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## MEMO

TO: Senate chairs and minority leads of committees to which Senate File 3964 has been referred  
House of Representatives chairs and minority leads of committees to which House File 4009 has been referred

FROM: Christian Larson, Director

DATE: November 27, 2024

SUBJECT: Local Impact Note request: Senate File 3964 (Mitchell) – City minimum residential densities and associated requirements establishment

Enclosed is the local impact note for Senate File 3964 as introduced during the 2024 legislative session. The local impact note was requested by Senator Ann Rest as the chair of the Senate Taxes Committee.

The Legislative Budget Office (LBO) is charged with coordinating the development of local impact notes under [Minnesota Statutes 2024, section 3.987](#). Local impact notes estimate the fiscal impact of proposed legislation on cities, townships, counties, and school districts.

The local impact note provides a summary of the bill, a description of the methodology used in the development of the note, and analysis developed by the LBO. The local impact note is available electronically on the [LBO website](#).

If you or your staff have any questions about the local impact note process, please contact LBO Lead Budget Analyst, Joel Enders, at [joel.enders@lbo.mn.gov](mailto:joel.enders@lbo.mn.gov) or (651) 284-6542.

cc: Senator Nicole Mitchell  
Representative Larry Kraft  
Senate Fiscal Staff  
House Fiscal Staff  
LBO staff

Committee leadership receiving a copy of this local impact note:

Senator Ann Rest  
Senator Lindsey Port  
Senator Eric Lucero  
Senator John Marty  
Senator Eric Pratt

Representative Brian Johnson  
Representative Ginny Klevorn  
Representative Jim Nash  
Representative Michael Howard  
Representative Liz Olson

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# Local Impact Note

2023-2024 Legislative Session  
Minnesota Legislative Budget Office

## **Senate File 3964 / House File 4009 – City minimum densities and associated requirements establishment**

Authors SF 3964: Mitchell; Port; Fateh; Pha

Authors HF 4009: Kraft; Howard; Nash; Elkins; Wolgamott; Dotseth; Hornstein; Kozlowski; Sencer-Mura; Feist; Greenman; Agbaje; Olson, L.; Finke; Keeler; Hussein; Pursell; Jordan; Gomez; Her; Hassan; Garofalo; Xiong; Hemmingsen-Jaeger; Igo; Hicks; Smith; Cha; Moller; Curran; Mekeland

Date: November 27, 2024

**Note:** The following local impact note has been prepared on Senate File 3964 as introduced during the 2024 legislative session.

## **Executive Summary**

The definite fiscal impacts of Senate File (SF) 3964 – City minimum residential densities and associated requirements – cannot be accurately projected due to data limitations and future unknown conditions described in the methodology and data limitations section of this report. There are several indeterminate, but potentially significant, fiscal impacts that cities may experience depending on location, local economic conditions, future housing market trends, current zoning regulations, and infrastructure capacities, among other factors. Cities will likely need to amend core planning documents, codes, policies, and procedures, resulting in additional staff time or consultant costs. Existing infrastructure capacities may not be sufficient to support additional housing density from redevelopment or infill projects, requiring cities to upsize, replace, or install additional infrastructure such as water mains or sewer lift stations. Infrastructure impacts may be neighborhood or area specific but could also affect core system assets such as wastewater treatment plants. New development at relatively higher densities may stress core infrastructure such as wastewater treatment plants and electric substations that were designed based on demand assumptions originally made at the time of construction.

To understand the scope of potential fiscal impacts, the LBO, in consultation with the League of Minnesota Cities (LMC), sent survey packets to 35 cities based on past responsiveness and representing a mix of locations, population sizes, growth trends, and housing demographics. The LBO received responses from 11 cities, a response rate of 31 percent. The LBO also conducted a review of published studies and comparable legislation from other states.

## Bill Summary

The following bill summary was prepared by Senate Counsel, Research, and Fiscal Analysis (SCRFA).<sup>1</sup>

### **S.F. No. 3964 – City minimum residential densities and associated requirements established.**

**Section 1 [462.3575]** adds a new section to the planning and zoning chapter of the statutes relating to city minimum residential densities. The section is effective July 1, 2025, except for subdivisions 1, 14, and 15, which are effective July 1, 2024.

**Subdivision 1** defines terms for the new section, including accessory dwelling unit, affordable housing, all-electric and efficient home, city, cottage housing, courtyard apartment, duplex, fiveplex, fourplex, lot, major transit stop, middle housing, residential dwelling unit, single-family detached home, sixplex, townhouse, and triplex.

**Subd. 2** requires a city to authorize at least six types of middle housing, other than single-family, to be built on residential lots to achieve density requirements.

**Subd. 3** requires cities of the first class to permit (1) at least four residential dwelling units on any residential lot that is more than one-half mile from a major transit stop unless it meets one of the criteria listed, and (2) at least six residential dwelling units on any residential lot that is one-half mile or less from a major transit stop unless it meets one of the criteria listed. In both cases, where one of the criteria is met, the number of residential units allowed is raised.

**Subd. 4** requires a city of the second, third, or fourth class to permit the development of (1) at least two residential dwelling units on any residential lot that is more than one-half mile from a major transit stop, unless one of the listed criteria is met, and (2) at least four residential dwelling units on any residential lot that is one-half mile or less from a major transit stop, unless one of the criteria listed is met. In both cases, where one of the criteria is met, the number of residential units allowed is raised.

**Subd. 5** limits the standards, performance conditions, or requirements a city may impose for residential dwelling units permitted under subdivisions 3 and 4 to only those directly related to protecting public health, safety, and general welfare.

**Subd. 6** provides that a city that does not have a major transit stop must designate the boundaries of at least one commercial district in the city that is adjacent to a residential property. For the purposes of subdivisions 3 and 4, the identified commercial district must be treated as a major transit stop.

**Subd. 7** allows an accessory dwelling unit on any residential lot, regardless of lot size, street frontage, and connectivity between the accessory dwelling unit and primary dwelling.

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<sup>1</sup> The original document can be found at <https://assets.senate.mn/summ/bill/2024/0/SF3964/SF%203964%20Summary.pdf>.

**Subd. 8** allows a city to specify minimum lot sizes for the density requirements in subdivisions 3 and 4, with some limitations. A minimum lot size for a city of the first class must not be greater than 2,500 or 1,200 square feet, depending on the type of middle housing. A minimum lot size for a city of the second, third, or fourth class must not be greater than 4,000 or 1,200 square feet, depending on the type of middle housing.

**Subd. 9** specifies the limitations of city official controls that establish the permitted size, scale, or form of a building. Cities may only impose limitations on building heights, yard or setbacks, maximum lot coverage, impervious surface area, lot widths, lot areas, and number of residential units per lot.

**Subd. 10** prohibits a city from requiring off-street parking for a residential dwelling unit that is one-half mile or less from a major transit stop and may not require more than one off-street parking space for a residential unit more than one-half mile from a major transit stop.

**Subd. 11** allows existing affordable housing to be demolished or remodeled for middle housing only if the development will create at least as many affordable housing units as exist now.

**Subd. 12** requires a city to permit a residential lot to be subdivided when the density requirements of subdivisions 3 and 4 apply.

**Subd. 13** requires a city to establish an administrative design review process for building permits for middle housing developments and subdivision applications under subdivision 12.

**Subd. 14** requires the Minnesota Housing Finance Agency (MHFA) to develop and publish a model ordinance for adoption by cities. The MHFA must convene an advisory group of stakeholders to develop the model ordinance.

**Subd. 15** allows a city to develop an alternative density plan and submit the plan to the MHFA for approval. The commissioner may approve the plan only if the city demonstrates that the plan will result in an equal or greater amount of middle housing production and is given 120 days to approve or deny a plan.

**Subd. 16** states that the section does not apply to a parcel located in a floodplain.

**Subd. 17** states that the section does not modify any requirements in the State Building Code or State Fire Code.

**Section 2 [462.3576]** sets limitations on aesthetic mandates for residential buildings and is effective July 1, 2024.

## Methodology and Limitations

### Local Impact Defined

Minnesota Statutes 2024, section 3.986 defines “local fiscal impact” as “increased or decreased costs or revenues that a political subdivision would incur as a result of a law enacted after June 30, 1997, or rule proposed after December 31, 1999.”<sup>2</sup> For the purposes of local impact notes, political subdivisions include school districts, counties, and home rule charter or statutory cities.

This analysis is limited to cities, as the bill provisions are not applicable to school districts or counties. Local impact notes are prepared at the request of the chair or ranking minority member of either legislative Tax, Finance, or Ways and Means Committee.

### Approach

To understand the scope of potential fiscal impacts, the LBO, in consultation with the LMC, sent survey packets to 35 cities based on past responsiveness and representing a mix of locations, population sizes, growth trends, and housing demographics. The LBO received responses from 11 cities, a response rate of 31 percent. Responses are summarized in the survey and analysis section of this report, but individual respondents are not identified. The LBO also conducted a review of published studies and comparable legislation from other states.

### Data Limitations and Future Unknown Conditions

Local fiscal impacts cannot be accurately projected due to several data limitations and future unknown conditions. Instead, this report includes generalized fiscal impacts that may occur based on survey results and LBO research, as well as specific examples of potential impacts provided by respondents.

Data limitations and future unknown conditions include:

- Published studies and reports often discuss housing density related legislation or initiatives in the context of affordability, supply, or equity. Local implementation and potential fiscal impacts are generally not considered in these studies and reports.
- The LBO did not identify comparable data in enacted legislation or studies conducted from other states that could form the basis of an estimate. Several states have recently passed or considered housing bills with elements similar to SF 3964, but local fiscal impacts are likely to be incurred over the medium to long-term. It does not appear any state or city has passed comparable legislation and tracked local fiscal impacts attributable to said legislation over an extended period of time.
- The model ordinance required in bill section 1, subdivision 14 does not yet exist. City codes, particularly zoning ordinances, are unique from city to city. While a model ordinance may reduce the cost of revising city codes to comply with this

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<sup>2</sup> Minnesota Statutes 2023, section 3.986, <https://www.revisor.mn.gov/statutes/cite/3.986>.

bill, cities will likely need to make some level of code amendments to comply with bill provisions.

- It is unknown, where, when, and to what extent bill provisions will affect housing density relative to infrastructure capacities. The timing and level of fiscal impact will vary depending on location, housing demand, economic conditions, housing stock, existing land use regulations, and infrastructure capacities.

Examples provided in the local impact note are illustrative and should not be applied across all communities or assumed to be representative of all cities. It is not known from the data available the extent these experiences can be generalized for cities across Minnesota.

The local impact note provides generalizations where survey responses and review of available literature seem to provide consensus. Specific examples from survey respondents are included to provide insight and detail into possible fiscal impacts of SF 3964. For all information provided in the local impact note, it should be noted the limited number of responses and the limited data available on the fiscal effects to local units of government of this or similar legislation makes any definitive fiscal estimates difficult at this time.

## Literature Review and Other State Legislation

The LBO reviewed published articles, reports, and briefs from academic journals, professional organizations, and other state legislation to identify potential data sources and qualitative studies. Three states have recently enacted legislation with one or more provisions similar to SF 3964.

### California

Enacted in 2021, California Senate Bill (SB) 9 requires city and county governments to ministerially approve the subdivision of one lot into two lots and projects that create two dwelling units on a single lot in areas zoned for single-family residential use, if specific criteria are met. The bill sets baseline standards such as minimum building size but otherwise allows local jurisdictions to impose objective zoning, subdivision, and design review standards.<sup>3</sup> Localities can deny a proposed housing project or lot split if the building official determines that public health, safety, or the physical environment will be negatively impacted. SB 9 prohibits a city or county from requiring more than one parking space per unit when a lot is split or a second dwelling unit is proposed. No minimum parking requirements may be imposed when the property is located within one-half mile walking distance of a high-quality transit corridor or a major transit stop, or within one block of a car share vehicle.<sup>4</sup>

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<sup>3</sup> California Senate Bill No. 9 (2021), [https://leginfo.ca.gov/faces/billTextClient.xhtml?bill\\_id=20210220SB9](https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=20210220SB9). Note that in April 2024, the Los Angeles County Superior Court ruled that charter cities were not subject to SB 9.

<sup>4</sup> Ibid.



SB 9 does not include an analysis of potential local fiscal impacts, and it does not appear that relevant local cost data or third-party studies have been published to date.

## Oregon

Enacted in 2019, House Bill (HB) 2001 was the first state legislation that required cities to permit middle housing types in single-family-only zoned areas.<sup>5</sup> Cities of 25,000 or more or cities within a metropolitan service district must allow the development of all middle housing types (duplexes, triplexes, quadplexes, cottage clusters, and townhomes) in areas zoned for residential use, while cities not in a metropolitan service district with populations between 10,000 and 25,000 must allow the development of duplexes in areas zoned for residential use.<sup>6</sup> The law allows cities to impose subdivision and design review standards provided that the regulations “do not, individually or cumulatively discourage the development of all middle housing types permitted in the area through unreasonable costs or delays.”<sup>7</sup> Cities were required to amend their land use regulations and comprehensive plan by June 30, 2021 (under 25,000 population) or by June 30, 2022 (over 25,000 population) but could request an extension for specific areas where the local government identified that water, sewer, stormwater, or transportation infrastructure was significantly deficient or expected to become significantly deficient before December 21, 2023.<sup>8</sup> HB 2001 included a \$3.5 million appropriation for the Department of Land Conservation and Development to provide technical assistance to cities but did not provide grants or direct assistance.

A fiscal impact statement prepared by the Oregon Legislative Fiscal Office does not provide a direct estimate, but notes that “cities anticipate an indeterminate but potentially large fiscal impact as a result of this measure.”<sup>9</sup> The statement includes an estimate received from the League of Oregon Cities (LOC) that anticipates cities within the metropolitan boundary (Clackamas, Multnomah and Washington counties, including the City of Portland) could face higher implementation costs than cities located outside of the metropolitan area. An up-front implementation cost estimate for each city included \$80,000 for a code update, \$250,000 for internal staffing costs, and \$250,000 to \$400,000 for engineering reviews of infrastructure capacity.<sup>10</sup> Separate testimony by the LOC expressed concerns regarding infrastructure capacities, particularly redevelopment in older neighborhoods.<sup>11</sup>

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<sup>5</sup> Anthony Flint, “A State-by-State Guide to Zoning Reform,” *Land Lines* (December 2022), <https://www.lincolnst.edu/publications/articles/2022-12-state-by-state-guide-to-zoning-reform/>.

<sup>6</sup> Laws of Oregon 2019, chapter 639, [https://www.oregonlegislature.gov/bills\\_laws/lawsstatutes/2019orlaw0639.pdf](https://www.oregonlegislature.gov/bills_laws/lawsstatutes/2019orlaw0639.pdf). A metropolitan service district is conceptually similar to the Minnesota Metropolitan Council but with a different range of roles and responsibilities.

<sup>7</sup> *Ibid.*

<sup>8</sup> *Ibid.*

<sup>9</sup> Haylee Morse-Miller, *Fiscal Impact Statement for HB 2001* (Salem, OR: Legislative Fiscal Office, 2019), <https://olis.oregonlegislature.gov/liz/2019R1/Downloads/CommitteeMeetingDocument/204527>.

<sup>10</sup> *Ibid.*

<sup>11</sup> League of Oregon Cities testimony on HB 2001 (June 11, 2019), <https://olis.oregonlegislature.gov/liz/2019R1/Downloads/CommitteeMeetingDocument/203932>.

## Washington State

HB 1110, enacted during the 2023 regular session, requires cities in 28 higher-growth counties to allow certain lot densities and middle housing types in areas zoned predominately for residential use.<sup>12</sup> A city with a population between 25,000 and 75,000 must allow at least two units per lot, increasing to four if specified transit or affordable housing criteria are met. A city of 75,000 or more must allow at least four units per lot, increasing to six if specified transit or affordable housing criteria are met. A city of less than 25,000 must allow at least two units per lot if certain location criteria are met.<sup>13</sup> The bill requires cities to allow at least six of nine middle housing types (duplexes, triplexes, fourplexes, fiveplexes, sixplexes, townhouses, stacked flats, courtyard apartments, and cottage housing). Cities may not require design, permitting or review standards for middle housing that are more restrictive than those applied to single-family detached homes. Off-street parking may not be required when a proposed middle housing development is within one-half mile walking distance of a major transit stop, and no more than two off-street parking spaces may be required for all other middle housing developments.

Cities may adopt alternative density requirements that apply to 75 percent of lots if certain conditions are met.<sup>14</sup> A city implementing alternative density requirements may apply for an extension from the effective date (December 31, 2024 to June 30, 2027, depending on location) if displacement or infrastructure deficiencies are demonstrated.<sup>15</sup> HB 1110 also includes specific exceptions for lots designated with critical natural areas, watersheds, water availability and areas served by septic systems. Limits on off-street parking do not apply if a city can demonstrate that middle housing parking requirements would be significantly less safe than if the city's parking requirements were applied.

The Washington State Department of Commerce estimated determinable fiscal impacts across all 79 affected cities at \$9.7 million between fiscal year 2025 and fiscal year 2028, approximately \$120,000 to \$132,000 per city depending on population size.<sup>16</sup> Identified costs included ordinance adoption, transportation analysis, and updating planning and outreach documents. Fiscal impacts that were expected, but could not be estimated, included updates to housing and capital facilities elements of comprehensive plans. The note references infrastructure deficiencies in the context of comprehensive plan updates and city requests for extensions but does not identify potential local fiscal impacts. The fiscal year 2023-2025 state operating budget (SB 5187) included \$4.5

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<sup>12</sup> Laws of Washington State 2023, chapter 332, <https://lawfilesexternal.wa.gov/biennium/2023-24/Pdf/Bills/Session%20Laws/House/1110-S2.SL.pdf?q=20241101102254>.

<sup>13</sup> Washington State Legislature, *Final House Bill Report: E2SHB110* (2023), <https://lawfilesexternal.wa.gov/biennium/2023-24/Pdf/Bill%20Reports/House/1110-S2.E%20HBR%20FBR%2023.pdf?q=20241101102254>.

<sup>14</sup> *Ibid*, 4.

<sup>15</sup> *Ibid*, 5. Cities are required to update their comprehensive plan every 10 years according to a schedule set by the Washington State Legislature. See Washington State Department of Commerce, *A Guide to the Periodic Update Process Under the Growth Management Act* (2022), 9, <https://deptofcommerce.app.box.com/s/y0oj1ejjilqjnzdzj7i4jwm6g5zyunma>.

<sup>16</sup> Washington State Office of Financial Management, *HB 1110 Multiple Agency Fiscal Note Summary* (2023), 26-27, <https://fnspublic.ofm.wa.gov/FNSPublicSearch/GetPDF?packageID=68363>.

million to the Department of Commerce to provide technical assistance grants for ordinance and plan updates.<sup>17</sup>

Several provisions of HB1110 were modified during the 2024 legislative session by HB 2321, allowing cities with less than 25,000 population to choose the number of allowed middle housing types instead of the previously required six, providing exemptions for lots created through the splitting of a single residential lot, and applying density requirements to residential lots near a rapid bus transit stop under construction, among other changes.<sup>18</sup> The corresponding fiscal note identified “indeterminate but minor costs” for cities to incorporate these changes.<sup>19</sup>

## Survey Response Summary and Analysis

The LBO, in consultation with the LMC, sent survey packets to 35 cities based on past responsiveness representing a mix of locations, population sizes, growth trends, and housing demographics. The LBO received responses from 11 cities, a response rate of 31 percent. Demographic characteristics of survey respondents include:

- Five responses were received from cities in greater Minnesota while six were received from cities in the Minneapolis-St. Paul metropolitan area.
- City populations ranged in size from approximately 2,500 to 80,000.
- Geographic size ranged from approximately 2.5 to 35 square miles.
- All survey respondents have adopted a comprehensive plan to guide future development.
- Residential property as a percentage of total property by taxable market value for survey cities in 2023 was a median 83.7 percent. Residential property as a percentage of total property by taxable market value for all Minnesota cities in 2023 was a median 78.5 percent.<sup>20</sup>

Based on survey results and other state research, the LBO identified four areas where cities are likely to experience some level of fiscal impact. The timing and level of impact will vary depending on location, local economic conditions, future housing market trends, current housing stock, current zoning regulations, and infrastructure capacities. The four possible areas of fiscal impact include the following:

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<sup>17</sup> “Affordable Housing Planning Resources: Middle Housing Program,” Washington State Department of Commerce, accessed November 4, 2024, [https://www.ezview.wa.gov/site/alias\\_1976/37775/middle\\_housing\\_program.aspx](https://www.ezview.wa.gov/site/alias_1976/37775/middle_housing_program.aspx).

<sup>18</sup> Washington State Legislature, *Final House Bill Report: ESHB 2321* (2024), <https://lawfilesexternal.wa.gov/biennium/2023-24/Pdf/Bill%20Reports/House/2321-S.E%20HBR%20FBR%2024.pdf?q=20241104072412>.

<sup>19</sup> Washington State Office of Financial Management, *HB 2321 Multiple Agency Fiscal Note Summary* (2024), 14-15, <https://fnspublic.ofm.wa.gov/FNSPublicSearch/GetPDF?packageID=70916>.

<sup>20</sup> Based property tax history data from the Minnesota Department of Revenue, available online at <https://www.revenue.state.mn.us/property-tax-history-data>.

## **Planning and Zoning Administration**

Cities would likely need to amend core planning documents and city codes to comply with bill provisions. Planning and zoning policies vary by city, thus some cities will need more amendments and revisions than others. Impact may be lessened by the model ordinance required by SF 3964 (section 1, subdivision 14), but cities may still need moderate to significant staff or consultant time to adapt their existing code of ordinances and planning documents to the bill requirements.

Cities identified various core planning documents, policies, and procedures that would require amending such as zoning ordinances, subdivision regulations, future land use plans, utility plans, permitting procedures, on-street parking policies, and engineering design standards. The scope and estimated cost to make these updates varied by city. Respondents noted that costs were difficult to estimate without knowing what a future model ordinance would look like. Cost estimates ranged from \$30,000 to \$250,000. For example, one city anticipated that zoning code updates would be needed to revise permitted uses in various districts as well as comprehensive plan updates for future land use, traffic, water demand, and sanitary sewer flows. Several survey responses noted the city would likely conduct one or more utility studies to identify potential deficiencies and better align their capital improvement plan.

## **Policies and Procedures**

Cities would need to establish an administrative design review process (section 1, subdivision 13), amend residential permitting processes, and potentially update city-specific policies such as tree preservation or utility metering.

## **Infrastructure Capacities**

Bill provisions may increase residential housing densities depending on location and local housing demand. Utility infrastructure such as sewer lift stations, water mains, electric substations, or stormwater management ponds are generally sized based on demand assumptions made at the time of installation. Existing infrastructure capacities may not be sufficient to support additional housing density from redevelopment or infill projects, requiring cities to upsize, replace, or install additional infrastructure to meet increased demand. Impacts may be neighborhood or area specific but could also affect core system assets such as wastewater treatment plants.

Infrastructure impacts are expected to vary considerably from city to city and may take years to develop, making it difficult to predict when and where improvements will be needed. For example, one built-out city in the metropolitan area anticipated that if additional density developed in certain neighborhoods the city would likely need to upsize stormwater infrastructure to account for additional impervious surface. Another city on the fringe of the metropolitan area explained that the sewer system was installed in the 1970s based on single-family residential use assumptions. If additional housing density developed in existing neighborhoods, sewer main and lift station capacity may become deficient and need to be upsized. Several cities anticipated they would potentially need to upsize water or sewer infrastructure if housing density increased in certain areas, but stressed it was difficult to estimate specific impacts.

When infrastructure reaches the end of its useful life, cities may opt to install higher capacity infrastructure to accommodate potential density increases rather than risk future deficiencies. New development at relatively higher densities may stress core infrastructure such as wastewater treatment plants and electric substations that were designed based on demand assumptions made at the time of construction.

Off-street parking limitations (bill section 1, subdivision 10) may create safety concerns in certain situations that compel cities to provide additional on-street parking or improve pedestrian facilities. For example, one survey response explained that recently reconstructed roads near a transit stop were not designed to accommodate on-street parking. If housing developed around this area without off-street parking, additional improvements would be needed to address pedestrian safety. Three cities anticipated that if housing density increased without corresponding off-street parking, there would be pressure to provide additional on-street parking and potentially revise road width standards.

### **Other Impacts**

Built-out cities with high housing demand may anticipate overall population and residential housing density increases. Two outer-ring metropolitan cities expect that bill provisions would increase housing density and the total number of rental properties, which would, in turn, require additional rental housing inspectors.

## Appendix: LBO Survey to Cities on SF 3964

### Senate File 3964 Local Fiscal Impact Survey

You are being contacted on behalf of the Minnesota Legislative Budget Office (LBO) regarding a local impact note request made by the Minnesota Legislature. Local impact notes are governed by Minnesota Statutes [3.986](#), [3.987](#), and [3.988](#). A local impact note FAQ can be found on the [LBO website](#).

Responses to the following questions will help legislators understand local fiscal impacts that cities may incur if the proposed bill SF 3964, as introduced, were enacted. “Local fiscal impact” means increased or decreased costs or revenues that a political subdivision would incur as a result of an enacted law or rule. Exact costs are not required but assumptions should be reasonable, and enough detail included for the generalist reader to understand the estimate. Estimates can be shown as a range of fiscal impacts.

Please send your responses to [joel.enders@lbo.mn.gov](mailto:joel.enders@lbo.mn.gov) by October 16, 2024. If you have any questions or would like to discuss your response, please contact Joel Enders at [joel.enders@lbo.mn.gov](mailto:joel.enders@lbo.mn.gov) or 651-284-6542. Responses will be organized and summarized in the local impact note, but individual respondents will not be identified.

The following questions were developed based on potential impacts identified by Minnesota local government organizations in committee testimony and local governments in other states where similar legislation has been introduced.

1. What core documents, policies, and procedures would need to be updated in order to comply with this bill? Describe required amendments or updates and, if possible, estimate needed staff or consultant time and associated cost. Identify any policy or procedure groups that would need to be updated, for example planning or building department review procedures. Identify costs that are anticipated to be one-time and those that would be ongoing. Would you anticipate hiring additional staff, assigning additional duties to existing staff, utilizing consultants, or a combination thereof?

*Example – Section 1, subdivision 2, requires cities to authorize at least six types of middle housing other than SFR-detached homes. A city may need to amend zoning district permitted uses or conditional uses in order to comply with this provision.*

2. Would bill requirements change how the city approaches capital planning, capital financing, or economic development? If yes, please explain.
3. Would you anticipate potential infrastructure-related impacts (capacity, replacement, design, etc.) if this bill were enacted? If so, please provide narrative examples that include, if possible, an estimated cost range to replace, upgrade, upsize, or install infrastructure. The exact timing and extent to which bill provisions may affect infrastructure capacities or capital replacement costs over time may not be feasible to predict and is not necessary for the purposes of this survey. Examples will be

used as part of a qualitative analysis to help legislators understand local fiscal impacts that may occur.

*Example – Section 1, subdivision 4, requires cities of the second, third, and fourth class to permit the development of at least two residential dwelling units on any residential lot that is more than one-half mile from a major transit stop, or 3-4 units if certain criteria is met. A city may be able to identify areas where additional density is likely to occur over time, and as a result certain infrastructure may have to be upgraded, upsized, or replaced ahead of schedule. For example, staff may anticipate that a single-phase electric line serving a particular residential area would need to be upgraded to a three-phase line if additional density developed in that area.*

4. Describe any other anticipated fiscal impacts.