

MINIMUM LOT SIZE REFORM

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KEY POINTS

- Housing supply has fallen behind Texas’s growing population.
- Cities with lower minimum lot size requirements have lower median housing prices than those mandating larger lots.
- Allowing for property owners to opt-in for new development of smaller homes will balance the need for housing and the preservation of existing single-family zoned neighborhoods.

INTRODUCTION

A patchwork of overly restrictive minimum lot size ordinances across the State of Texas has contributed to an artificial scarcity of housing. This scarcity has driven the price of housing to the point where median-priced new construction is financially out of reach for nearly three-fourths of all Texans ([National Association of Home Builders, 2024, p. 8](#)).

A recent observational study of the five major Texas Metropolitan Statistical Areas (MSAs), entitled *Unlocking Affordability: The Impact of Lot Size Regulations on Housing Cost*, showed that the cities with the lowest minimum lot size requirement had the lowest median housing price, along with being generally more affordable, according to the Texas Housing Affordability Index ([Bonura, 2024](#)).

Table 1 (next page) shows the relationship between minimum lot size and the median housing price as of 2023 in five of Texas’s major MSAs, with exception of the Dallas–Fort Worth area, which is split into its Metropolitan Divisions (MDs) of Dallas–Plano–Irving and Fort Worth–Arlington–Grapevine. Just as observed in the previous study, MSAs with lower minimum lot sizes had lower median housing prices.

ISSUE

There are several reasons why smaller minimum lot sizes typically result in lower median housing prices. One factor is what is referred to as the “price of dirt,” or the price of the lot on which the home is built. Because land is priced per square foot, the fewer square feet that is required for the structure, the lower the overall cost of the home will be. In that same vein, smaller homes require fewer materials than larger homes, which

continued

Table 1*Median Housing Price as it Relates to Minimum Lot Size¹*

MSA/MD	Median Housing Price	Minimum Lot Size
Austin–Round Rock– San Marcos	450,000	5,750 ²
Dallas–Plano–Irving	420,000	5,000
Fort Worth–Arlington–Grapevine	354,000	3,500
Houston–Pasadena–The Woodlands	330,000	1,400
San Antonio–New Braunfels	311,000	1,250

results in lower construction costs. Finally, smaller lot sizes allow for higher density and higher density allows for an increase in housing supply. In a capitalist economy, supply and demand drive prices. If a good is plentiful and widely available, then those who sell the goods offer prices that they know consumers are willing to pay.

Home-rule cities, or cities with a population over 5,000 that have adopted their own charter, are able to determine residential zoning requirements which include the required lot size on which housing units can be built. There are a patchwork of different minimum lot sizes among home-rule cities. This lack of uniformity is another contributing factor to the cost of housing across the state. Cities that allow for housing to be built on smaller lots have, in general,

lower median housing prices relative to those with larger lot size requirements. By restricting the size of lots, many municipalities have stifled the supply of housing that can be sold at a price Texans can afford. Essentially, larger lot size regulation has hamstrung developers into building larger more expensive single-family homes and thereby limiting the affordable options potential homebuyers have.

Over the course of 2023 and into 2024, the City of Austin had reduced the minimum lot size by two-thirds from 5,750 square feet to 1,800 square feet. This rule change did not take effect until August 16, 2024 ([City of Austin, n.d.](#)). Recognizing the importance of increased housing supply and lower purchase costs that accompany smaller lots, the City of Dallas has revisited its 2006 plan known as Forward

1 Data retrieved from Texas A&M University Texas Real Estate Research Center, n.d.-a, *Housing activity for Austin–Round Rock* (<https://trerc.tamu.edu/data/housing-activity/?data-MSA=Austin-Round+Rock-San+Marcos>); Texas A&M University Texas Real Estate Research Center, n.d.-b, *Housing activity for Dallas–Plano–Irving* (<https://www.recenter.tamu.edu/data/housing-activity/#!/activity/MSA/Dallas-PlanoIrving>); Texas A&M University Texas Real Estate Research Center, n.d.-c, *Housing activity for Fort Worth–Arlington*, (https://www.recenter.tamu.edu/data/housing-activity/#!/activity/MSA/Fort_WorthArlington); Texas A&M University Texas Real Estate Research Center, n.d.-d, *Housing activity for Houston–the Woodlands–Sugarland* (<https://trerc.tamu.edu/data/housing-activity/?data-MSA=Houston-Pasadena-The+Woodlands>); Texas A&M University Texas Real Estate Research Center, n.d.-e, *Housing activity for San Antonio–New Braunfels* (<https://trerc.tamu.edu/data/housing-activity/?data-MSA=San+Antonio-New+Braunfels>); Austin Land Development Code § 25-2-492 (http://austin-tx.elaws.us/code/ldc_title25_ch25-2_subchc_art2_div1_sec25-2-492); Dallas City Code § 51A-4.101 (https://codelibrary.amlegal.com/codes/dallas/latest/dallas_tx/0-0-0-75160#JD_51A-4.100); Fort Worth, TX Code of Ordinances § 4.706, 2012 (https://codelibrary.amlegal.com/codes/ftworth/latest/ftworth_tx/0-0-0-35059); Houston, Texas Code of Ordinances § 42-182, 1999 & rev. 2007 (https://library.municode.com/tx/houston/codes/code_of_ordinances/178617?nodeId=COOR_CH42SUDEPL_ARTIIIPLST_DIV4LORE_S42-182LOSIINMIREUBAR); San Antonio, Texas Unified Development Code § 35-310.01, 2005 & rev. 2023 (https://library.municode.com/tx/san_antonio/codes/unified_development_code?nodeId=ARTIIIIZO_DIV2BAZODI_S35-310.01GE).

2 The minimum lot size lowered to 1,800 square feet by the H.O.M.E. initiative did not take effect until August 16, 2024 ([City of Austin, n.d.](#)).

Dallas, rebranding it Forward Dallas 2.0 and providing a report on September of 2024. Forward Dallas 2.0 explored revising land use ordinances to address (among other policies) the minimum lot size in order to increase the density, variety, and supply of housing in the Dallas area ([City of Dallas, n.d.](#)).

Instead of waiting for each city to revise their own ordinances, in order to tackle housing affordability statewide, the Texas Legislature should consider policy measures that would allow for property owners to subdivide their property into smaller lots. The state could allow landowners to opt-in to have new residential development with a minimum lot size of 1,400 square feet by petition from property owners that own 50% in value of land located in an area that has no recorded map or plat. Petitioners would collect signatures and submit them with a map and description of the area subject to development, and once the municipality verifies the signatures, the area is allowed to divide lots with a minimum lot size of 1,400 square feet and allowing for 31.1 units per acre, regardless of the zoning ordinances of the municipality. For example, if Dallas has a 5,000 square foot minimum lot size by ordinance and landowners successfully petitioned to opt-in to develop a new area with higher housing density, the city would have to allow for the new development to have lots as small as 1,400 square feet and at least 31.1 housing units per acre.

Allowing for property owners to “opt-in” (as opposed to having residents opt-out) addresses issues that have been raised with previous efforts to restructure zoning at the state level. Texans are historically wary of central authority in local affairs, and those

opposed to previous attempts at mandating a state standard for zoning have echoed that same sentiment in public hearings and panels on the subject. Texas residents have also expressed that zoning changes at any level of government will compromise the character of the neighborhood in which they live. The opportunity for landowners to opt-in is a means to balance the concerns of homeowners who are opposed to the state exercising authority over cities regarding residential zoning ordinances with the need for higher housing density and supply to bring housing prices down. At the same time, creating small lots out of property that has not been developed addresses the concerns regarding utility and service infrastructure, lowered property values, and preservation of neighborhood aesthetics.

RECOMMENDATION

According to the Texas Comptroller Texas is roughly 300,000 homes short of accommodating the state’s population growth ([Texas Comptroller, 2024](#)). Allowing for greater housing supply through increased density is a way for the state to address the issue of housing affordability without overstepping its authority by directly intervening in residential development. Having a provision that allows for the owners of 50% of an undeveloped area to opt-in to smaller lots and increased housing density in proposed legislation is a reasonable option that will create an environment necessary for more affordable housing. ■

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