

Housing Affordability Improved in Minneapolis and Houston After Reforms

Updated regulations helped expand availability of homes, curbing rent growth and homelessness

By: Linlin Liang and Kery Murakami

Hundreds of thousands of residents have been fleeing California since 2015, largely because of the cost of housing. But even with an exodus of [260,000 people](#) in 2023 alone—among the most in the nation—the state is still facing high housing costs and homelessness fueled by a shortage of at least [881,000 homes](#).

And California is not alone. The U.S. as a whole is struggling with a [record shortage of housing](#), caused in part by [overly restrictive zoning codes](#) that have prevented new housing development, even in areas with many jobs and transit stops, and raised rents. Over the past dozen years, [housing underproduction](#) has affected nearly 75% of the country’s metropolitan areas.

Several major cities, however, have bucked this trend. Research by The Pew Charitable Trusts indicates that Houston and Minneapolis added to their housing supply since their initial reform efforts in [1998](#) and [2009](#), respectively, by changing their local regulations to allow more town houses and apartments to be built. This, in turn, has helped these cities keep rent growth low, improving affordability.

By contrast, in communities without such reforms, the housing shortage has generated hardship for many renters around the country. [Half of renters](#) in the U.S. are considered rent-burdened, meaning they spend more than 30% of their income on rent. In California, the figure was [54%](#) in 2022. And another [Pew analysis](#) found that areas with high rents have high levels of homelessness, while those with low rents have low

Homelessness Increased in Areas Where Rents Soared
Percentage change in median rent and homelessness per 10,000 residents, January 2017 to January 2022

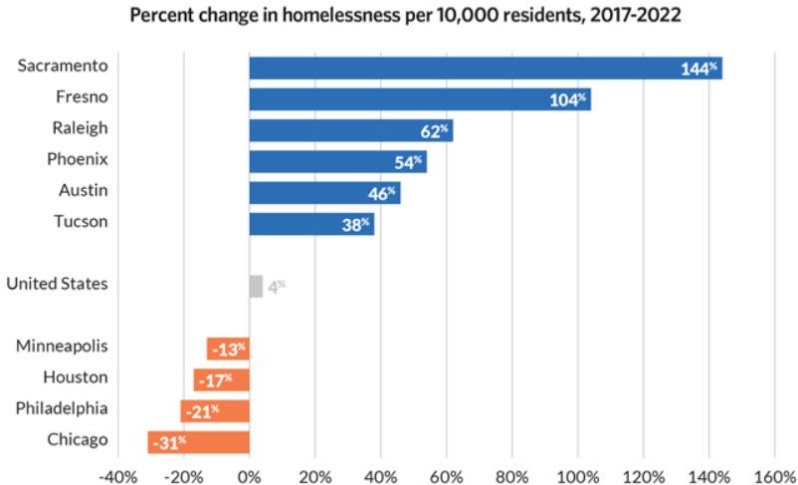
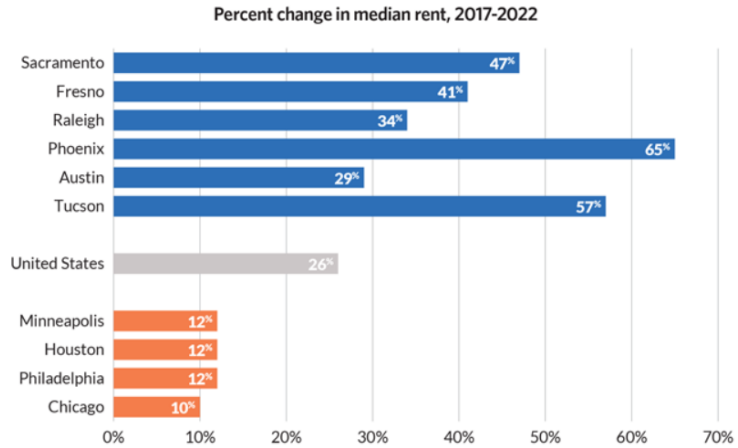


FIGURE 1

levels of homelessness. California’s homeless population swelled 38% from [131,532](#) in 2017 to an all-time high of [181,399](#) in 2023, making up more than a quarter of the nation’s homeless population. In six cities where rents grew faster than the national average, including Sacramento and Fresno, California, homelessness rose sharply between 2017 and 2022. However, in Minneapolis, Houston, and two other cities where rent growth stayed below the national average, homelessness declined. (See Figure 1.)



Sources: Homelessness data comes from the U.S. Department of Housing and Urban Development’s (HUD’s) Point-in-Time estimates in 2017 and 2022. Population data comes from the 2017 and 2021 American Community Survey (ACS) one-year population estimates from the U.S. Census Bureau. Rent levels come from Apartment List’s Rent Estimates data in January 2017 and January 2022, downloaded on June 15, 2023. The city names listed refer to HUD’s Continuum of Care (CoC) for the city, which most often covers the county in which the city resides (for example, Wake County for Raleigh, Maricopa County for Phoenix, Hennepin County for Minneapolis) but sometimes covers multiple counties. When the CoCs cover multiple counties, rent data for the largest county in the CoC was used.

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FIGURE 1 (CONT.)

[Minneapolis](#) added 12% to its housing stock from 2017 to 2022 after it began making a series of zoning reforms to reduce parking mandates, allow more apartments, and streamline permitting processes for new construction. That has led to [annual median rents](#) increasing by less than \$800 in Minneapolis from January 2017 to May 2024, while they rose by nearly \$2,800 in Minnesota overall. Over the same period, California added just [3% to its housing stock](#), and rents in the state rose by an estimated \$4,900 a year. Additionally, the level of [homelessness](#) in the Minneapolis area (Hennepin County) [dropped](#) 12% from 2017 to 2022 while it rose 14% in the rest of the state. (See Figure 2.)

In comparison, most California municipalities have not taken meaningful steps to address restrictive zoning. According to the UCLA Lewis Center’s [Housing Initiative](#), opposition from homeowner associations led the Los Angeles City

Minneapolis’ Rent Growth Was Much Lower Than Minnesota’s
 Percentage change in housing stock, average rent, and homelessness, 2017-22

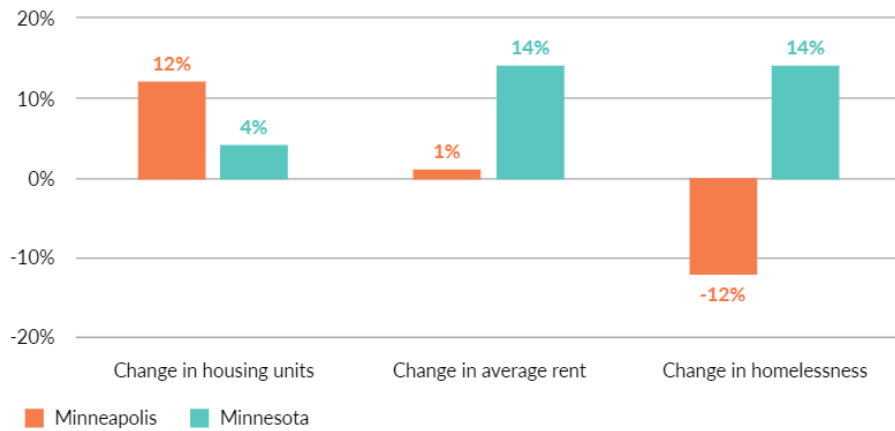


FIGURE 2

Planning Department to abandon a plan last October that could have enabled more than 450,000 new housing units through 2029 through zoning changes. And several areas where homelessness has spiked have added little to their local housing supply. Fresno, for example, added just 3.9% to its housing stock between 2017 and 2022, despite high demand for homes. Homelessness in the city more than doubled over the same span.

Reduce parking requirements. Streamline permitting processes.

Laws that require parking either underground or aboveground increase development costs and deter new construction. A step-by-step approach in Minneapolis phased out parking requirements for new housing developments across the city, first in downtown zoning districts in 2009, then in buildings near transit in 2015, and ultimately [citywide by 2021](#). In addition, as part of its Minneapolis 2040 plan, the city in 2020 created a simple, quick permitting process for apartment buildings and established [minimum height requirements](#) for new developments in [zoning districts](#) near transit and along commercial corridors. The city also allowed duplexes and triplexes on all residential lots for the first time.

Other municipalities that have [expanded the availability of apartments in commercial areas](#) and [eliminated parking requirements](#) have also seen more housing constructed and affordability improve.

Smaller lots. More affordable housing.

Reforms in other cities have also delivered results. Houston relaxed its minimum lot size requirement from 5,000 square feet to 1,400 square feet, first in designated areas in 1998 and then in the entire city in 2013. These changes led to a boom in town house construction. And

[researchers at the University of Texas at Austin](#) found that the town houses built on lots previously used for detached homes had a median assessed value of \$340,000, considerably lower than the \$545,000 median value of new detached homes. The new town houses were affordable for households earning at least [105%](#) of the area's median family income in 2020 and were especially likely to be built in areas with above-average incomes, expanding access to opportunity.

The additional housing also did not result in a concern raised by critics—that it would lead to the displacement of residents, particularly people of color. From 2000 to 2021, Houston increased its housing stock 31% and grew its [Black and Hispanic populations by 4% and 40%, respectively](#), while Los Angeles added only 15% to its housing supply and saw its number of Black residents fall [by 19% and of Hispanic residents rise by just 10%](#). California's rate of homelessness is about eight times that of Houston, and in San Francisco the homelessness rate is nearly 20 times Houston's.

As California looks for ways to address its housing shortage and resulting high rents and homelessness, reforms that have enabled the construction of more homes in Minneapolis, Houston, and other cities offer clear lessons. Allowing more homes, especially in cities and towns, is a core building block for achieving housing affordability and reducing homelessness.

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