



Affordability Impact Statement

Single Family Lot and Use Modifications, Phase 1

Case number: C20-2023-024

Initiated by: Resolution No. 20230720-126

Date: October 23, 2023

Proposed Regulation

The proposed amendments would:

- Create a new three-unit residential use to be allowed in SF-1, SF-2, and SF-3 zoning, not allowable on substandard lots and exempted from Subchapter F standards
- Allow two-unit uses and duplexes as permitted uses in SF-1, SF-2, and SF-3 zoning
- For the two-unit use category, limit the size of one unit to 1,100 ft², remove requirements for location, two-story limitation, building coverage, separation, and .15 Floor Area Ratio (FAR), and exempt the use from Subchapter F standards
- For the duplex use category, lower the minimum lot size to 5,750 ft², exempt from Subchapter F standards, and remove the 30-ft/two story height limit
- Redefine multifamily use as having four or more units (increased from three)

- Delete Section 25-2-511 (Dwelling Unit Occupancy Limit), removing restrictions on the number of unrelated adults living in a housing unit
- Create a Tiny Home use category for dwelling units that are 400 ft² or less in floor area excluding loft space and meet International Residential Code requirements

Land Use/Zoning Impacts on Housing Costs

The proposed changes may have some **positive** impacts, reducing zoning impacts on housing costs.

- A recent report developed by city staff and UT researchers found that in Austin, land accounts for over half the total development cost for single-family housing.¹ Accordingly, duplexes and triplexes have lower development cost per unit than developing single family housing (\$400,000 per unit for duplexes compared to nearly \$800,000 for single-family homes). Two-and-three-unit use categories enable savings by reducing land cost per unit. Allowing attached units further lowers development cost by minimizing the materials needed for construction.

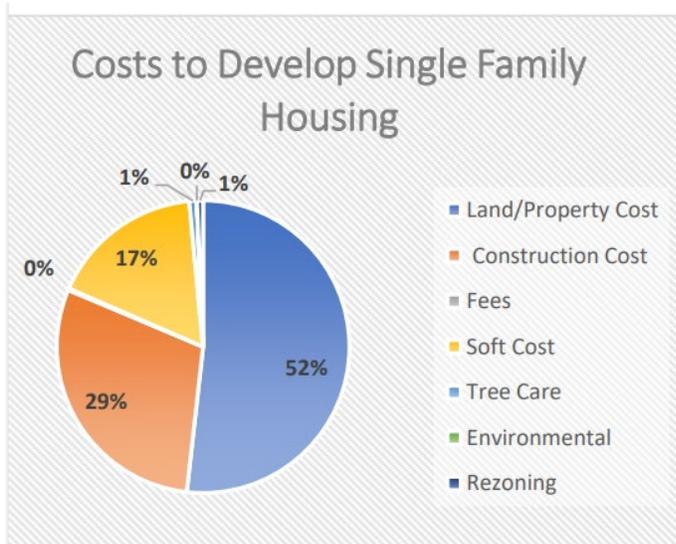


Figure 1 - Cost of Housing in the City of Austin (2022), Kennedy, Lopez, Hemeon-McMahon, and Pepper

- Preliminary estimates incorporating the median household income for Texans and statewide debt for credit cards, car payments, and student loans indicate that an 'average' Texas household could secure a mortgage for a home no more expensive than \$200,000. Time for detailed modeling would be needed to calibrate these estimates and to estimate accurate development cost reductions from the

proposed amendments, and how closely those reductions align with the median Texan's buying power.

- In addition to expanding the applicability of multi-unit use categories, the proposal further removes barriers to duplex construction by removing the primary and secondary unit distinction, separation requirements, building coverage requirements, and the .15 FAR requirements from the two-unit use category. Applying multi-unit use categories may also expand the supply and variety of housing choices to create more equitable access to neighborhoods with histories of exclusion and current-day barriers to BIPOC households and workers.
- **However, the lack of size restrictions, lack of preservation incentive, and delaying minimum lot size reductions to Phase Two severely limits the proposal's efficacy.** Lowering minimum lot size will enable the subdivision of single-family lots, which is necessary for selling attached units for ownership. Without subdivision, units must be part of a condominium regime to be sold. This introduces ongoing fees for homeowners that present a barrier to housing affordability, and that are beyond the city's ability to regulate.
- The most recent proposal language does not include Subchapter F unit size restrictions (otherwise known as McMansion standards). This has significant implications:
 - With Subchapter F, sitewide FAR could not exceed .4:1. Thus, the maximum building coverage would be 40% of site area at one story.
 - Without Subchapter F, the maximum building coverage would be 40% of site area at up to three stories, depending on site conditions and relevant overlays.
- A review of average maximum allowable unit sizes in three-unit uses indicates that units may nearly triple their allowable size without Subchapter F Floor-Area-Ratio restrictions. Comparing these results with the average size of single-family homes permitted in 2023 (3,072 ft²) shows that the proposed amendments could allow units in three-unit projects that exceed the size of single-unit uses being built today. Newly-permitted two-unit uses have an average size of 4,164 ft², but code limits the size of one of the units at 1100ft², such that the primary unit is at least 3,064 ft² on average. The proposed amendments would continue this restriction for two-unit uses, but not for three-unit uses. Without unit size restrictions either by Subchapter F or another Floor-Area-Ratio limitation, the proposed

amendments may result in units with similar size and price to current single-unit uses, which would not achieve Resolution No. 20230720-126’s goal of facilitating the availability of “smaller, more diverse housing types” for middle-income households.

Base Zoning	Median Allowable Unit Size (ft ²) (Three-unit, with Subchapter F)	Median Allowable Unit Size (ft ²) (Three-unit, without Subchapter F)
SF-1	1941	4500
SF-2	1188	3564
SF-3	1095	3284

- Phase Two will also explore allowing onsite recreational vehicles (RVs) to count as dwelling units, increasing options for Austinites.
- Splitting the items recommended by Resolution No. 20230720-126 into two phases introduces the possibility that the Phase Two amendments may not be implemented, or that there may be a substantial gap between the two phases being implemented. In the interim, Phase One changes alone may not achieve the desired outcome of affordable, diverse housing stock and could increase redevelopment pressure on existing homes, particularly in areas at risk of displacement. While Housing staff recognize that implementing Phase Two amendments quickly allows less time for design standards to be developed, delaying the items in Phase Two could minimize the positive impacts to housing affordability.

Impact on Development Cost

The proposed changes will have a **positive** impact on development costs, described in the previous section.

Impact on Affordable Housing

The proposed changes may have **mixed** impacts on affordable housing.

- **Removing Unrelated Adult Occupancy Limits**
 - The proposed changes will have a positive impact on housing affordability for Austinites, particularly certain groups of marginalized Austinites. Removing Section 25-2-511 (Dwelling

Unit Occupancy Limit) would bring the city of Austin in line with Federal guidelines on occupancy limits. The Fair Housing Act (FHA), administered by the Department of Housing and Urban Development (HUD), prohibits discrimination in housing based on familial status, among other protected characteristics. Therefore, any occupancy standards implemented must be applied equally to all individuals, regardless of familial status, to ensure compliance with the FHA (HUD, 1998). The proposed changes will make more of the city's current and future housing stock available to students, LGBTQIA+ Austinites, and those with living arrangements that differ from standards based on the nuclear family. Further, this gives all Austinites the option to pay lower individual housing costs by splitting costs between more people, informally and through cooperative housing.

- **Income-Restricted Housing**

- The proposed changes do not directly impact the city's affordable housing incentive programs. As a result, they have a neutral impact to income-restricted affordable housing.

- **Displacement Pressure**

- The proposed changes may have a negative impact on homeowners experiencing precarity and some renters. Increasing entitlements may incentivize rental property owners to redevelop occupied single-family units. This could be mitigated by providing bonus entitlements to incentivize preservation. Three units per lot could be achieved by preserving the existing structure and adding two attached units to the property.
- Further, upzoning historically marginalized neighborhoods has led to displacement. To avoid replicating this pattern, The Government Alliance for Racial Equity (GARE) recommends prioritizing market-based upzoning policies in high opportunity areas to allow for a greater variety of housing types and price points in historically exclusionary neighborhoods.²
- Displacement pressure from property tax may increase as well. The Phase One changes will not increase property taxes directly, as TCAD does not proactively increase appraisal values in responses to changes to a city's land development code.³ However, by increasing the housing capacity of a land parcel, the land could sell for more on the market.⁴ As TCAD land valuation

takes the sale price of similar parcels into account, these increased sale prices could eventually raise land valuations in single-family zoning, further increasing a home's taxable value but at the same time allowing for the cost of the land to be spread out over multiple households.

Other Policy Considerations

- The proposed amendments in their totality are in line with best practices for land use and will lower single-family development costs. In the push to provide diverse, accessible housing to all Austinites, it is important to recognize that development cost is just one contributor to the housing crisis, alongside the right of property owners to arbitrarily raise rent or home sale price. This right would ostensibly be checked by the market. However, as a recent report by city staff and UT researchers says, "Austin's rent prices exemplify a market that can support sudden and large rent increases" as nationwide interest in Austin has grown. Austin's average home sale price was \$393,000 in 2019. It was \$625,000 in 2022.⁵ This massive inflation in prices is not a function of zoning and its impact to development cost; Rather, it is the product of land speculation and the right to treat housing as an investment. While Austin's housing market experience unprecedented speculative inflation, newly built units that are not subject to affordability-based deed restrictions will be subject to this warping under our current market conditions.
- Market driven solutions to the housing crisis will likely reproduce the same dynamics that play out today, wherein parties with more resources may take advantage of the new regulatory landscape, while those with the fewest resources experience an increase in precarity. In addition to adding more housing choices, the City must address underlying disparities in homeownership, job access, credit, and real estate appraisals. Investments should be made to stabilize existing residents using tools such as home repair loans, mortgage assistance, rental assistance, tenant legal services and representation, and homeowner rights. The City can supplement these stabilizing efforts by providing legal and financial support to protect tenants and homeowners from predatory activity.

Manager's Signature _____