

3.4 Lack of Household Affordability and Choice

Household Affordability “Gap” Continues to Grow

Household Affordability

The City of Austin faces a significant challenge in meeting the growing demand for affordable housing to a large segment of its residents. Though the city and its private and nonprofit partners have made considerable progress on a number of fronts, the Land Development Code (LDC) could better assist in reducing costs and enabling the creation and preservation of more quality affordable housing units.

The current regulations and processes could be revised to help lower development costs, encourage density and diversity, and promote the development of affordable housing in more areas. These changes include streamlining the permitting and approval systems, allowing more housing by good infill development, and adaptive re-use that incorporates affordable housing in the city’s neighborhoods. The following aspects of the existing LDC present barriers to household affordability.

“Density Cap” Unduly Impacts Construction Costs

As currently codified, the “Density Cap” limits affordable housing by reducing the potential number of dwelling units on a particular site and driving up per-unit land cost. For all housing development, each dwelling unit must bear a portion of the cost of the land, which in Austin is one of the most significant challenges to the provision of affordable housing. The LDC, however, has strict density limitations on dwelling units per acre that reduce the development feasibility of affordable housing in the MF-4, MF-5, and MU districts.

Existing Housing Choices in Austin



Carriage House



Fourplex



Live/Work



Duplex



Mansion Apartment/Apartment House



Townhouse



Duplex



Large Multiplex (6 – 8 units)



Townhouse

Recommendations Based on Other Cities: Create a More Comprehensive Approach to the Household Affordability Provision

While Austin has made considerable strides in addressing household affordability, it still needs to do more to provide the variety and number of units required by a rapidly expanding population. Though a more enabling and nimble land-use code is essential to preserving and constructing more affordable housing, the code changes alone are not sufficient. The city will need to add more capacity to its portfolio of tools to meet the housing needs of current and future Austin area residents.

Pivotal resources required for a more comprehensive approach to providing household affordability are below.

- **Revised Building Codes:** In addition to land-use codes that support household affordability, Austin will need to assure that its building codes allow for the use of cost-effective, sustainable materials that help reduce the maintenance and life-cycle costs of ownership and rental products.
 - **Financing Incentives:** A range of financing mechanisms that can assist in making housing affordable for people throughout the low- to moderate-income spectrum (these could include but are not limited to tax increment, tax abatement, tax credits, dedicated impact fees, transfer of development rights, housing bonds, and Employment-based 5th-Category Visas or EB5). While Austin currently uses a number of financing incentives to lower the cost of developing various housing types and offers various assistance programs for renters, and to a lesser extent owners, it needs to expand its portfolio of resources and increase total funds available. Since developing units that are affordable usually takes multiple
- resources, the city needs to find efficient ways to bundle various funds so that the time required to secure requisite resources is reduced.
- **Reliable Development Community:** A capable, efficient for-profit and nonprofit development and management community that can deliver quality, sustainable units and operate them effectively. The city is fortunate to have a number of nonprofit housing providers that have delivered well-designed and constructed units. It also has a talented household affordability advocacy entity that's well respected and networked in the community. It does not appear to have a significant number of private housing developers producing affordable units.
 - **Affordable Support Services:** A range of essential, readily accessible and affordable support services such as day care, job training, and medical services are needed, so that those in particular who face the greatest economic challenges have opportunities to achieve a better quality of life.
 - **Multi-modal Transportation:** A reliable, safe, accessible and affordable mass transit system is a pivotal element impacting household affordability. Households can reduce transportation costs by \$7000 – \$9000 per year by not owning a car. Fewer cars on the road, particularly single-occupancy trips, can favorably impact congestion, travel times, and the environment. A safe bicycle network also contributes to household affordability; bicycle infrastructure can be built fast and can provide interim cost savings.
- **Robust Land Bank:** A well-funded land banking entity that is capable of securing and holding sites for development of affordable housing and mixed-use/mixed-income communities. One of the more effective means of retaining household affordability well into the future is to put land into a land bank, which contains the cost of land associated with housing development in addition to providing site availability to developers. The ability to ground lease some of these sites to mixed-use and mixed-income developers, offers long-term financing resources to the land banking entity.
 - **Create a Redevelopment Agency:** A city agency that functions as its redevelopment arm and in so doing can leverage public resources to more effectively achieve household affordability results. Austin currently has a number of departments which impact household affordability. These include Neighborhood Housing and Community Development, Economic Development, Planning and Development Review, and others. Each of these departments has varying degrees of responsibility in addressing household affordability needs of the community, in addition to many other objectives. To increase Austin's capacity to more effectively implement household affordability strategies and leverage staffing talents and financial resources, the city could explore creating a redevelopment agency. Such agencies in other cities are able to optimize staff skills and funding sources to bring a more comprehensive approach to household affordability. As a city with significant national stature, Austin should examine the effectiveness of redevelopment agencies in other parts of the country for best practices and determine what best practices it might be able to adapt.



Multifamily parking lot

Impacts of High Parking Requirements

The LDC parking requirements have two major impacts on affordability. First, high parking requirements make it difficult for new development to fit into the context of older central city neighborhoods because so much parking is required.

Second, parking is expensive. Parking requirements serve as a “tax” on new development of about 10%, and much more for lower-priced housing in areas with high land costs. According to Donald Shoup in *The High Cost of Free Parking*, these generous parking requirements are the largest of all regulatory burdens placed on developers, about four times greater than all other development fees—such as levies for schools, parks and roads—combined. The city has already reduced parking requirements downtown, and is enacting a pilot program to reduce parking in other areas in exchange for active efforts by businesses to encourage alternative forms of transportation.

In order to achieve a compact and connected city, parking ratios need to be re-evaluated as the city transitions to a more walkable, transit-friendly environment.

Minimum Site Area Requirements Drive Up Land Costs for Development

In multifamily zoning districts other than the MF-6 zoning district and Vertical Mixed Use (VMU) districts, the minimum site area requirement requires a certain amount of site area for each dwelling unit, depending on unit classification (but not unit size). This means that efficiency apartments have one amount, one-bedroom apartments have slightly more, etc. Thus, small apartments have a much higher per-square-foot land cost than large apartments. This serves as a disincentive for smaller, denser units in most of the Austin’s medium-density districts.

Building and Site Design Requirements/Practices Are Sometimes Out of Touch with the Neighborhood Context

Many of the city’s standards fail to take the context of the surrounding area into account. For example, the scale of large apartment buildings is sometimes not sensitive to the context of existing neighborhoods and can increase local opposition to multifamily and affordable housing in the area. The Compatibility Standards speak to these issues but use terms such as “human scale” or “sympathetic to a structure on an adjoining property” that are undefined and difficult to enforce. On the other end of the spectrum open space requirements typically require on-site space to be provided regardless of the availability of open space within close proximity to the site which can drive up development costs.



Infrastructure improvements needed along corridors

Infrastructure Requirements Are Not Always in Lock-Step with New Development

Urban infrastructure, such as sidewalks, bike lanes, and transit facilities, are not often developed in conjunction with expanded density. While developers are required to build or pay an in lieu fee for infrastructure, the end results can often be an island of improvements in an otherwise unimproved corridor. The city is working to develop a comprehensive approach to infrastructure investments where development pressures are being felt. This approach should also take into account affordable housing.

Inefficient Approval and Permitting Processes Drive Up Development Costs

The development review process has become complicated and contentious, deterring smaller housing developers without the capacity to navigate the process. Time is critical in housing development, because financing and revenue generation depend on keeping to the schedule. The increased use of discretionary approvals, planned unit developments (PUDs) and layered approval systems have added to the burden and complexity of the approval process.

Regulations for Secondary Apartments Can Limit Feasibility for Many Homeowners

As one of the key Missing Middle housing types, secondary apartments can provide increased density in existing neighborhoods without sacrificing neighborhood character. However, the LDC places many regulations on new units that could serve as a barrier to their development, including requirements for lot size, a paved driveway, on-site parking (even on lots that do not currently have off-street parking), site configuration, and water supply, etc. In many neighborhoods, secondary apartments are not allowed, reducing the flexibility homeowners have to stay in their neighborhoods. However, in these same neighborhoods, detached garages with bathrooms but not kitchens are allowed. These detached garages sometimes serve as temporary housing. If a diversified housing stock is a city and community goal, regulations for secondary apartments could allow for pre-approved designs, streamlined/user-friendly permitting, impact fee waivers, and the “grandfathering” of existing site elements, as long as they don’t pose a health and safety hazard.

Few Policy Levers in Place to Preserve or Enhance Existing Affordable Housing

The current LDC does not address the preservation or rehabilitation of existing affordable housing that may be facing threats of redevelopment or is nearing the end of its life cycle. This is most important in areas that are rapidly redeveloping, and where many developers take the fee-in-lieu option for affordable housing. The density should reflect Imagine Austin priorities, locating denser development where local infrastructure can serve it, and where there is the most need.

Current Density Bonus Programs Are Not Yielding Needed Results

The city has several density bonus programs that enable developers to secure increased building heights, floor area ratios, or relaxed site area or parking requirements if they set aside 5% to 10% of housing units as affordable housing on site (depending on the program). These include the S.M.A.R.T. Housing program, multifamily density bonus, and vertical mixed-use program, as well as geographically targeted programs in Downtown, East Riverside Corridor, Rainey Street, and North Burnet Gateway. In downtown Austin, the city has recently revamped a system of formula-based, in-lieu-of payments into an affordable housing fund. Most downtown developers have opted to pay the in-lieu fee, and in doing so, some major projects have apparently not paid the amounts anticipated based on interpreting the bonus language. This has resulted in fewer dollars for affordable housing development, as well as mistrust of the density program. This led to a recent revamp of the Downtown Density program, resulting in fees from \$3 to \$10 per bonus-area square foot, which would be directed to the Housing Trust Fund.



Secondary apartments can provide affordable housing options

Lack of Appropriate Zoning Tools Limits Housing Choices

Zoning districts that encourage high-quality, small-footprint, one- to two-story, medium- to high-density housing types, like those which exist throughout Austin’s walkable urban neighborhoods, are almost completely missing from the LDC. Aside from a few tools that have been recently added in an attempt to address this, the overall system does not address or regulate for this important range of housing types—types that can provide diverse, affordable housing choices.

In the absence of conditional overlays, the entire range of MF zoning districts, based on their site development standards, are completely ineffective in regulating or encouraging this compatible scale of infill (see the multifamily discussion on page 39 for more detail).

Neighborhood Plan Infill Options and Design Tools

The Neighborhood Plan Infill Options and Design Tools such as Small Lot Amnesty, Cottage and Urban Home, and Secondary Apartment are a step in the right direction for encouraging these types of Missing Middle housing. However these zoning tools only provide for a few types, rather than the full range of housing types at this scale.

Even with these recent developments to the LDC, there is no simple way to take advantage of these tools, especially on existing, small infill lots. The application of the Neighborhood Plan Infill Options and Design Tools is broadly spread across whole neighborhood reporting areas, leading to a lack of predictability as to where the tools will be applied in each area. Also, unfortunately, few neighborhoods have chosen to apply these tools to date. Therefore, despite recent efforts made with Neighborhood Plan Infill Options and Design Tools, local builders and developers are not able to respond to the growing market demand for housing in walkable urban places, nor can they provide a range of housing choices or different affordable options, even in locations where it would be appropriate.

The LDC update could provide a wider palette of base zoning districts that incorporate these tools, and that map their application at a finer-grain, than is currently available with the Neighborhood Plan Infill Options and Design Tools.

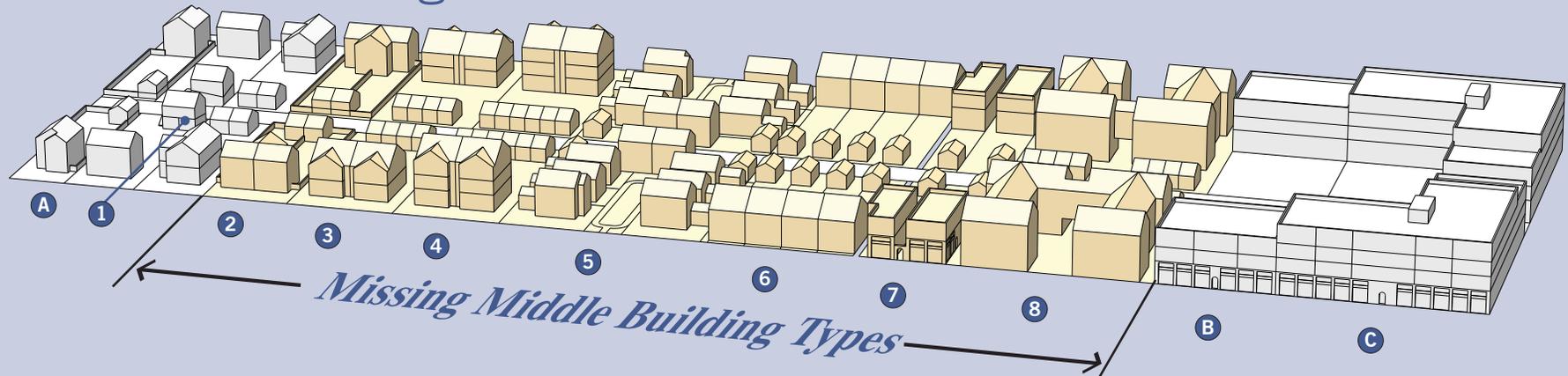
Understanding Where Missing Middle Exists or Could Be Appropriate

These middle-density, small-footprint housing types include duplexes, fourplexes, and mansion apartments, which have historically been thoughtfully and appropriately integrated into blocks that are primarily single-family throughout central Austin’s neighborhoods. An important objective of the Community Character Analysis that the CodeNEXT team is completing as part of this LDC update process, is documenting the built environment found in Austin, including the various existing middle housing types.

The intent of incentivizing these housing types would not be to encourage them in a blanket manner across all single-family neighborhoods, but rather to be selective about the types of places these housing types should or should not occur. In particular the focus would be where this range of housing types exist already, within or adjacent to single-family neighborhoods, and to remove barriers to allow these housing types to be developed on properties currently zoned for multifamily. The ultimate intent is to ensure a compatible form while providing a greater diversity of housing choices at a broad range of price levels.

Overall, a careful analysis of this issue begins to question the effectiveness of single-family and multifamily zoning district designations to both protect neighborhood character and meet the current market demand for walkable urban living. The current multifamily (MF) zoning districts do not have the right combination of regulations to incentivize or even allow Missing Middle housing types: In all MF zoning districts, the minimum lot size of 8,000 square feet is too large; at the lower end of the zoning districts, the density is too low but the allowed

What is the Missing Middle?



With the changes in the post-World War II development patterns came changes in both the development and the financial lending systems. These changes lent themselves to models of development that were narrowly focused and targeted to individual markets such as single-family homes on large lots, large apartment complexes, commercial strip centers, and indoor malls. Each was developed and placed in isolation in contrast to the older patterns of neighborhoods where single-family, multifamily, and commercial were more integrated and mixed. The art of both mixing these kinds of development and building smaller middle-density types were lost.

Austin's pre-World War II neighborhoods have a great history of these "Missing Middle" building types. These include townhouses, duplexes, small four-unit apartment buildings, and mixed-use main street

buildings. These Missing Middle building types provide a range of housing choices in scale with nearby single-family residential uses, and provide a residential intensity that help support neighborhood main streets.

Running parallel, the Missing Middle housing types provide the housing that the two largest population groups—both the Baby Boomers and Millennials or Generation Y—desire, in walkable urban places, as studied by Christopher Leinberger in *The Option of Urbanism*.

Building Types:

- A** Single-Family
- 1** Carriage House (Accessory Dwelling Unit)
- 2** Duplex
- 3** Fourplex (4-unit building)
- 4** Apartment House (6- to 8-unit building)
- 5** Cottage Court
- 6** Townhouse/Rowhouse
- 7** Live/Work
- 8** Courtyard Apartment
- B** Small Mixed-Use
- C** Large Mixed-Use

building height is close to compatible, while at the upper end, the densities are high enough for these housing types, but the permitted size of buildings is out of scale with any existing context unless major transformation is desired.

Additionally, this method of regulating with a very restrictive minimum lot size within a multifamily area is intended to create a suburban model of development that addresses compatibility by requiring buildings to be spread further and further apart the larger they get. This works in an undeveloped suburban place, but does not work for infill within existing places, and can be in conflict with the compact and connected goals of Imagine Austin. As part of the LDC process, a more diverse set of zoning districts could be created to account for the various different places in Austin. This diverse set of zoning districts could be applied in appropriate locations to allow for compatible development, that could include Missing Middle housing types.



Duplex



Triplex



Multiplex (4 – 8 units)

Barriers Within the LDC to Missing Middle Housing Types

There are no small-lot, multifamily zoning districts: All MF zoning districts have a minimum lot size of 8,000 square feet.

- This minimum size is much larger than the lots for most of the existing Missing Middle housing types.
- This regulation encourages lot aggregation for multifamily projects, the opposite of what should be encouraged in most neighborhoods, especially walkable urban neighborhoods that have a good mix of housing already.

No MF zoning district limits building heights to only two stories

- MF-1 zoning district allows 40 feet in height, with allowed heights in higher MF zoning districts reaching 60 feet, making them an inappropriate tool for implementing one and two-story Missing Middle infill.
- In order to achieve compatibility, there needs to be multi-unit zoning districts that limit heights to two stories, therefore allowing higher densities on smaller lot sizes.

Allowed densities in MF zoning districts are too low for some of these types

- Some of the existing Missing Middle types have densities as high as 40 to 50 dwelling units/acre even within their compatible form.
- Missing Middle housing densities could be allowed in MF-5 and above density-wise, but much larger buildings are encouraged in these zoning districts.
- The premise is that higher density always means bigger buildings; not acknowledging smaller, higher-density Missing Middle buildings that exist throughout Austin.
- Many of these housing types exist within primarily SF zoning districts. This reinforces the fact that a density-based system may not be the most effective tool for encouraging the blended densities that already exist (single-family detached homes and Missing Middle housing types on the same block).

No maximum building footprint (depth and/or width)

- Most existing Missing Middle housing types have small building footprints (depth and width) that make them compatible with their context.
- The current MF zoning districts do not limit building footprint and in many ways encourage larger buildings, which obviously are less compatible with many neighborhood contexts.
- Regulations for Missing Middle housing types often set a maximum building footprint to ensure compatibility within a neighborhood context.

Parking requirements are too high

- High parking requirements do not reflect the existing or proposed walkable context of development.

Site plan review triggers at three units

- This puts an obstacle in place for many of the Missing Middle types that have three units or more.