



# Affordability Impact Statement

## Citywide Compatibility Update

Initiated by: Resolution No. 20230608-045

Case number: C20-2023-019

Date: March 26, 2024

## Proposed Regulation

The proposed amendment would:

- Reduce the applicability of compatibility standards to properties within 75 feet of a triggering property and create an exemption for small-scale multifamily buildings on sites zoned MF-3 or more restrictive.
- Redefine triggering properties to be properties zoned SF-5 or more restrictive that contain between one and three housing units.
- Increase compatibility height limits within 75 feet.
- Remove scale and clustering requirements.
- Require a 25-foot-wide compatibility buffer along lot lines shared with a triggering property with planting requirements while allowing for more flexibility within the compatibility buffer including allowances for pedestrian access, stormwater infrastructure and other low-intensity uses.
- Modify screening, design, and noise regulations along property lines abutting a triggering property.
- Allow City Council to modify or waive compatibility height requirements through a site-specific zoning amendment process with notice and protest rights.

## Land Use/Zoning Impacts on Housing Costs

The proposed changes would have a **positive** impact on housing costs via land use and zoning.

- Recent analyses indicate that compatibility severely constrains housing supply in Austin. The Planning Department estimates that compatibility standards limit the City's capacity for high-density residential housing by 82,000 units. The 2023 Compatibility Regulations Analysis carried out by the City of Austin Housing Department found, through interviews with housing developers, that compatibility standards cause significant project delays, leading to higher construction costs, and caused nearly all respondents to abandon projects.<sup>1</sup> By implementing the Analysis's recommendation to reduce the number of triggering properties and to end compatibility standards at 75 feet from a triggering property, the proposal will help to mitigate these impacts, and remove a regulatory limitation of residential unit supply.
- The proposal's changes are additionally aligned with existing policies and recommendations from the Central Texas Assessment of Fair Housing, an analysis required by the Housing and Urban Development (HUD). The report names compatibility standards as an impediment to fair housing in the City of Austin and recommends regulatory changes to compatibility standards.<sup>2</sup>

## Impact on Development Cost

The proposed changes would have a **positive** impact on development costs.

- Increasing development timelines adds costs to projects, in terms of raw costs and increased interest accrual on the various loans used to fund development. Decreased unit yield often leads to higher per-unit development costs.<sup>1</sup> By simplifying compatibility standards, reducing their restrictiveness, and reducing the number of situations in which they apply, the proposal will likely reduce the per-unit development costs for residential buildings.

## Impact on Affordable Housing

The proposed changes would have a **positive** impact on income-restricted Affordable Housing.

- The proposed modifications would increase Austin’s medium and high-density residential unit capacity by about 63,000 units and lower the per-unit development cost.<sup>1</sup> This would enable new income-restricted developments, or projects using density bonus programs that produce income-restricted units or provide funds for the same, to include more units in many cases. In turn, this would increase the quantity of income-restricted units and/or the amount of funds generated through fee-in-lieu programs relative to current conditions.
- Compatibility has functioned as an exclusionary tool that perpetuated existing patterns of segregation. After the U.S. Supreme Court banned explicit racial zoning in 1917 and after the Fair Housing Act banned racially restrictive covenants in 1968, large minimum lot sizes and zoning restrictions that excluded apartments have been used as a proxy to maintain racial segregation. As people of color are far more likely to be renters than white people, excluding multifamily rental properties provided a legal means of discrimination towards people of color and low-income households in general.<sup>3,4,5</sup> Further, excluding multifamily buildings pushed those buildings, and the people in them, closer to highways and their associated air pollutants.<sup>6</sup> The proposed modifications would remove compatibility as a contributor to this effect.

## City Policies Implemented

Reducing compatibility is in line with several existing plans and analyses.

- Facilitating increased residential capacity aligns with goals in the 2023 Climate Equity Plan, namely, “By 2027, preserve and produce 135,000 housing units, including 60,000 affordable housing units, with 75% of new housing located within ½ mile of activity centers and corridors.” Facilitating dense development patterns aligns with the goal that “50% of trips in Austin are made using public transit, biking, walking, [or] carpooling.”
- The proposed amendments align with goals found in the Austin Strategic Mobility (ASMP). The ASMP asserts that Austin could manage congestion spurred by population growth by achieving a 50/50 mode share for trips: that is, 50% of Austinites’ trips are driving alone, 50% of Austinites’ trips use transit, walking, bicycling, carpooling, or teleworking. Increasing potential density creates an environment that is more conducive to transit use and active transportation options relative to current conditions.

- The proposed amendments align with Imagine Austin’s Core Principles for Action, to “Grow as a compact, connected city,” and “Sustainably manage water, energy and other environmental resources,” as low-density development patterns strain infrastructure and use resources inefficiently.

## Other Housing Policy Considerations

### Naturally Occurring Affordable Housing

- The proposed modifications would increase unit capacity on some occupied residential properties. This could increase redevelopment pressure on naturally occurring affordable housing (NOAH). NOAH is market-rate housing without any government subsidies or interventions, affordable to low and moderate-income individuals and families due to age, condition, or location.
- Housing staff analyzed the spatial distribution of NOAH properties that would be impacted by the proposed modifications, defining NOAH as non-subsidized complexes with rental rates at or below the 2023 60% Median Family Income. The analysis found that NOAH is evenly distributed across the city, with the highest number of NOAH complexes in Council Districts 9, 4, 3, and 5.<sup>7</sup> After evaluating the impact of proposed modifications to compatibility regulations, staff estimate that 252 of these NOAH complexes could opt to reach their allowable zoning capacity with the largest share of these complexes in Districts 4, 9, and 3.
- In the Austin Strategic Housing Blueprint, the City set a goal to “Preserve 10,000 Affordable Housing Units Over 10 Years.”<sup>8</sup> Between 2018 and 2022, the city acquired 5,725 units of affordable housing for preservation.<sup>9</sup> This sets the city on track to meet its goal. The City should continue to prioritize the acquisition of existing NOAH to reduce the potential negative impacts of redevelopment on existing tenants and to preserve current affordability levels.
- Increasing residential unit capacity of market-rate developments will increase the number of units that may be affordable to future Austinites as the units age; that is, the proposed amendments may help produce Austin’s future stock of NOAH.

### Other Regulations that Limit Housing Supply

The Compatibility Regulations Analysis shows that compatibility restricts unit capacity most severely in Displacement Risk Areas (as defined by the Uprooted Report).<sup>1, 10</sup> Conversely, only 23% of the potential units prevented by compatibility are in High Opportunity areas (as defined by the Austin Strategic Housing Blueprint).<sup>1</sup> This spatially disproportionate effect is largely the result of zoning overlays in West Austin that

restrict development intensity. As a result, even though compatibility is being modified citywide, development will still be significantly restricted in West Austin relative to Displacement Risk Areas, which are more common in the eastern crescent. Compatibility will make it easier to develop adjacent to single-family housing, but additional development reforms are needed to make sure that growth is fairly distributed across the city.

Manager's Signature Marla Torrado

## Citations

1. [Compatibility Regulations Analysis](#). Austin, TX: City of Austin Housing Department, 2023.
2. Rep. [Central Texas Assessment of Fair Housing](#). Denver, CO: Root Policy Research, 2019.
3. Rigsby, Elliott Anne. [Understanding Exclusionary Zoning and Its Impact on Concentrated Poverty](#). The Century Foundation, 2016.
4. [Exclusionary Zoning: Its Effect on Racial Discrimination in the Housing Market](#). The White House Council of Economic Advisers, 2021.
5. [Historic housing discrimination in the U.S.](#) Habitat for Humanity.
6. Brennan, Maya, Peiffer, Emily, and Burrowes, Kimberly. [How Zoning Shapes our Lives](#). Housing Matters, 2019.
7. City of Austin Housing Department GIS Analysis of CoStar Group Data, [www.costar.com](http://www.costar.com)
8. [Austin Strategic Housing Blueprint](#). City of Austin, 2017.
9. [Austin Strategic Housing Blueprint Scorecard](#). Housing Works, 2022.
10. Way, Heather, Elizabeth Mueller, and Jake Wegmann. Rep. [Uprooted: Residential Displacement in Austin's Gentrifying Neighborhoods and What Can Be Done About It](#), n.d.