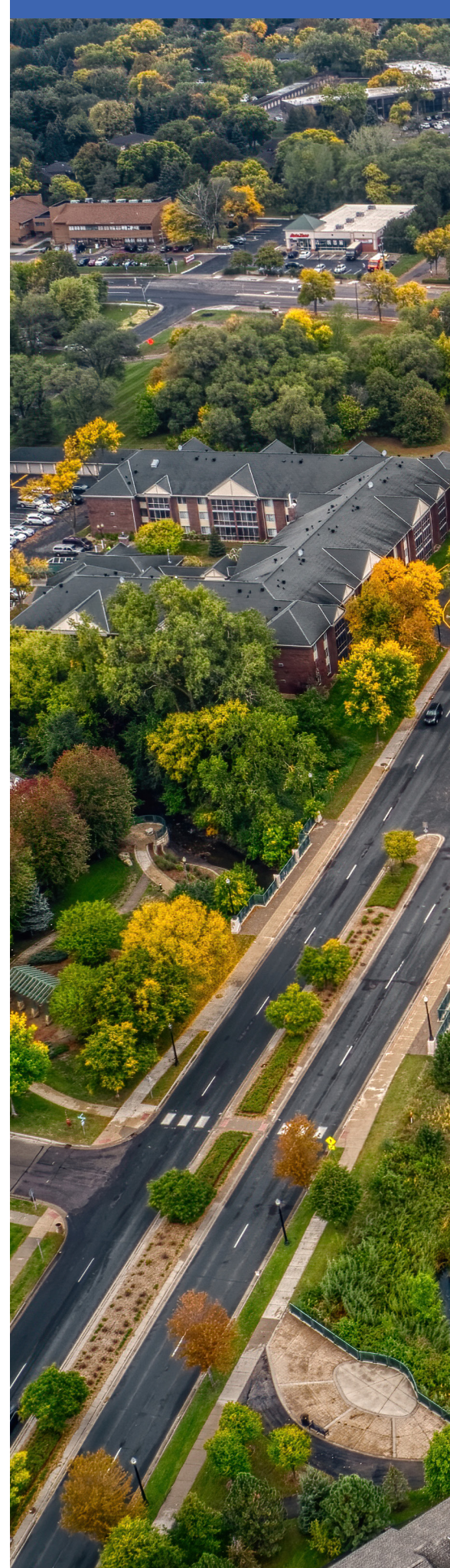
##### Rural Service Area: Maximum Allowed Density, except Rural Centers

Rural Center	3 units/acre minimum
Rural Residential	1-2.5 acre lots existing, 1 unit/10 acres where possible
Diversified Rural	4 units/40 acres
Agricultural	1 unit/40 acres

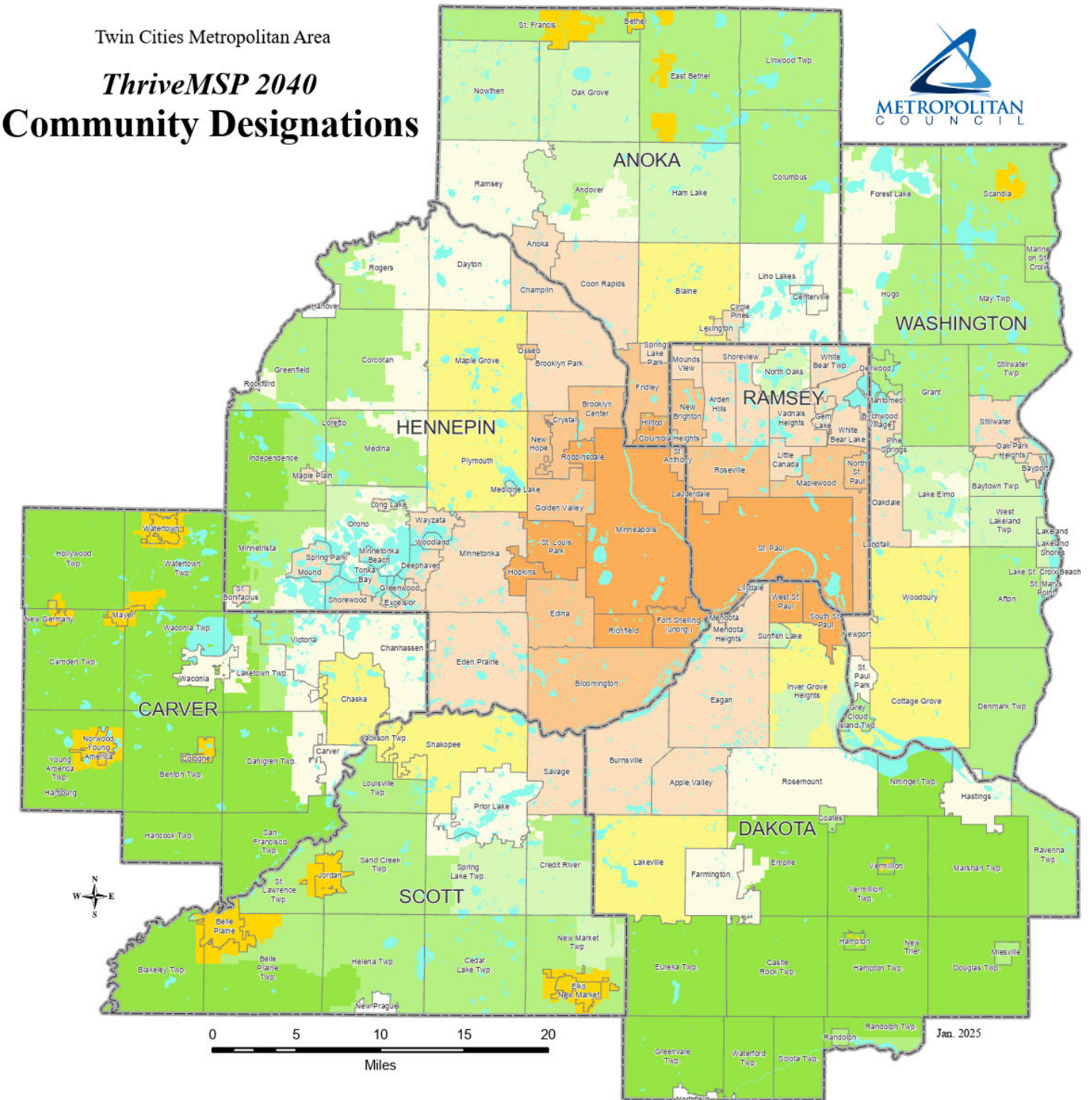
Average minimum and maximum densities apply to all areas guided to support forecasted growth within the planning period.

\*new Council land use policy to be implemented in upcoming city Comprehensive plan update process. Community designations will be updated with the new land use policies.

[Source: Metropolitan Council]



## Twin Cities Metropolitan Area ThriveMSP 2040 Community Designations



### Community Designations

#### Urban Service Areas

- Urban Center
- Urban
- Suburban
- Suburban Edge
- Emerging Suburban Edge

#### Rural Service Areas

- Rural Center
- Diversified Rural
- Rural Residential
- Agricultural

- County Boundaries
- City and Township Boundaries
- Lakes and Rivers

Hanover, New Prague, Northfield, and Rockford are outside the Council's planning authority.



## CITIES NEED:

- Adequate state funding for housing programs, including the Challenge program, Housing Infrastructure bonds, preservation of affordable housing, and programs that reduce racial disparities in homeownership.
- Ongoing state match for local and regional housing trust funds.
- An extension to the timeline in which cities must expend Local Affordable Housing Aid (LAHA) funds.
- Expanding housing aid to metropolitan cities under 10,000 in population.
- Tax credits or grants to support adaptive reuse of underutilized or vacant property into housing.
- Funding to preserve naturally occurring affordable housing.
- Allowing cities to use unobligated tax increment financing (TIF) to support a local housing trust fund.
- Gap funding for mixed income housing projects, and shovel-ready projects stalled due to increased interest rates, land, and construction costs.
- Elimination of Section 8 source of income discrimination.
- Increasing Section 8 and other federal funding to assist HRAs with tax exempt bonds for housing.