



# Testimony

## Affordable Housing Starts with Private Property Rights

### *Agenda Item #80*

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Private property, and its respect under the law, represents a foundational principle, solidly anchored to Texas' longstanding commitment to limited government and a free market economy. It is what allows us, as free individuals, to act upon our ambitions and obtain all the goods and services that give life comfort. In short, property rights are what enable us become self-sufficient.

Research conducted by the Texas Public Policy Foundation has uncovered that the overregulation of how Texans use and profit from their land erodes their ability to secure safe and adequate accommodations. Government regulations, on average, comprise 25 percent of the final sales price for a new single-family home, according to a report prepared by the National Association of Home Builders. Earlier academic publications, which scrutinized California and New York City, found that the market's entry-point was 50 percent higher in the most densely regulated cities. Land use regulations create artificial scarcity. They inflate the cost of new construction, and they push developers towards high-end projects, where the profit margins are less vulnerable to the unexpected hiccups that can occur while coming into compliance with city codes. The result is a more expensive housing market, with stark disparities between the population's income and available units.

What is more, stringent land use restrictions can impair a person's income stream, reducing their purchasing power and blocking them from more upscale segments of the market. The Hon. Chuck Devore found that a region's cost of living was more contingent on its degree of land use freedom than its level of urbanization. He notes that this can compound a household's difficulty in accumulating enough capital to procure a home. Other research reminds that private property is not merely a place to reside but a workable asset in its own right. Texans can use their land to help fund its purchase and maintenance, but that is only assuming those activities are permitted by law. Housing affordability refers to the relationship between the housing costs and income level. An overbearing

land development and/or building code has the distinction of being able to undermine both.

For these reasons, the Texas Public Policy Foundation applauds this proposed ordinance, which relaxes the city's constraints on self-contained home extensions, also known as granny flats. Austinites have seen housing and rental prices climb at rates much faster than gains in income and would benefit greatly from innovative alternatives. The median home sales price has risen 56 percent during the last decade, from \$154,100 to \$240,500. Metrostudy now reports that only 4.3 percent of new houses built in Austin are priced below \$150,000. Three years ago, it was at 13.3 percent. Furthermore, BBC Research and Consulting warns of growing shortage of affordable rental units in Austin, estimating that up to 40,000 households in low-income brackets lack access to rental options within their price range. The Harvard Joint Center for Housing Studies observed that 48.3 percent of Austin renters are cost burdened—that is they spend 30 percent or more of their monthly income on housing.

This proposed ordinance represents a solid first step in engineering those alternatives. Not only would the resolution give property owners another possible revenue stream, easing the burden of their own housing costs, but the newly legal granny flats would provide struggling Austinites with modest accommodations, often in prime locations, with ready access to city services. Granny flats may not have the glamor of a single-family home or multi-unit complex, but they meet the needs of those who would otherwise do without. The Austin City Council would open an entire new supply of low-priced housing options to residents in a single vote.

Texas has a historic reputation for affordable housing because its emphasis on low taxes and limited regulation spurred economic growth and opportunity. This proposed ordinance brings the Austin City Code closer to the principles that helped make a desirable place to live. The Texas Public Policy Foundation supports its passage. ★

## About the Texas Public Policy Foundation

The Texas Public Policy Foundation is a 501(c)3 non-profit, non-partisan research institute. The Foundation's mission is to promote and defend liberty, personal responsibility, and free enterprise in Texas and the nation by educating and affecting policymakers and the Texas public policy debate with academically sound research and outreach.

Funded by thousands of individuals, foundations, and corporations, the Foundation does not accept government funds or contributions to influence the outcomes of its research.

The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

