



Texas Public Policy Foundation  
**LEGISLATOR'S GUIDE  
TO THE ISSUES  
2021-2022**

## Housing Affordability

### The Issue

Texans have an easier time than most realizing the American Dream. A combination of limited government and minimal regulations encourages the economic efficiency necessary to keep housing costs relatively low. According to the Real Estate Center at Texas A&M, [62.8% of Texas homeowners had a mortgage considered “affordable” in 2018](#) whereas the national average was somewhat lower, at 60.6%. In 2010, those percentages were 55.8% and 49.9%, respectively.

Although reasonably affordable housing is within the reach of most Texans, state and local governments continue to promulgate policies that are worsening the environment. These policies fall into two main camps.

The first are the regulations and restrictions that artificially tighten the supply of available units, driving up demand and subsequently the price. Zoning codes represent a good example. Over the last few years, Texas cities have reacted to population growth by enacting a number of detailed ordinances that strictly control development and construction within their borders. Research shows that overzealous zoning codes can have a damaging effect on a city's housing market, specifically because they remove tracts of land from prospective development and because they can add delay and expense for the project to come into compliance. There is therefore wide acceptance of the fact that many of the increased housing costs seen in major urban centers in Texas are a direct result of that city's land-use policies.

The second camp, in contrast, pertains to those regulations that add to the purchaser's burden post-construction, in terms of procuring and maintaining a residence. These policies do not touch the housing supply per se but instead act as a barrier between prospective residents and their desired unit. Property taxes, for example, are an inescapable part of owning real estate, but they can also put an otherwise affordable unit out of reach. Another example is the overregulation of Texas's title insurance market, which artificially inflates the cost of closing on a piece of real property. State law forces residents to pay a fixed rate for the most comprehensive type of coverage regardless of need. As a consequence, Texans pay among the highest rates in the country for title insurance. The extra burden may seem trivial on its own, but when considered in the context of all the “regulatory taxes” imposed on residents, the miscellaneous bars and weights can prove too much to carry.

### The Facts

- Adequate accommodations represent a basic human necessity, whose absence has a documented, corrosive effect on mental, physical, and emotional health.
- In 2016, the National Association of Homebuilders (NAHB) estimated that [“regulations imposed by government at all](#)

[levels account for 24.3 percent of the final price of a new single-family home built for sale.”](#)

- The NAHB also estimates that [“regulation imposed by all levels of government accounts for an average of 32.1 percent of multifamily development costs.”](#)
- Property taxes imposed by cities, counties, school districts, and special districts totaled \$59.4 billion in 2017. The number of households divided by the tax levy means that [“local governments took \\$6,300 out of every family budget that year.”](#)
- The breadth of land-use regulations in Texas extends far beyond what is needed to defend against nuisances.
- In the 86th Legislature, state lawmakers passed [House Bill 2439](#), which rolled back strict local building regulations and brought substantial reform favoring consumers.
- According to a LBJ School of Public Affairs report, Texas has the highest title insurance rates for a \$200,000 home among states that require comprehensive coverage.

### Recommendations

- Have Texas cities respect the right to use private property and roll back the number and complexity of their land use restrictions. Zoning codes should only be used in the event of a genuine public nuisance.
- Provide a clear and final appeals process when local ordinances contradict as well as when public actors offer conflicting interpretations.
- Ensure that all impact fees share a close and rational relationship to the burden the government seeks to avoid.
- Keep Texas's property tax burden to a minimum by reining in local spending growth, limiting the accumulation of public debt, and granting immediate relief.
- Relax the regulatory scheme governing title insurance by introducing a file-and-use system similar to that of the one used to determine home insurance rate.

### Resources

[Bringing Down the Housing Restrictions](#) by Kathleen Hunker, Texas Public Policy Foundation (May 2016).

[“Priced Out of House and Home: Texas' Affordability Crisis”](#) [Video], Texas Public Policy Foundation (Jan. 2019).

[How to Build Affordable, Thriving Neighborhoods](#), State Policy Network (Nov. 2019).

[Cost of Constructing a Home](#) by Camel Ford, National Association of Home Builders (Feb. 2020).