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1**ORDINANCE AMENDMENT REVIEW SHEET**

Amendment: C20-2014-001 Micro Units

Description: Consider an ordinance amending Title 25 of the City Code relating to the regulation of efficiency dwelling units in certain zoning districts.

Proposed Language: See attached draft ordinance and background information.

Summary of proposed code changes for micro units

- 400 sq ft site area requirement for each dwelling unit
- 0.6 on-site parking spaces required per dwelling
- Permitted on Core Transit Corridors and Future Core Transit Corridors
- Permitted in the following zoning districts: MF-1, MF-2, MF-3, MF-4, MF-5; MU combining district
- No changes to other base district site development standards
- On-site affordability required

Background: Initiated by City Council Resolution 20140327-040

In March 2014, City Council initiated changes to Austin's LDC to remove any impediments to the construction of micro units – efficiency units that are typically less than 400 square feet in size. Although Austin's current code allows for the construction of these types of units, there are density caps and parking requirements that may inhibit their construction. The proposed changes will allow construction of micro units at higher densities than are currently allowed, along with a reduced parking requirement, so long as the units are located along Core Transit Corridors (CTCs) or Future CTCs, and on-site affordable units are provided.

Staff Recommendation: Staff recommends the proposed code amendment.

Board and Commission Actions

September 16, 2014: Not recommended (denied) by the Codes and Ordinances Subcommittee on a 4-0 vote (Commissioner Oliver absent), with the following note:

- The micro unit discussion requires additional study needed on a comprehensive approach to transportation and residential permit parking program, both of which are more appropriately discussed as a part of CodeNEXT.

September 23, 2014: A public hearing has been scheduled for Planning Commission.

Council Action

August 28, 2014: Postponed to the October 2, 2014 Council meeting.

October 2, 2014: A public hearing has been scheduled.

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Ordinance Number: NA

City Staff: Greg Dutton

Phone: 974-3509

Email: Greg.Dutton@austintexas.gov

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ORDINANCE NO.

AN ORDINANCE AMENDING CITY CODE TITLE 25 RELATING TO MICRO UNITS

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

PART 1. City Code Section 25-1-21 is amended to add a new definition to read:

§25-1-21 DEFINITIONS.

Micro Unit means a dwelling unit containing not more than 400 square feet of floor area, and not having a bedroom or sleeping area separate from principal living area. A building containing a micro unit must be located along a Core Transit Corridor or a Future Core Transit Corridor, and must provide on-site affordability.

PART 2. City Code Chapter 25-2, Subchapter E (*Design Standards And Mixed Use*) is amended to add a new Article 6: *MICRO UNITS*:

ARTICLE 6: MICRO UNITS

A. Purpose. The purpose of a micro unit is to provide an efficiency dwelling unit that meets affordability requirements, and allows increased density, reduced parking, and promotes affordability along Core Transit Corridors and Future Core Transit Corridors. A building may contain any mixture of micro units and other types of apartments, or may contain entirely micro units.

B. Applicability

The following table summarizes the applicability of this section:

Standard	Applies if the Principal Street Is:	Applies to the Following:
Micro Units	Core Transit Corridor, Future Core Transit Corridor	- multifamily zoning districts (MF-1, MF-2, MF-3, MF-4, MF-5) - mixed use (MU) combining district

C. Where Allowed.

1. A micro unit is permitted within the following base districts:

a. multifamily residence limited density (MF-1) district

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- b. multifamily residence low density (MF-2) district
- c. multifamily residence medium density (MF-3) district
- d. multifamily residence moderate-high density (MF-4) district
- e. multifamily residence high density (MF-5) district

- 2. A micro unit is permitted within the following combining districts:
 - mixed use (MU) combining district

D. Compatibility and Neighborhood Standards. All buildings containing micro units are subject to the compatibility standards of Chapter 25-2, Article 10 if applicable.

If there is a conflict between the compatibility standards and this Subchapter, the compatibility standards shall control.

A building containing micro units that is located on a site that is adjacent to an urban family residence (SF-5) district or more restrictive zoning district, or is adjacent to a property which contains a use permitted in an SF-5 or more restrictive zoning district, other than a dwelling permitted by Section 25-2-894 (*Accessory Uses for a Principal Commercial Use*), must comply with Section 4.3.3, Table D (*Neighborhood Design Standards*).

E. Affordability Requirements. To be eligible for the dimensional or parking standards in Subsection F of this section, a building containing micro units shall meet the following affordability requirements, which shall run with the land.

1. Affordability Requirements for Owner-Occupied Units.

Ten percent of the square footage of the micro unit building shall be reserved as affordable, for not less than 99 years from the date the first certificate of occupancy is issued, for ownership and occupancy by households earning no more than 80 percent of the current Annual Median Family Income for the City of Austin Metropolitan Statistical Area.

2. Affordability Requirements for Rental Units.

Ten percent of the square footage of the micro unit building shall be reserved as affordable, for not less than 40 years from the date the first certificate of occupancy is issued, for ownership and occupancy by households earning no more than 60 percent of the current Annual Median Family Income for the City of Austin Metropolitan Statistical Area.

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F. Dimensional and Parking Requirements.

1. Buildings containing one or more micro units must comply with the site development regulations prescribed by Section 25-2-492 (*Site Development Regulations*).
2. A building containing micro units that meets the affordability requirements in subsection E above is not subject to certain dimensional and parking standards applicable in the base zoning district or Multifamily Residential Use. These standards include the following:
 - a. The minimum site area requirement for a micro unit shall be 400 square feet. The minimum site area for all other unit types shall remain unchanged.
 - b. For each micro unit in a building, the minimum off-street parking requirement shall be 0.6 parking spaces per micro unit. This reduction may not be used in combination with any other parking reduction. The off-street parking requirement for all other unit types shall remain unchanged.

PART 3. This ordinance takes effect on _____, 2014.

PASSED AND APPROVED

_____, 2014 §
 §
 § _____
 Lee Leffingwell
 Mayor

APPROVED: _____
 Karen M. Kennard
 City Attorney

ATTEST: _____
 Jannette S. Goodall
 City Clerk

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Micro Units Code Amendment

September 23, 2014

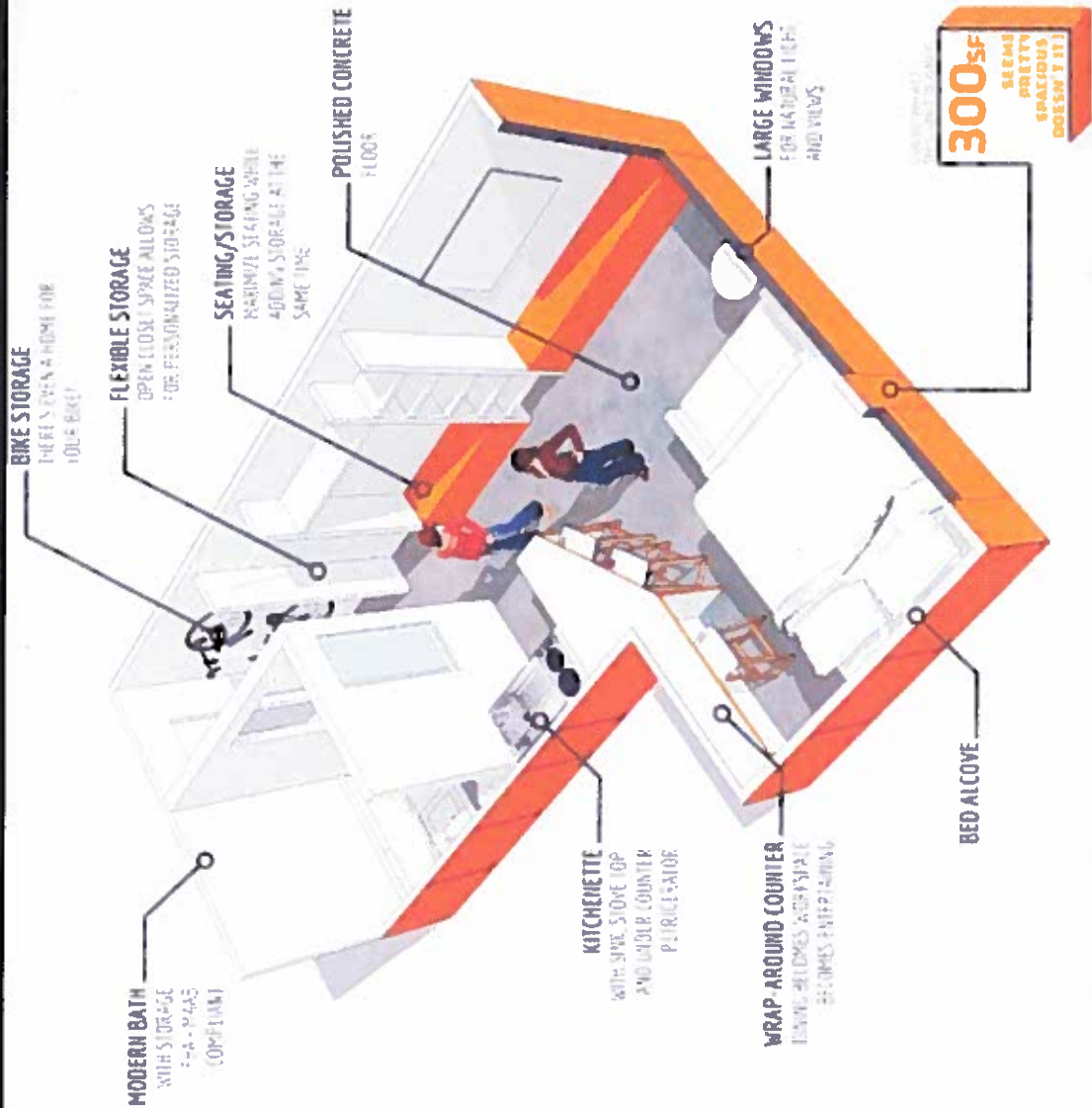
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What is a Micro Unit?

- A small efficiency, with bathroom and kitchen.
- Typically in a building with reduced parking and more amenities, compared to standard apartment building.

Why Micro Units?

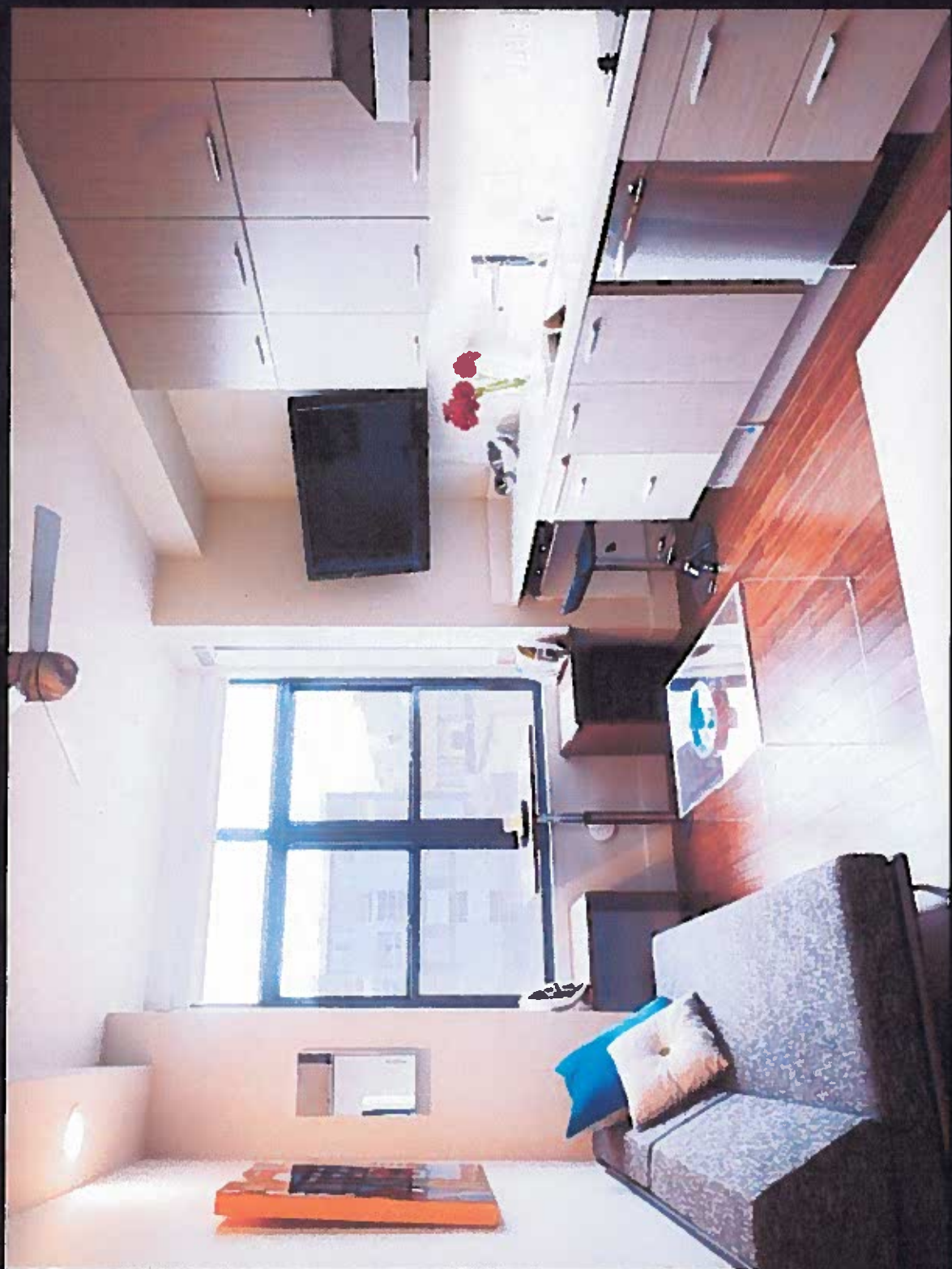
- Affordability.
 - In Austin, the median rental rate has increased 49% since 2003, while median incomes have barely improved.
- Demographics (singles).
 - 34% of the Austin's households are comprised of single individuals.



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CU/11



CU/12

- Seattle



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• Seattle



- San Francisco



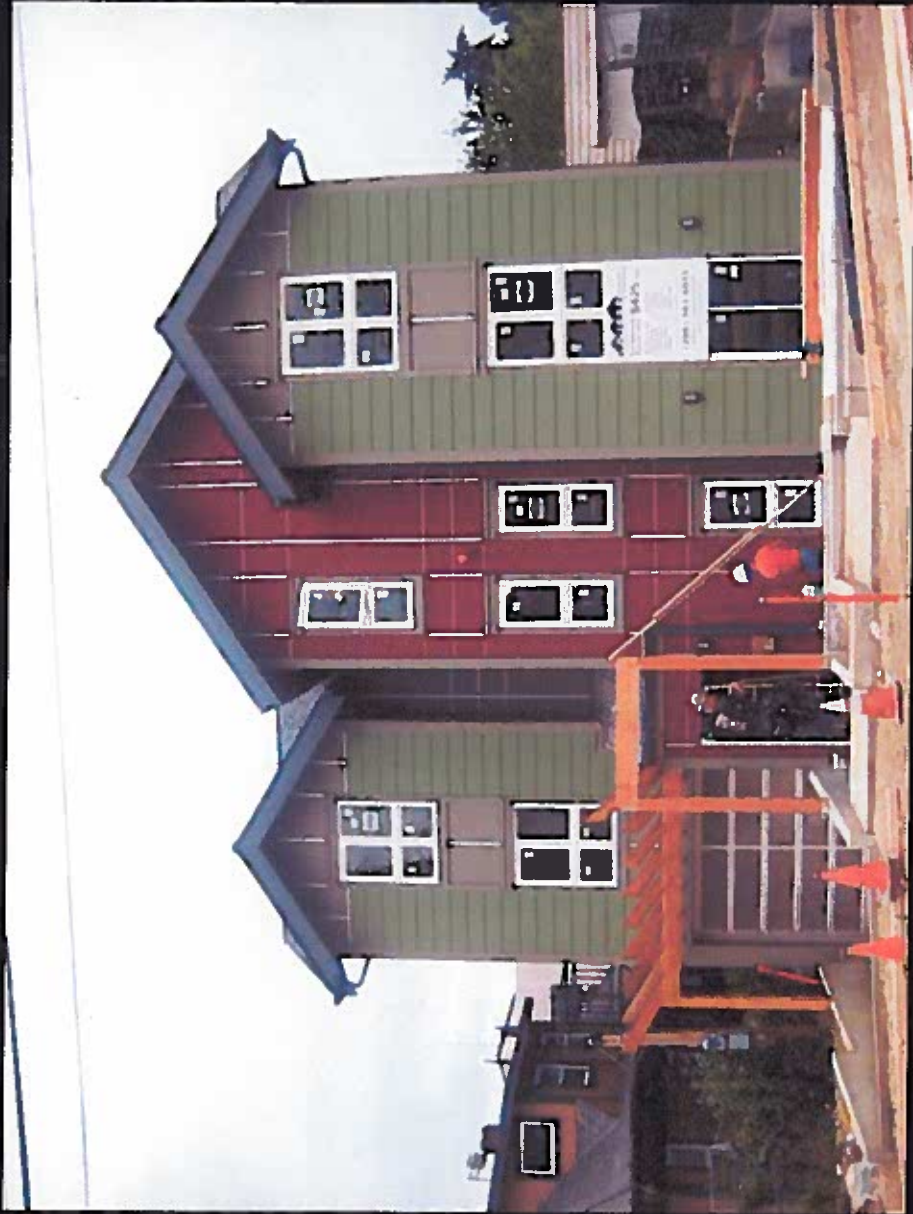
- San Francisco



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- Seattle



cu/12

- Seattle



- Columbus,
Ohio



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Issues in Other Cities

- Parking:
 - 20-70% of tenants still own a car
 - On-site parking ranges from 0-0.3 spaces/unit when close proximity to transit
 - Overflow parking on adjacent public streets or available lease parking (lot or garage)
- Pricing:
 - Cost per sq ft – higher (~1.5 – 3X)
 - Cost per unit – lower (~20%)

Proposed Standards

- Efficiency unit ~220 – 400 sq ft in size.
- 400 sq ft of site area required per micro unit.
- 0.6 parking spaces required per micro unit.
- Building containing 1 or more micro units must:
 - Be on a CTC or Future CTC
 - Must provide on-site affordability as a % of total building square footage

Zoning

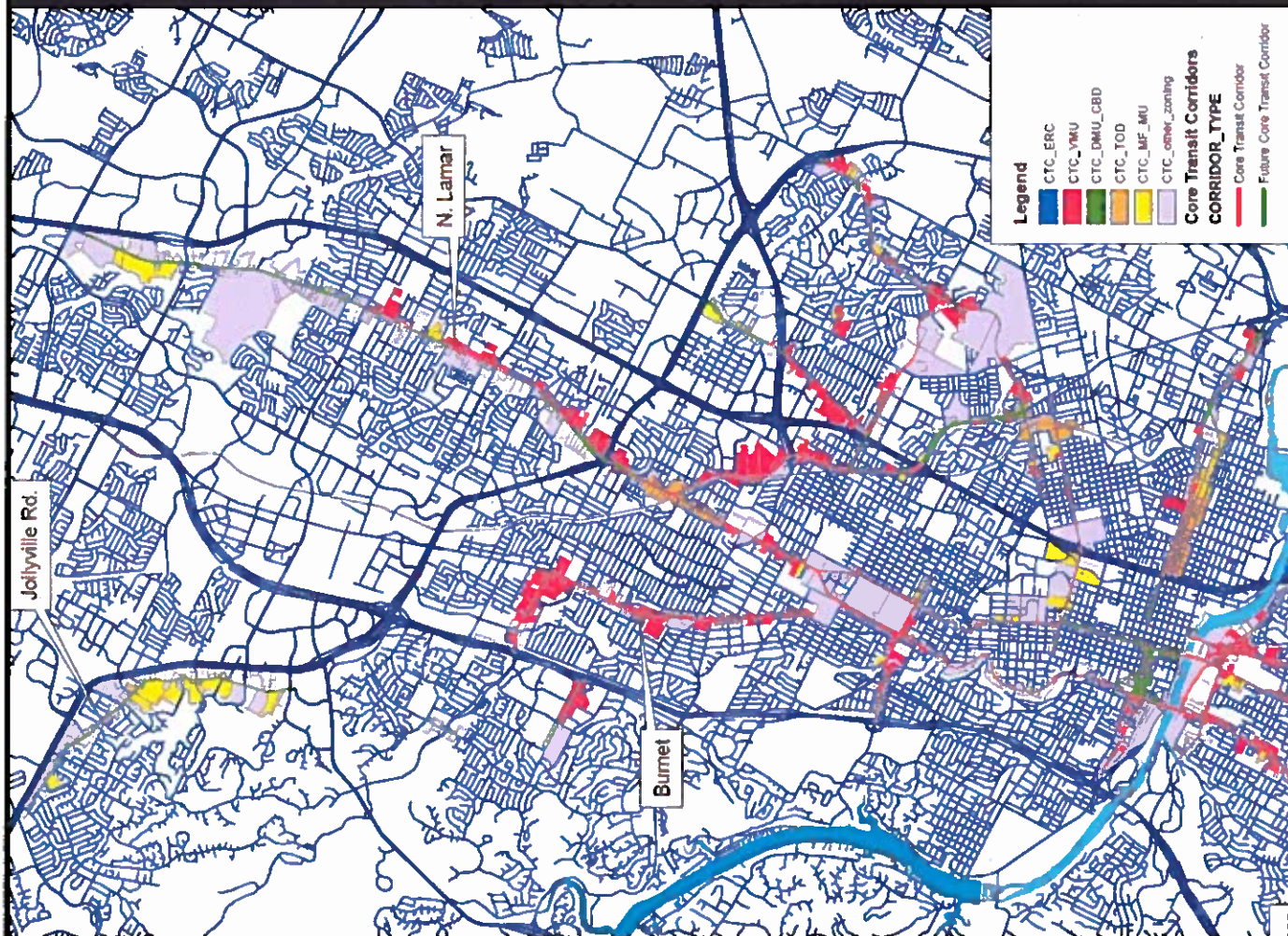
- Micro units permitted as a multifamily use in:
 - Mixed Use (MU) combining district
 - MF-1 to MF-5 multifamily districts
- Not permitted in districts that already have density bonus and affordability requirements:
 - CBD, DMU, ERC, VMU, TOD

Along CTCs and fCTCs

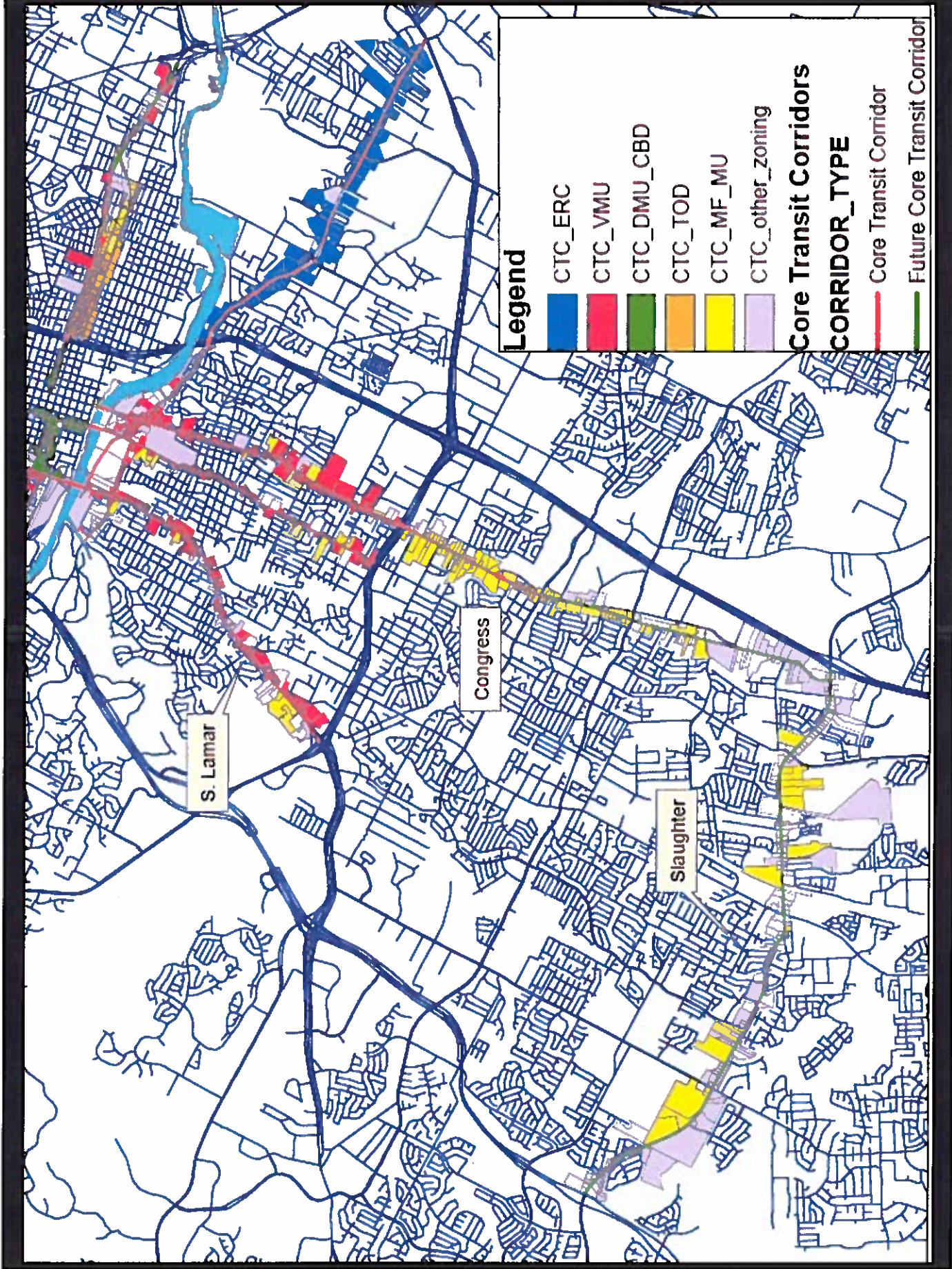
- Roadway:
 - CTC: 49 miles
 - Future CTC: 27 miles
- Applicable parcels:
 - 452 parcels (1122 acres)
 - Average parcel size: ~2 acres
 - 60% of parcels are less than 1 acre
 - 25% of parcels are less than 10,000 sq. ft.

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RESOLUTION NO. 20140123-059

WHEREAS, according to the 2012 American Community Survey, 33.9 percent of City of Austin households involve a householder living alone; and

WHEREAS, healthy communities have many kinds of housing options; and

WHEREAS, there are at least five institutions of higher learning in Austin whose students require housing; and

WHEREAS, micro-units are self-contained living spaces of 500 square feet, and less, that include a kitchen with a stove and full bathroom.

WHEREAS, micro-units have been utilized creatively in several other cities to house people comfortably; and

WHEREAS, there may currently be barriers in our City Code, including the Land Development Code and the Building Codes, among others, that make micro-unit development difficult; **NOW, THEREFORE,**

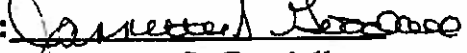
BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The City Manager is directed to research best practices in other urban areas for the development of micro-units, including building methods and sizing, to work with Austin housing builders and developers to identify barriers to micro-unit development, and develop potential solutions.

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The City Manager is further directed to report back to Council by February 27, 2014 with recommendations for making micro-unit development legal and viable in Austin including any necessary Code amendments.

ADOPTED: January 23, 2014

ATTEST: 

Jannette S. Goodall
City Clerk



04/14

MEMORANDUM

TO: Mayor and Council

FROM: Gregory I Guernsey, AICP, Director
Planning and Development Review

DATE: March 18, 2014

SUBJECT: Micro-Units (Council Resolution No. 20140123-059)

On January 23, 2014, Council approved Resolution No. 20140123-059 directing the City Manager to research best practices for the development of micro-units, identify barriers to development, and report back to Council with recommendations, including necessary code amendments. Attached for your information is the requested analysis as well as a copy of the referenced Resolution.

Please feel free to contact Jerry Rusthoven at (512) 974-3207 should you have any questions.

Attachments

Cc: Marc A. Ott, City Manager, CMO
Sue Edwards, Assistant City Manager, CMO

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Micro-Units Outline

1. Micro-units in other cities: what they are and why they're being built.
2. Barriers to building micro-units in Austin: zoning code and building code.
3. Possible ways to remove constraints.

1. Micro-units in other cities: what they are and why they're being built.

What's a micro-unit?

A micro-unit is a dwelling unit that is typically less than 500 square feet in size, usually an efficiency, which uses clever packaging and spacing to create a dwelling space suitable for one or two people. The space in a micro-unit usually has convertible or modular furniture that plays different roles, depending on what activity is taking place, with higher ceilings to accommodate storage and to create an airier space. Micro-units have gained popularity and press in the last few years, but have existed since at least 2006 in some cities. The smallest micro-units are less than 200 square feet total, but are generally closer to 300-350 square feet. Most micro-unit projects have been constructed in very dense urban cores, where parking requirements are greatly reduced or non-existent.

Why are micro-units being built?

The overwhelming factor that is driving the construction of micro-units is the need for affordable housing. Micro-units are being developed or have been constructed in the most expensive housing markets in the US: San Francisco, New York City, Los Angeles, Washington, D.C., Seattle, and Boston. Micro-units offer the ability to rent or buy a space for less than comparable (albeit larger) units in the same area, although the cost for a micro-unit on a *per-square-foot basis* is often higher than a traditional apartment or condo. It is the lower fixed monthly cost of living in a micro-unit that holds appeal. In cities that have geographical limitations to building outward, and land is already at a premium, micro-units offer a way to increase density on a given footprint, offer more units than a traditional project, and at a lower per-unit cost to consumers. In Austin, the median rental rate has increased 49% since 2003, while median incomes have barely improved. Combined with an annual population increase of nearly 40,000, and a vacancy rate of less than 5%, the demand for affordable housing is extremely high.

Shifting demographics are also driving interest in micro-units. Single individuals are the most likely occupants of micro-units, although two people could also share such a space; more than two occupants would require additional space, such that the unit would likely no longer be considered "micro." In the US today, singles account for about 27% of all households, and their numbers are growing. In Austin, this number is higher, where 34% of the City's households are comprised of single individuals. This percentage has been fairly consistent over the last 20 years, but the total number of single-person households continues to grow in step with Austin's population.

Another factor driving interest is a much harder to quantify cultural shift, particularly among younger adults. The recent housing crash has, for some, imparted or necessitated a

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desire to make do with less, where ownership of a larger dwelling is not needed or preferred. Micro-units appeal to those who want to live simply, with fewer possessions, and also want an urban lifestyle with many amenities at a more affordable price. Reduced car ownership among 16- to 34-year olds goes hand in hand with this, and from a practical standpoint, synchs with the lack of or reduced parking that many micro-unit developments have.

2. Barriers to building micro-units in Austin: zoning code and building code.

Zoning code constraints

Austin's zoning code does not expressly prohibit the construction of micro-units or place minimum size requirements on dwelling structures. Unlike New York City, which had to remove a prohibition on dwelling units under 400 square feet to enable micro-unit construction, Austin's zoning code has no such specification. Under today's code, the construction of micro-units is legal. There are, however, other regulations in Austin's land development code that indirectly impact the feasibility of constructing micro-units:

- Minimum site area requirements: Site area requirements specify the minimum amount of land required per dwelling unit. In Austin's zoning code, these requirements differ depending on the zoning district. Site area requirements exist for most single-family and multifamily zoning districts, except for MF-6 zoning (highest density multifamily zoning district), DMU (Downtown Mixed Use) zoning, CBD (Central Business District) zoning, or through the utilization of the VMU (Vertical Mixed Use) combining district. Although there is no specified cap in density allowed in any zoning district, the minimum site area requirements effectively do as much. Under Austin's current code, the smallest site area requirement is 800 square feet, for efficiency units located in MF-5 zoning.
- Parking requirements: Minimum off-street parking requirements exist for all single-family and multifamily uses, depending on which zoning district they are located in. CBD and DMU districts do not have minimum parking requirements, and in Austin's central core, the minimum parking requirements can be reduced by 20%, compared to land outside the core. In addition, the VMU combining district allows for a parking reduction compared to what would otherwise be required for that base zoning district to which VMU has been applied. Under today's code, Austin's multifamily use requires *at least* one space per dwelling, unless it meets one of the above conditions for reduced parking. That means that aside from CBD and DMU zoning districts, a multifamily development will have close to one parking spot per dwelling (at the 20% central core reduction) or more. This requirement for parking adds an additional cost per unit, and reduces density by requiring land for parking instead of additional dwelling units.

Building code constraints

Austin uses the International Building Code (IBC) to evaluate residential projects that contain more than two dwelling units. Under the IBC, an efficiency must have 220 square feet of living area, with additional space required for a bathroom, making a feasible minimum space of approximately 250 square feet. For a one bedroom unit, the living area must be 120 square feet, with each additional habitable space at least 70 square feet, and additional space required for a bathroom. A one bedroom also requires approximately 250 square feet of space.

With most micro-units in the 300-350 square foot range, the IBC does not pose any real obstacle to the development of micro-units in Austin. Some municipalities, such as San Jose and Santa Barbara, have adopted local amendments to the IBC that allow the minimum size of an efficiency to be 150 square feet.

3. Possible ways to remove constraints.

The above described constraints fall within Austin's land development code, which can be amended via Planning Commission or Council action. In addition, the Code Next project is currently examining how to comprehensively revise the land development code. Either avenue could address the following:

Minimum site area requirements: These requirements may be adjusted for urban core projects. In order to allow the kind of density typical of micro-unit developments, the site area requirements for multifamily zoning districts could be reduced or removed. As an alternative to adjusting the Code, micro-unit projects could request MF-6 zoning.

Parking requirements: Minimum parking requirements are appropriate for areas of Austin that are not well served by public transit or are lower density. Existing parking reductions and eliminations are a good way to allow the market to determine if parking is really necessary for a given development. To make the development of micro-units more feasible for property not zoned CBD or DMU (which is typically more expensive), parking minimums could be reduced or eliminated. A possible drawback to this, as has been experienced in Portland, is that tenants simply park their cars on adjacent neighborhood streets, much to the consternation of the people who live on those streets. One approach could be to couple any parking reduction with on-site car share (already incentivized in current code) or bike share facilities, or in conjunction with a residential permit parking program for adjacent neighborhoods.

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RESOLUTION NO. 20140327-040

WHEREAS, the Imagine Austin Comprehensive Plan calls out Austin's limited housing choices and rising housing costs, and recognizes the need for a variety of housing types to meet the financial and lifestyle needs of Austin's diverse population; and

WHEREAS, Imagine Austin also identifies the need to retain the character of Austin's neighborhoods by accommodating growth along corridors and major roadways; and

WHEREAS, micro-unit housing is an efficient and cost-effective housing choice developed and utilized in many of Austin's peer cities; and

WHEREAS, micro-unit housing most often appeals to single people, who make up over a third of Austin's population; and

WHEREAS, decoupling parking from housing costs – i.e., renting or selling parking separately, rather than automatically including it in the price of the living space – typically results in a demand reduction of up to 30%; and

WHEREAS, micro-unit development offers the potential of placing more affordable dwelling units within reach of those who want to live an urban lifestyle, often accompanied by reduced car ownership; and

WHEREAS, Council passed Resolution No. 20140123-059 asking the City Manager to identify best practices and code amendments that would encourage micro-unit development; and

WHEREAS, the March 18, 2014 City staff memo identified the primary zoning code constraints that may be inhibiting micro-unit

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development in Austin as minimum site area requirements and parking requirements; and

WHEREAS, initial staff research suggests that Portland's reduced parking requirements for micro-units has led to tenants parking on the streets of adjacent neighborhoods; and

WHEREAS, site area requirements are waived in the Vertical Mixed Use Combining District under 25-2, Subchapter E, Section 4.3.3 for projects that meet affordability requirements, thus providing programs that incentivize affordable housing and an increase in density of dwelling units; and

WHEREAS, because the VMU Combining District is generally available on Core Transit Corridors (CTC) and future CTCs, there is a risk reducing or eliminating site area requirements on CTCs and future CTCs could decrease the effectiveness of VMU as a tool for housing affordability in Austin; **NOW, THEREFORE,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The City Council initiates amendments to Title 25 of the City Code and directs the City Manager to develop an ordinance that reduces or eliminates parking requirements and reduces or eliminates site area requirements for dwelling units less than 500 square feet in size and that are located on core transit corridors, future core transit corridors, or within a Transit Oriented Development District.

BE IT FURTHER RESOLVED:

The amendment process should include consideration of how the provisions allowing micro-units should be integrated with current provisions

for Vertical Mixed Use and Transit Oriented development, particularly in regard to affordable housing requirements.

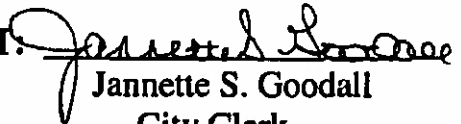
BE IT FURTHER RESOLVED:

The City Manager is further directed to compile detailed information and best practices from other cities about the relationship between micro-units and affordability, car ownership, parking, and adjacent neighborhoods.

BE IT FURTHER RESOLVED:

The City Manager is directed to seek input from housing stakeholders and the Community Development Commission; and to include a status on the effort in the Housing/Transit/Jobs Action Team report to the Comprehensive Planning and Transportation Council Committee by June 15, 2014; and to return this ordinance to the City Council within 120 days.

ADOPTED: March 27, 2014

ATTEST: 
Jannette S. Goodall
City Clerk