

HOUSING AFFORDABILITY: OVERVIEW AND MODEL LEGISLATION

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KEY POINTS

- In the last four years, the median housing price in Texas has outpaced the income of Texas families.
- Property taxes play a large role in the costs of housing and at a rate of 1.66%, Texas has the 6th highest effective property tax in the nation.
- Municipal ordinances regulating housing density lower the housing supply and drive up the price.

“ACCORDING TO THE REAL ESTATE CENTER, SALES OF HOMES PRICED FROM \$300,000 TO \$399,000 HAVE BEEN RISING SINCE 2012, WHILE SALES OF HOMES PRICED BELOW \$200,000 HAVE BEEN EITHER FLAT OR DECLINING.”

**~DR. ALI ANARI
([KING, 2018, PARA. 13](#))**

ISSUE

From 2020–2023, the annual median price for a house in Texas has increased by 28.9% from \$259,990 to \$335,100 ([Texas A&M University Texas Real Estate Research Center, n.d.](#)). From 2020–2022 while the median housing price was increasing, the real median family income across Texas fell by 3.5% ([FRED, 2023](#)). This trend suggests that Texas’ housing market is becoming less affordable for the average family. Though there are multiple factors responsible for this disparity, one of the primary causes is poor public policy. Lowering property taxes, addressing outdated zoning ordinances, and loosening burdensome regulations creates an environment more likely to contribute to more affordable housing.

KEEPING PROPERTY TAXES IN CHECK

Despite the large property tax relief package passed by the 88th Texas Legislature in 2023, many Texas homeowners did not feel the full impact of that relief. According to Texas A&M University’s Texas Real Estate Research Center (TRERC), Texans have the 6th highest effective property tax rate in the country ([Gilliland & Krebs, 2023, Table 1](#)). The amount of property tax the typical homeowner pays can be found by taking the median home price of \$335,100 ([Texas Real Estate Research Center, n.d.](#)), subtracting the current homestead exemption of \$100,000, and multiplying it by the rate of 1.66%. Thus, the typical Texas homeowner pays \$3,902.66 in property taxes.

One way to keep property taxes in check is to lower the frequency at which local governments raise taxes. This can be done by lowering the threshold required to initiate voter voter-approval tax rate election (VATRE) in all taxing units. Previous research has suggested lowering the VATRE threshold from 3.5% in cities,

counties, and special districts to 2.5% ([Quintero & Bonura, 2023, p. 2](#)). Ideally, the threshold for all taxing units would be lowered to 0%. This would require any increase from these taxing entities to be subject to voter approval.

Another way to achieve this goal is to hold bond elections during the November election cycle when voter turnout is at its peak ([Quintero, 2019, para. 4](#)). Currently, bond elections are held on “the first Saturday in May in an odd-numbered year; the first Saturday in May in an even-numbered year; or the first Tuesday after the first Monday in November” ([Texas Election Code, 1985/2005, Section 41.001](#)). To ensure that bond elections are considered by the widest set of voters and thereby needing a larger population threshold to pass, bond elections should be held during the November election cycle ([Quintero & Bonura, 2023, p. 3](#)).

A third way would be for the Texas Legislature to dramatically reduce property taxes by using budget surplus to buy down the maintenance and operations (M&O) rate for school districts. Using the tens of billions of dollars expected in surplus and savings to continuously pay the M&O rate down until it reaches zero would drastically reduce property taxes ([Quintero, 2023, para. 5](#)). Lower property taxes will make homeownership much more affordable.

PREEMPTING ZONING ORDINANCES

Outdated zoning ordinances create further unnecessary costs for those wanting to purchase a home. Regulations that dictate anything from the number and type of housing units allowed on a property, to the lot size itself, removing such burdensome restrictions can demonstrably lower the cost of housing ([Bonura, 2024](#)). Houston is one of the best examples that demonstrates how to create an environment conducive to affordable housing. Firstly, Houston practices “no use” zoning, which means a lot can be used for any purpose, with the exception of being “subject to certain baseline nuisance regulations” ([Gray & Millsap, 2020, p. 4](#)). With “no use” zoning there would be no specific “single-family” plots allowing triplexes and townhomes to

be built next to single family dwellings, thus creating both supply and competition that fosters a healthy and robust marketplace.

Secondly, ordinances establishing minimum lot sizes should be abolished. The size of a lot should be decided by the developer and the purchaser. Policies that enact in smaller lots have led to an increased housing supply resulting in an elevated degree of resilience to rising housing prices. When compared to cities with restrictive zoning ordinances, such as Austin, Dallas, and Fort Worth, Houston has had the least dramatic increase in median housing cost ([Bonura, 2024](#)). Smaller lots are also less expensive. The price of the lot itself “constitutes 20.4% of the overall cost to new homeowners” ([King, 2018, para. 8](#)). Removing these restrictions will not only restore Texans’ liberty to use their property as they see fit but also lower the high threshold to buying a house that prevents so many Texans from becoming homeowners.

The many factors that affect housing costs make the issue look more complicated than it really is. While fluctuations in the market can be unpredictable and uncontrollable at times, there are practical solutions that can immediately and effectively make owning a home much more affordable. The most realistic and simple solution would be to get state and local governments out of the way. Eliminating minimum lot sizes and outdated zoning restrictions while keeping property taxes in check by holding bond elections during the November election cycle, reducing the VATRE threshold to 0%, and using the budget surplus to compress school district M&O rate will result in lower housing costs.

RECOMMENDATIONS

The 89th Texas Legislature should enact legislation that:

1. lowers the VATRE for cities and counties to 0%;
2. dedicates 90% of the expected surplus to property tax relief; and
3. preempts municipal regulation of single-family lots.

MODEL LEGISLATION 1

A BILL TO BE ENTITLED

AN ACT

relating to size and density requirements for residential lots in certain municipalities; authorizing a fee.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 211, Local Government Code, is amended by adding Subchapter D to read as follows:

SUBCHAPTER D. RESIDENTIAL ZONING LIMITATIONS

Sec. 211.051. DEFINITION. In this subchapter, "small lot" means a residential lot that is 4,000 square feet or less.

Sec. 211.052. CONSTRUCTION OF SUBCHAPTER. This subchapter may not be construed to affect requirements directly related to sewer or water services.

Sec. 211.053. CERTAIN DWELLING UNIT LOT SIZE REQUIREMENTS PROHIBITED. A municipality may not adopt or enforce an ordinance, rule, or other measure that establishes a minimum size for residential lots or the number of dwelling units that may be constructed on residential lots.

Sec. 211.054. SMALL LOTS. (a) A municipality may not adopt or enforce an ordinance, rule, or other measure that requires a small lot to have:

(1) a building, waterway, plane, or other setback greater than:

(A) five feet from the front or back of the property; or

(B) five feet from the side of the property;

(2) covered parking;

(3) more than one parking space per unit;

(4) off-site parking;

(5) more than 30 percent open space or permeable surface;

(6) fewer than three full stories not exceeding 10 feet in height measured from the interior floor to ceiling;

(7) a maximum building bulk;

(8) a wall articulation requirement; or

(9) any other zoning restriction that imposes restrictions inconsistent with this subsection, including restrictions through contiguous zoning districts or uses or from the creation of an overlapping zoning district.

(b) A municipality may require with respect to a small lot:

(1) the sharing of a driveway with another lot; or

(2) permitting fees equivalent to the permitting fees charged for the development of a lot the use of which is restricted to a single-family residence.

Sec. 211.055. NO EFFECT ON OTHER ZONING AUTHORITY. This subchapter does not prohibit a municipality from imposing restrictions that are applicable to all similarly situated lots or subdivisions, including requiring all subdivisions or all small lots to fully mitigate stormwater runoff.

Sec. 211.056. NO EFFECT ON HOMEOWNERS' ASSOCIATIONS AND OTHER PRIVATE AGREEMENTS. This subchapter does not prohibit property owners from enforcing rules or deed restrictions imposed by a homeowners' association or by other private agreement.

SECTION 2. This Act takes effect September 1, 2023.

MODEL LEGISLATION 2

A BILL TO BE ENTITLED

AN ACT

relating to reducing school district maintenance and operations ad valorem taxes through the use of certain surplus state revenue.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 48.255, Education Code, is amended by amending Subsection (b) and adding Subsections (d) and (e) to read as follows:

(b) Subject to Subsection (d), the [The] state compression percentage is the lower of:

(1) 93 percent, or a lower percentage set by appropriation for a school year;

(2) the percentage determined by the following formula:

$$SCP = PYCP \times 1.025 / (1 + ECPV); \text{ or}$$

(3) the percentage determined under this section for the preceding school year.

(d) For each school year, the commissioner shall reduce the state compression percentage determined under Subsection (b) to the lowest percentage possible as a result of:

(1) money deposited to the credit of the property tax relief fund under Section 403.109(e), Government Code; and

(2) any additional money appropriated for purposes of this subsection.

(e) Notwithstanding any other law, if for any school year the commissioner determines under Subsection (b) or (d) that the state compression percentage is zero:

(1) a school district may not impose a tier one maintenance and operations tax for that school year or for any subsequent school year; and

(2) each school district is entitled to funding under Chapter 46 and this chapter for each school year as if the district had:

(A) a tier one maintenance and operations tax rate equal to the district's maximum compressed tax rate determined under Section 48.2551; and

(B) no local share for purposes of Section 48.256.

SECTION 2. Section 403.109, Government Code, is amended by adding Subsections (e) and (f) to read as follows:

(e) The comptroller shall:

(1) allocate for deposit to the credit of the fund general revenue in an amount equal to 90 percent of the amount by which the amount of general revenue received in a state fiscal biennium exceeds 104 percent of the total amount of general revenue that was received during the preceding state fiscal biennium; and

(2) periodically deposit to the credit of the fund the general revenue allocated under Subdivision (1), with the final deposit for that biennium to be made not later than the 90th day of the next state fiscal biennium.

(f) Notwithstanding any other provision of this section, money deposited to the credit of the fund under Subsection (e) may be appropriated only to the Texas Education Agency for use in providing property tax relief through reduction of the state compression percentage, as defined by Section 48.255, Education Code.

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ABOUT THE AUTHOR



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Prior to joining TPPF John served in the University system as a Graduate Assistant until he was given the opportunity to teach Principles of American Government. John holds a Master of Arts in Political Science from Texas State University and a Bachelor of Arts in Political Science from Sam Houston State University.

As a proud Eagle Scout John is an avid camper and enjoys spending time in the outdoors as well as at home with his wife.

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