



REGIONAL FOCUS

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The Twin Cities' Rent Control Fiasco

I know I'm starting to sound like a broken record, but guess what? Rent control has failed again. This time in spectacular fashion and in real time.

A few years ago, the Twin Cities of St. Paul and Minneapolis took divergent paths on rent control despite having similar housing challenges. St. Paul implemented a strict rent control policy while Minneapolis opted against it, focusing instead on zoning reforms and incentives for developers to boost housing supply.

This created a real-time A/B test for everyone to see the benefits and shortcomings of both choices.

I have seen my fair share of policy experiments, but few have been as disastrous, or as predictable, as St. Paul's ill-fated rent control experiment. Let's rewind to November 2021, when St. Paul voters approved the Rent Stabilization Ordinance, capping annual rent increases at an inflexible 3%.

The city's website touted this as a solution to the affordable housing crisis, claiming it would ensure "all residents have access to affordable housing."

Of course, we all know better. Price controls on rents may sound noble and may help a politician win

a campaign, but they ignore the basic economics of housing. Property owners in St. Paul could not come close to covering the rising costs of property taxes, maintenance, insurance, etc.

The fallout was swift and brutal. According to a 2024 Urban Institute report, St. Paul saw a 35% drop in multifamily housing permits in 2022-2023 compared to pre-ordinance levels.

Developers fled the city in haste. Why would anyone build new apartments when the numbers simply don't pencil out? A 3% cap during that time didn't even cover inflation, let alone all the other rising costs for new construction.

The Cato Institute, in a July 2024 report, pegged the decline in new housing starts at 40%. Meanwhile, Minneapolis — which rejected rent control in favor of zoning reforms and incentives — saw an 18% increase in housing starts over the same period.

The contrast could not be clearer: St. Paul's policy was a self-inflicted wound and everyone could see it — elected officials, the media, and most importantly, the public. Something had to be done.

Just recently (on May 8), the St. Paul City Council reversed the

rent control policy for buildings constructed after 2004, acknowledging its failure to balance tenant protections with housing growth.

This belated admission of failure may have come too late for St. Paul, as investors are now wary of investing in a city with such regulatory instability. Investor confidence in the city has waned, and it will be difficult to regain their trust.

But St. Paul's rent control didn't just kill new development; it made life harder for existing landlords as well. In an article published on May 15, the *Minnesota Reformer* reported a 10% spike in evictions in 2023 as landlords, unable to raise rents, converted units to owner-occupied or short-term rentals to escape the ordinance. After all, why keep a rental property when you can't make a profit?

Rent control doesn't just hurt the bottom line; it forces folks out of the market entirely.

Worse still, the policy hurt the very residents it claimed to protect. The Cato Institute report highlighted a decline in property maintenance as landlords, squeezed by the cap, cut back on upkeep. Why invest in a new upgrade when you can't recoup the cost? The result was a drop in housing quality — a con-

cern that is often brought up by anti-rent control advocates like us at WMA.

Now, let's look across the river at Minneapolis, where sanity prevailed. Instead of rent control, Minneapolis focused on increasing the housing supply through zoning reforms.

Starting in 2009, they reduced parking requirements, allowed accessory dwelling units, and eliminated single-family zoning with the Minneapolis 2040 Comprehensive Plan.

The results speak for themselves. From 2017 to 2022, Minneapolis increased its housing stock by 12% while rents grew by just 1%. During the same time, the rest of the state

of Minnesota saw its housing stock grow by only 4% while rents shot up 14%.

A February 2025 Bloomberg article reported that by 2024, Minneapolis had added 20,000 new units, with 30% classified as affordable, and kept rent growth at a mere 0.8% annually — well below the national average of 3.5%.

Minneapolis' success isn't magic. It's basic economics. If you build more homes, you ease pressure on rents. St. Paul's approach, by contrast, was like trying to fix a leaky pipe by turning off the water in the house. Yes, you stopped the leak, but now no one gets any water.

The *Minnesota Reformer* noted that

Minneapolis saw a 25% increase in affordable housing units from 2021 to 2024, driven by private development incentivized by relaxed zoning laws.

Meanwhile, St. Paul's supply shortage left residents scrambling. With vacancy rates plummeting to a historic low of 2.5% in 2023, residents faced fiercer and fiercer competition for fewer units, driving up costs and instability for the very residents the policy aimed to protect.

Our industry must stay vigilant. Rent control is a wolf in sheep's clothing, and St. Paul's failure is a rallying cry for us to advocate for supply-side solutions and fight against rent control here at home.

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