

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 3418

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3737 Introduction and first reading
Referred to State and Local Government

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to local government; requiring certain cities to enact zoning changes related

1.3 to residential density and permitted uses; prohibiting certain written instruments

1.4 relating to real estate; amending Minnesota Statutes 2024, section 462.358, by

1.5 adding subdivisions; proposing coding for new law in Minnesota Statutes, chapters

1.6 462; 507.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. **[462.3575] CITY MINIMUM RESIDENTIAL DENSITIES; ZONING**

1.9 **REQUIREMENTS.**

1.10 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have

1.11 the meanings given.

1.12 (b) "Accessory dwelling unit" means any building that contains one residential dwelling

1.13 unit that is used, occupied, intended for use, or designed to be built, used, rented, leased,

1.14 let, or hired out to be occupied for living purposes and is located on the same property as

1.15 an existing single-family detached home and built to the standards in the Minnesota

1.16 Residential Code, Minnesota Rules, chapter 1309. An accessory dwelling unit may be

1.17 attached or detached from the existing dwelling. Accessory dwelling unit does not include

1.18 sacred communities and micro-unit dwellings under section 327.30 and temporary family

1.19 health care dwellings under section 462.3593.

1.20 (c) "Affordable housing development" means a multifamily residential development in

1.21 which:

1.22 (1) at least 20 percent of the residential units are for households whose incomes do not

1.23 exceed 50 percent of the greater of the statewide or area median income, or at least 40

2.1 percent of the residential units are for households whose incomes do not exceed 60 percent
2.2 of the greater of the statewide or area median income; and

2.3 (2) the deed or declaration for an affordable residential unit contains a restrictive covenant
2.4 requiring the property to remain affordable housing for at least 30 years.

2.5 (d) "Aggrieved party" means a person who can demonstrate a specific personal and legal
2.6 interest, as distinguished from a general interest, who has been or is likely to be specially
2.7 and injuriously affected by a decision.

2.8 (e) "City" means a home rule charter or statutory city with a population of 10,000 or
2.9 more.

2.10 (f) "Commercially zoned district" means an area in a city that is zoned to allow the use
2.11 of land for buildings, in whole or in part, engaging in the sale, lease, rental, or trade of
2.12 products, goods, and services.

2.13 (g) "Duplex" means a two-family home classified as an IRC-2 in the State Building
2.14 Code and not meeting the definition of townhouse.

2.15 (h) "Fourplex" means a building containing four residential dwelling units intended for
2.16 nontransient occupancy and not meeting the definition of townhouse.

2.17 (i) "Lot" means any contiguous parcel of land in the possession of, owned by, or recorded
2.18 as the property of the same claimant or person.

2.19 (j) "Major transit stop" means a stop or station for a guideway or for a busway, as the
2.20 terms are defined in section 473.4485, subdivision 1.

2.21 (k) "Metropolitan area" has the meaning given in section 473.121, subdivision 2.

2.22 (l) "Middle housing" means residential properties that are compatible in scale, form, and
2.23 character with single-family detached homes and includes all of the following housing types:

2.24 (1) duplexes;

2.25 (2) townhouses;

2.26 (3) triplexes;

2.27 (4) fourplexes; and

2.28 (5) single-family detached homes.

2.29 (m) "Multifamily residential development" means a single residential building with at
2.30 least ten units or a mixed-use building with commercial use on the ground floor and in
2.31 which at least half of the usable square footage is for residential use.

3.1 (n) "Residential dwelling unit" or "unit" means a residential dwelling unit for the use of
3.2 a single owner or tenant and applies to any type of residential structure unless otherwise
3.3 specified.

3.4 (o) "Single-family detached home" means any building that contains one residential
3.5 dwelling unit that is used, occupied, intended for use, or designed to be built, used, rented,
3.6 leased, let, or hired out to be occupied for living purposes that is not attached to another
3.7 structure.

3.8 (p) "Townhouse" means a single-family residential dwelling unit, considered a separate
3.9 building by the State Building Code, that is constructed in a group of three or more attached
3.10 units in which each unit extends from the foundation to the roof and has open space on at
3.11 least two sides.

3.12 (q) "Triplex" means a building containing three residential dwelling units intended for
3.13 nontransient occupancy and not meeting the definition of townhouse.

3.14 Subd. 2. **Cities of the first, second, and third class; required residential densities.** (a)
3.15 A city of the first, second, or third class must allow duplexes as a permitted use in at least
3.16 33 percent or more of the area in each residential zoning district within the city, including
3.17 districts zoned for single-family detached homes.

3.18 (b) A city of the first or second class must allow triplexes, fourplexes, or townhomes as
3.19 a permitted use in at least 25 percent or more of the area in each residential zoning district
3.20 within the city, including districts zoned for single-family detached homes.

3.21 (c) A city must adopt a zoning ordinance by June 30, 2026, to comply with the
3.22 requirements of paragraph (a) or (b), as applicable.

3.23 Subd. 3. **Accessory dwelling units authorized.** (a) A city of the first, second, or third
3.24 class must allow at least one accessory dwelling unit to be built on any residential lot
3.25 containing a single-family detached home in a city, regardless of total lot size, street frontage,
3.26 or connectivity between the accessory dwelling unit and the primary dwelling unit on the
3.27 lot, so long as the accessory dwelling unit is built in conformance with:

3.28 (1) the State Building Code and Minnesota Rules, chapter 1309;

3.29 (2) minimum spacing requirements for emergency services access; and

3.30 (3) the smallest residential setback in municipal code.

4.1 (b) A city may require an accessory dwelling unit to remain part of the same parcel as
4.2 the primary dwelling and prohibit the accessory dwelling unit from being sold separately
4.3 from the primary dwelling on the lot.

4.4 (c) A city must adopt a zoning ordinance by June 30, 2026, to comply with the
4.5 requirements of paragraph (a).

4.6 Subd. 4. **Multifamily residential developments in commercial districts.** (a) A city of
4.7 the first, second, or third class must allow multifamily residential developments as a permitted
4.8 use in at least 25 percent of the area in commercially zoned districts.

4.9 (b) A city may require a multifamily residential development authorized under this
4.10 subdivision to comply with all municipal zoning standards, including the adequacy of
4.11 existing public infrastructure.

4.12 (c) A city must adopt a zoning ordinance by June 30, 2026, to comply with the
4.13 requirements of paragraph (a).

4.14 Subd. 5. **Encouraging development of missing middle and multifamily housing.** A
4.15 city of the first, second, or third class must adopt an ordinance by June 30, 2026, that includes
4.16 a minimum of four of the housing strategies in clauses (1) to (11) to encourage the
4.17 development of missing middle and multifamily housing. Strategies that currently exist in
4.18 a city ordinance prior to the enactment date of this section shall count toward the minimum
4.19 number of strategies required to be adopted under this section. The housing strategies are
4.20 as follows:

4.21 (1) create density bonuses, including an increase in floor area ratio and lot coverage if
4.22 the housing is affordable housing;

4.23 (2) reduce off-street parking requirements to no more than one parking space per dwelling
4.24 unit for multifamily housing;

4.25 (3) eliminate off-street parking requirements for middle housing that is located within
4.26 one-quarter mile of a major transit stop;

4.27 (4) increase the number of residential dwelling units per acre;

4.28 (5) eliminate minimum lot sizes or reduce the existing minimum lot size required by at
4.29 least 25 percent;

4.30 (6) eliminate setback requirements or reduce existing setback requirements by at least
4.31 25 percent for at least one zoning district;

(7) increase building height limits for middle or multifamily housing by at least 25 percent;

(8) allow administrative, nondiscretionary development approvals to middle housing containing more than one residential dwelling unit;

(9) allow administrative, nondiscretionary development approvals for multifamily housing;

(10) establish and capitalize a local housing trust fund; and

(11) permit multifamily housing as a by-right use in 50 percent of commercial districts.

Subd. 6. Limitation on aesthetic requirements. (a) Unless requested by the applicant, a municipality must not condition the approval of a residential building permit, residential subdivision development, or residential planned unit development for new single-family detached homes, duplexes, or townhouses on:

(1) the minimum number or type of exterior finish materials, including siding or exterior cladding;

(2) the presence of gables, decks, balconies, or porches; and

(3) the minimum square footage resulting in a garage larger than a two-car garage.

(b) Except as provided in this subdivision, a municipality may impose other architectural design standards to ensure compatibility in scale and form with adjacent residential lots.

(c) Notwithstanding paragraph (a), a city may, via ordinance, encourage, reward, or incentivize, but not mandate, the use of a particular cladding material or the inclusion of gables, decks, balconies, or porches.

(d) This subdivision does not apply to properties that are designated historic sites or properties in designated historic districts.

Subd. 7. Administrative review process. (a) Notwithstanding any law, rule, or ordinance to the contrary, a city must establish an administrative review process subject to the time constraints and process in section 15.99 for multifamily developments with four or fewer residential units. The administrative review process must review all aspects of the development application and comments submitted under paragraph (b), and the application must be approved or denied without adherence to public hearing requirements in section 462.357.

(b) The administrative review process may include a notice of the proposed development mailed to each owner or tenant of an affected property situated completely or partly within

350 feet of the proposed development. An aggrieved party that owns an affected property may be granted the ability to provide written comments on material impacts the development will have on an affected property that are provided to the applicant and made publicly available. A city may require the developer to host a neighborhood informational meeting for surrounding property owners to discuss the proposed development and allow for feedback from existing property owners.

(c) A city may assess a fee that is fair, reasonable, and proportionate to the costs a city incurs to provide notice requirements in this subdivision.

Subd. 8. **Municipal standards.** (a) A city may require any development authorized in this section to comply with any standards, performance conditions, or requirements, including the adequacy of existing public infrastructure and a city's comprehensive plan, imposed by a city to promote the public health, safety, and general welfare.

(b) Nothing in this section authorizes a residential development that is prohibited by a state or federal law, or an ordinance adopted pursuant to a state or federal law, that protects floodplains, areas of critical concern, wild and scenic rivers, or shoreland; conflicts with an approved plan under chapter 103B; or otherwise restricts development to protect public health, the environment, or scenic areas.

Subd. 9. **State Building Code; State Fire Code.** This section does not modify any requirement in the State Building Code or State Fire Code.

Sec. 2. Minnesota Statutes 2024, section 462.358, is amended by adding a subdivision to read:

Subd. 12. **Street impact fee.** (a) In addition to all other existing authority of a municipality, a municipality may impose a fee as set by ordinance on an applicant based on the net buildable acreage of the subdivision, the subdivision's impact on the municipality's transportation system, or the municipality's transportation plan.

(b) The municipality must place any cash payments received in a special fund that may be used only for costs related to the municipality's approved transportation plan, including the acquisition and construction, maintenance, or improvement of streets, roads, intersections, and related transportation infrastructure.

(c) In addition to any other authority, the municipality may deny the approval of a subdivision based solely on an inadequate transportation system within the municipality.

(d) Previously subdivided property, from which the municipality has received a street impact fee, that is resubdivided with the same number of lots is exempt from street impact

7.1 fee requirements. If, as a result of resubdividing the property, the number of lots is increased,
7.2 the street impact fee applies only to the net increase of lots.

7.3 Sec. 3. Minnesota Statutes 2024, section 462.358, is amended by adding a subdivision to
7.4 read:

7.5 Subd. 13. **Street impact fee nexus.** (a) There must be an essential nexus between the
7.6 fee imposed under subdivision 12 and the municipal purpose for the fee. The fee must bear
7.7 a rough proportionality to the need created by the proposed subdivision or development.

7.8 (b) If a municipality is given written notice of a dispute over a proposed fee before the
7.9 municipality's final decision on an application, a municipality must not condition the approval
7.10 of any proposed subdivision or development on an agreement to waive the right to challenge
7.11 the validity of a fee.

7.12 (c) An application must proceed as if the fee had been paid, pending a decision on the
7.13 appeal of a dispute over a proposed fee, if:

7.14 (1) the person aggrieved by the fee puts the municipality on written notice of a dispute
7.15 over a proposed fee;

7.16 (2) prior to the municipality's final decision on the application, the fee is deposited in
7.17 escrow; and

7.18 (3) the person aggrieved by the fee appeals under section 462.361 within 60 days of the
7.19 approval of the application.

7.20 If an appeal is not filed by the deadline or the person aggrieved by the fee does not prevail
7.21 on the appeal, the funds paid into escrow must be transferred to the municipality

7.22 Sec. 4. **[507.185] PROHIBITED RESTRICTIONS; COMMON INTEREST**
7.23 **COMMUNITIES.**

7.24 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have
7.25 the meanings given.

7.26 (b) "Common interest community" has the meaning given in section 515B.1-103, clause
7.27 (10), and includes common interest communities subject to chapter 515, 515A, or 515B.

7.28 (c) "Provision" embraces all clauses, stipulations, restrictions, covenants, and conditions.

7.29 (d) "Written instrument relating to or affecting real estate" embraces every writing
7.30 relating to or affecting any right, title, or interest in real estate and includes plats and wills.

8.1 Subd. 2. **Prohibited restrictions.** A common interest community must not include in a
8.2 written instrument relating to real property made on or after August 1, 2025, any provision
8.3 prohibiting the conveyance, mortgage, encumbrance, or lease of any real estate to any person
8.4 based on a restriction for the real property that requires:

8.5 (1) a minimum home size or height;

8.6 (2) a minimum building price or sale price;

8.7 (3) restrictions on the type of parking structures attached or adjacent to a single- or
8.8 double-occupancy residential home; and

8.9 (4) restrictions on the building material available for the construction of a home or
8.10 imposes architectural styles that are designed to affect the exterior appearance of the home
8.11 or the fencing that may be used around the home for the construction.

8.12 Subd. 3. **Restriction void and unenforceable.** A provision included in a written
8.13 instrument relating to or affecting real estate in violation of this section is void and
8.14 unenforceable and shall be severed from the written instrument. The written instrument
8.15 shall have full force and effect in all other respects and shall be construed as if no prohibited
8.16 provision were contained therein.

8.17 **EFFECTIVE DATE.** This section is effective August 1, 2025, and applies to real estate
8.18 conveyances executed on or after that date.