



**HOUSING & PLANNING**

# Affordability Impact Statement

## Single Family Lot and Use Modifications, Phase 1

Case number: C20-2023-024

Initiated by: Resolution No. 20230720-126

Date: October 13, 2023

### Proposed Regulation

The proposed amendments would:

- Allow up to three dwelling units per lot in SF-1, SF-2, and SF-3 zoning
- Create a new three-unit residential use and apply it in SF zoning
- Redefine multifamily use as having four or more units (increased from three)
- For the two-unit use category, lower the minimum lot size to 5,750 ft<sup>2</sup>, remove requirements for location, two-story limitation, building coverage, separation, and .15 FAR

### Land Use/Zoning Impacts on Housing Costs

Positive  Negative  Neutral

The proposed changes will 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<sup>1</sup>. Accordingly, duplexes and triplexes have lower development cost per unit than developing single family housing. While Phase One does not enable attached triplexes, three detached units on the same lot would have a lower cost of land per unit than a sole structure built on the lot. The proposal further removes barriers to duplex construction by removing the primary and secondary unit distinction, separation requirements, building coverage requirements, and the .15 Floor-Area-Ratio

(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.



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

**However, the most substantial benefits to housing affordability would come from the Phase Two amendments**, which will lower the minimum lot size, enabling subdivision of single-family plots. Phase Two will also allow attached triplexes and explore allowing onsite RVs to count as dwelling units.

Splitting the items recommended by Resolution No. 20230720-126 into two phases introduces the possibility that the Phase Two amendments may not

	<p>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.</p>
<p><b>Impact on Development Cost</b></p>	<p><input checked="" type="checkbox"/> Positive <input type="checkbox"/> Negative <input type="checkbox"/> Neutral</p> <p>The proposed changes will have a <b>positive</b> impact on development cost, described in the previous section.</p>
<p><b>Impact on Affordable Housing</b></p>	<p><input type="checkbox"/> Positive <input type="checkbox"/> Negative <input checked="" type="checkbox"/> Neutral</p> <p>The proposed changes may have <b>mixed</b> impacts on affordable housing.</p> <p>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.</p> <p>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. 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.<sup>2</sup></p> <p>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</p>

development code.<sup>3</sup> However, by increasing the housing capacity of a land parcel, the land could sell for more on the market<sup>4</sup>. 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<sup>5</sup>. 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.

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 Marla Torrado