



City Manager's Office Housing Policy Update

City Manager's Office | February 10, 2026

Housing Policy and Economic Development Roadmap



City Manager's Office is developing:

- Housing Policy
- Economic Development Roadmap

To:

- Address current challenges
- Create a city where everyone can thrive



City Manager's Office Housing Policy Team



Created to:

- Communicate and explain the issues around affordable housing in Austin, including at what price levels and for what occupations
- Expand affordable housing opportunities by identifying and implementing the most effective incentives for affordable housing production or preservation
- Streamline and remove barriers to access for existing incentives
- Engage with stakeholders to identify what incentives will be most effective
- Align City incentives to address identified needs

City Manager's Office Housing Policy Team



Why needed?

- To have up-to-date data to inform decision-making
- To align Austin's incentives and affordable housing policies to meet identified needs
- Because Senate Bill 840 made Austin's density bonus programs less effective in producing affordable housing
- To facilitate cross-department collaboration on efforts to support affordable housing

Texas Senate Bill 840

- Texas SB 840 went into effect on September 1.
 - Allows by-right mixed-use or multifamily in all zoning districts that allow non-residential uses (excluding zones with heavy industrial).
 - Sets minimum allowable heights and density, and maximum setbacks for multifamily and mixed-use developments in commercial zones.
 - Exempts residential conversions of existing commercial or office buildings from impact fees and other city requirements.



Texas Senate Bill 840 (cont.)

- Under SB 840, multifamily and mixed-use residential developments in commercial zones will, by right, be able to:
 - Reach a height that is the greater of 45 feet or the height that applies to commercial uses for the site.
 - Reach a density of up to 54 units per acre.
 - Include setbacks that are the lesser of 25 feet or the setbacks imposed on commercial uses.
 - Develop unlimited floor-to-area ratio (FAR).



SB 840 Applicability



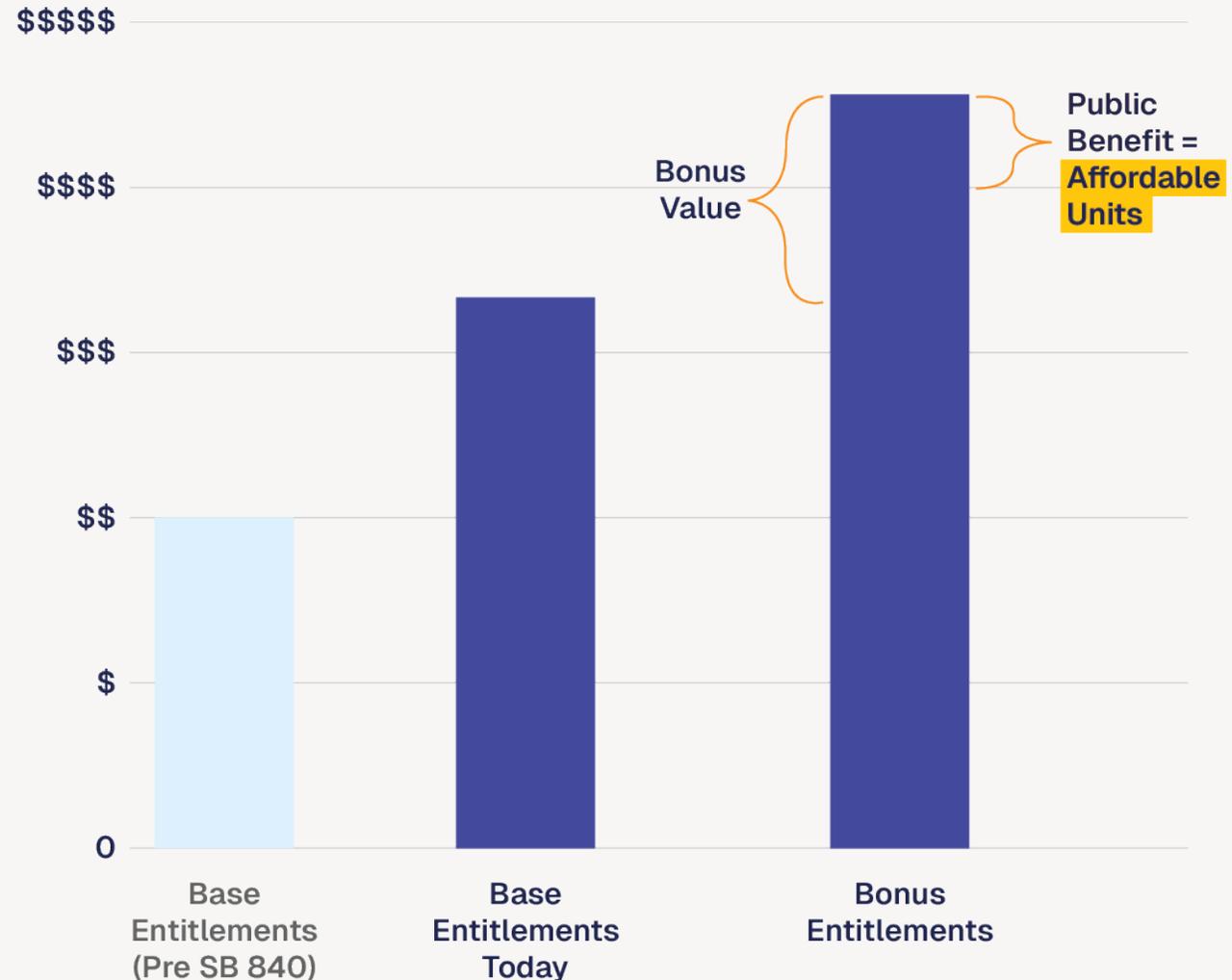
Residential is allowed by right in the following zoning districts in Austin:

- **All office base zones:**
 - Neighborhood Office (NO), Limited Office (LO), General Office (GO)
- **All commercial base zones:**
 - Community Recreation (CR), Neighborhood Commercial (LR), Community Commercial (GR), Lake Commercial (L), Central Business District (CBD), Downtown Mixed-Use (DMU), Warehouse/Limited Office (W/LO), Commercial Services (CS), and Commercial Highway (CH)
- **Some special purpose base zones:**
 - Agriculture (AG, *Planned Unit Development (PUDs)*)*
- **Some industrial base zones:**
 - *Research and Development (R&D)**
- **Some parcels in regulating plans:**
 - Lamar/Justin, MLK, Plaza Saltillo, East Riverside Corridor, and North Burnet/Gateway Regulating Plans

Density Bonus Programs in Austin



- Austin’s 13 distinct Density Bonus (DB) programs provide additional entitlements in exchange for community benefits, while still providing some residual bonus value to the developer.
- Staff estimates that **DB programs have generated a little over 20% of total built and planned income-restricted units** since adoption of the Strategic Housing Blueprint in 2017.
- The [Comprehensive Analysis of Density Bonus Programs report](#) provides more information on existing programs in Austin.



SB 840 Impacts on Density Bonus Programs

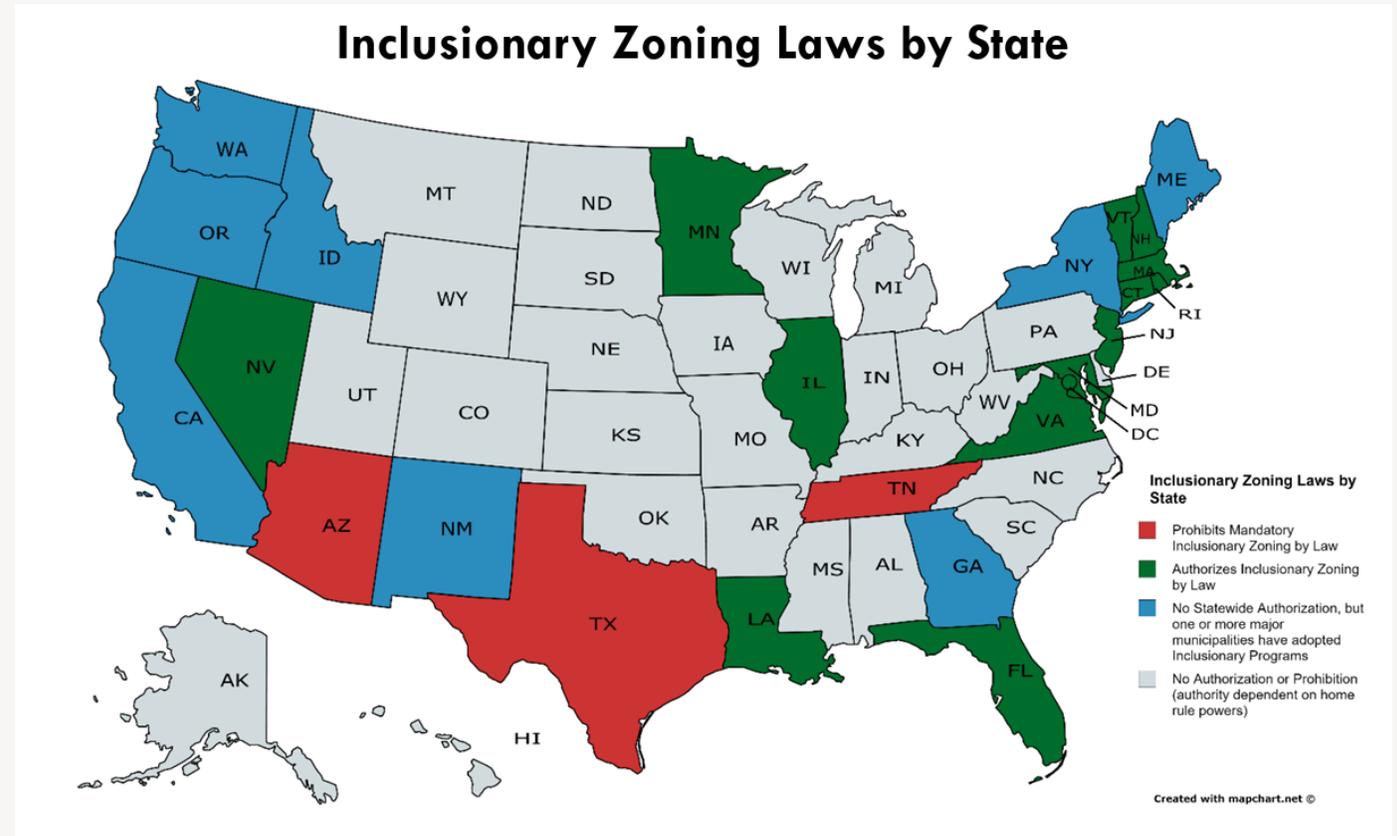


- Austin's current density bonus programs allow additional height and density *if* affordable housing is provided
- SB 840 makes the density bonus programs less effective because it allows unlimited FAR and up to 54 units/acre *by right*, decreasing the incentive for developers to participate in the density bonus programs
- Therefore, fewer affordable housing units will likely result from Austin's density bonus programs
- The team will be looking for new incentives for affordable housing to try to make up for the affordable units that will be lost due to SB 840

Affordability Tools Banned in Texas



- Inclusionary zoning (requiring a percentage of units to be affordable without an incentive)
- Rent control
- Mandatory housing voucher acceptance
- Linkage/impact fees for affordable housing
- Real estate transfer tax
- Income-based property tax adjustments
- Local minimum wage increases



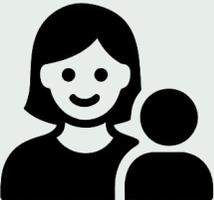
Source: <https://inclusionaryhousing.org/inclusionary-housing-explained/what-are-the-downsides/is-it-legal/inclusionary-zoning-laws-by-state-1/>



Housing Needs Data



Who Needs Affordable Housing

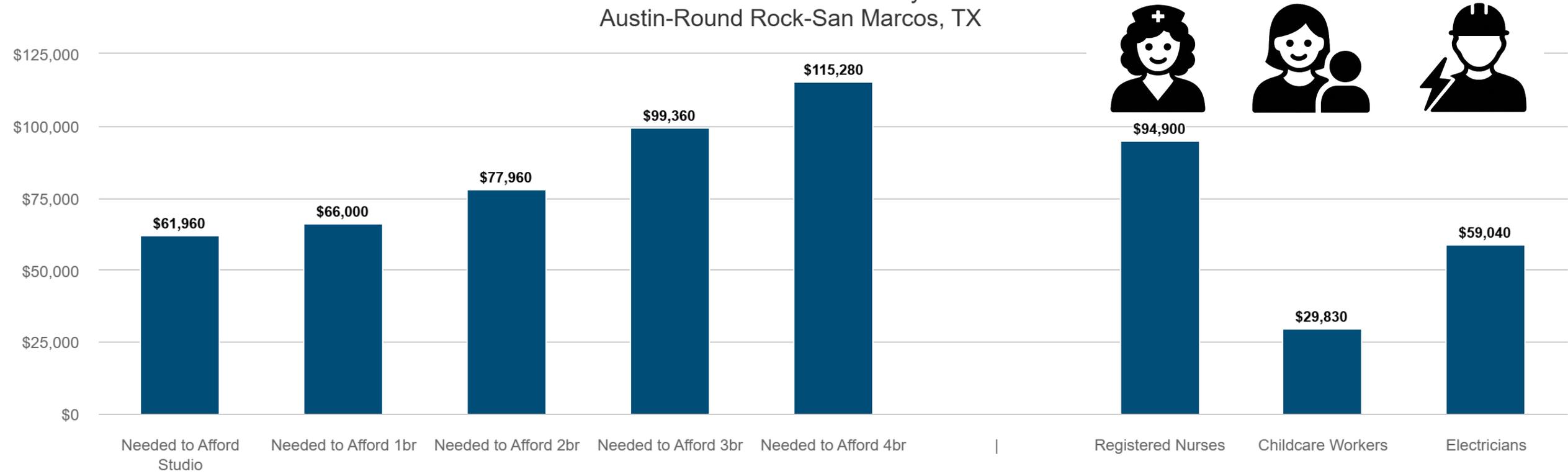
Less than \$36,150	\$36,150-\$60,250	\$60,250-\$72,300	\$72,300-93,800
Less than 30% MFI	30%-50% MFI	50%-60% MFI	60%-80% MFI
<ul style="list-style-type: none"> • Food service workers • Childcare workers • Persons with disabilities on a fixed income • Caregivers • Retail workers • Janitors 	<ul style="list-style-type: none"> • Medical assistants • Construction laborers • Truck and bus drivers • Social workers • Community health workers 	<ul style="list-style-type: none"> • Electricians • Plumbers • Firefighters • K-12 teachers • Office administrators 	<ul style="list-style-type: none"> • Registered nurses • Police and sheriff patrol officers • MRI technologists • Electrical power line installers 
Can afford <\$903 in rent	Can afford <\$1,506 in rent	Can afford <\$1,807 in rent	Can afford <\$2,345 in rent

MFI = Median Family Income as defined by 2025 HUD Income limits for the Austin-Round Rock MSA
Occupations and corresponding income levels are representative of a single income earner in a three-person household
Page 12 of 38



Salaries in Relationship to Housing Costs, 2025

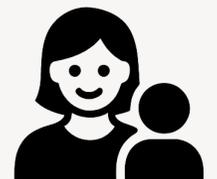
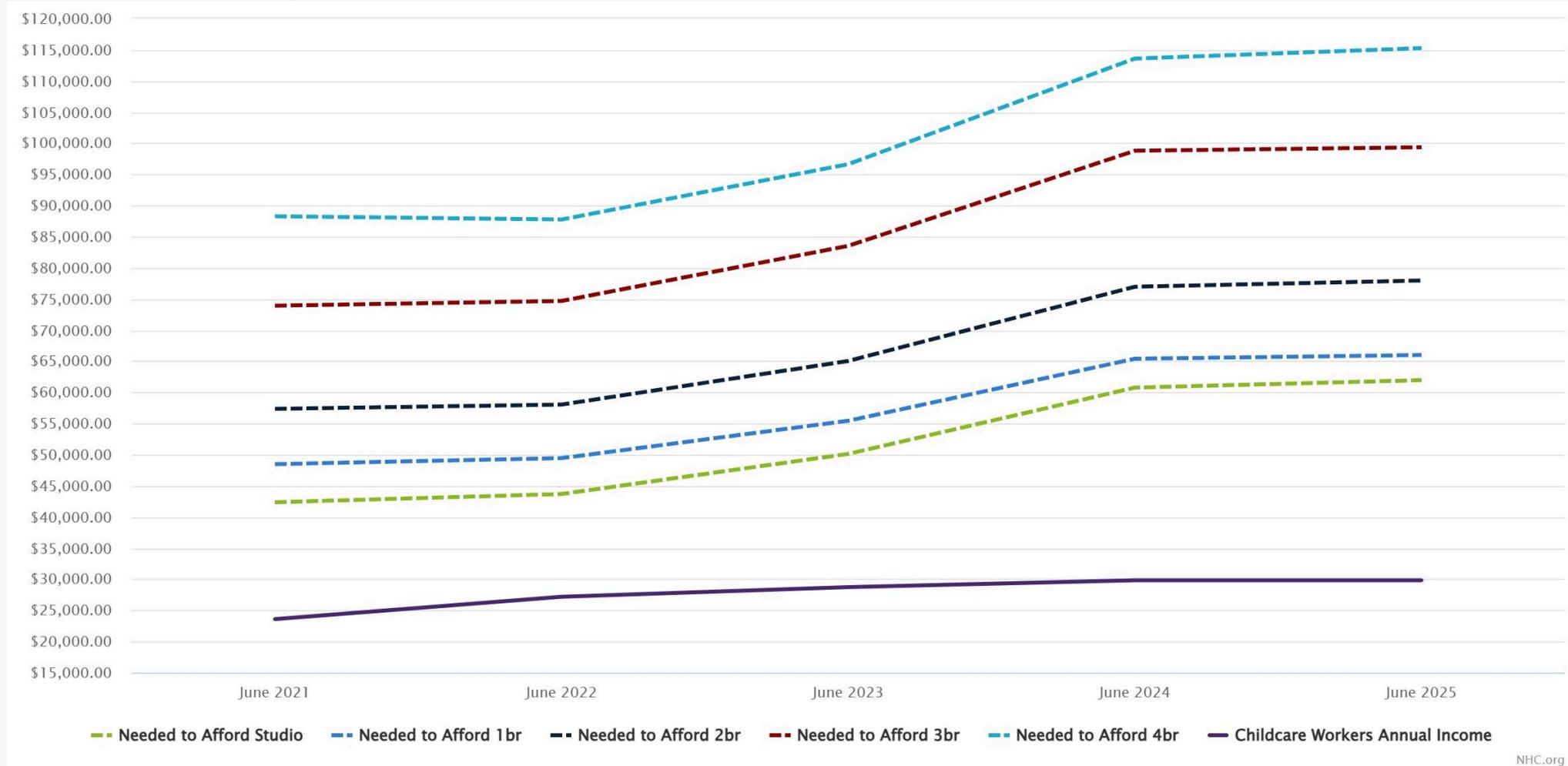
Rental Market Affordability:
Austin-Round Rock-San Marcos, TX



NHC.org



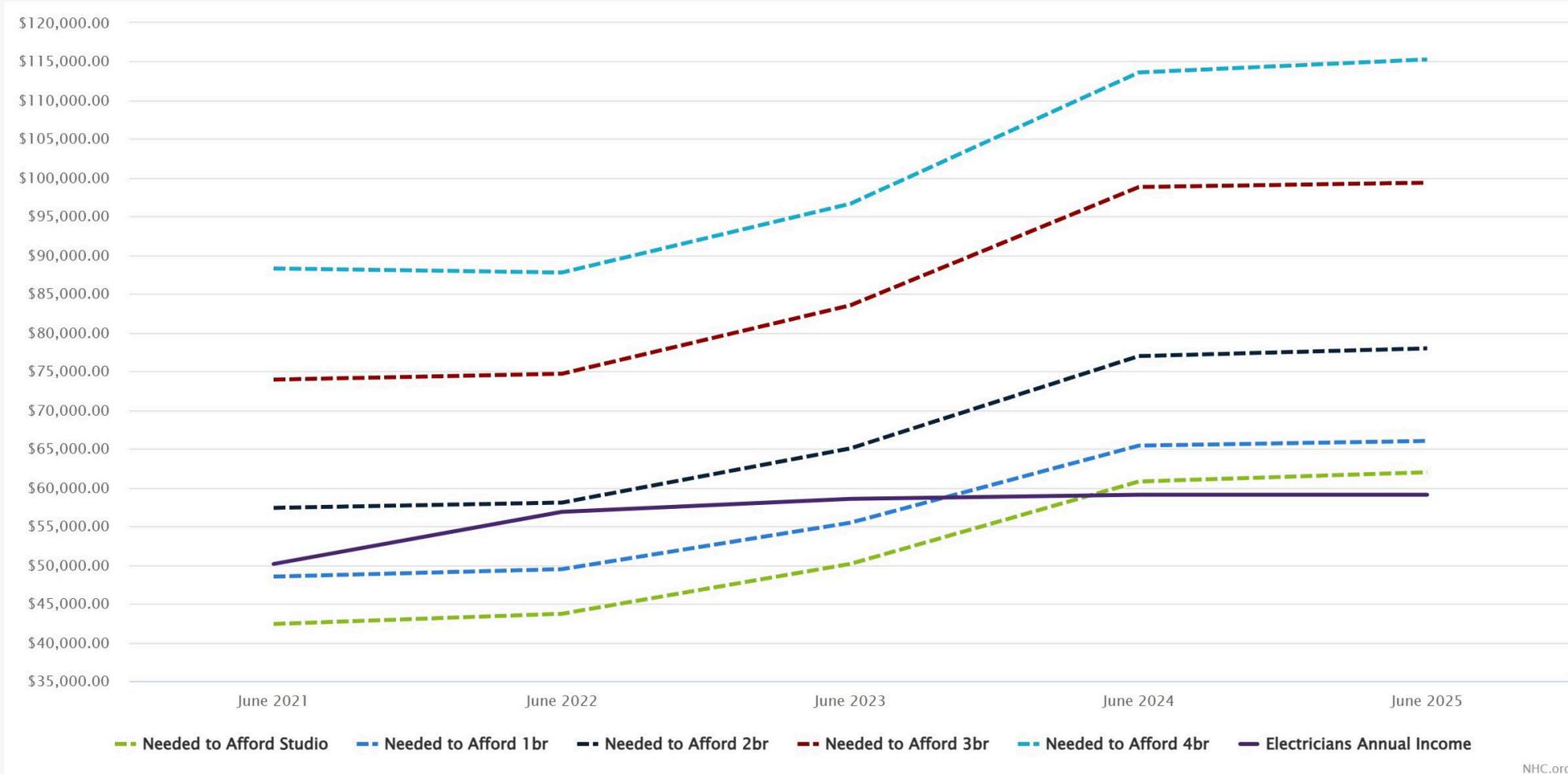
Childcare Worker Salary in Relationship to Housing Costs, 2021-2025 (30% MFI)



NHC.org



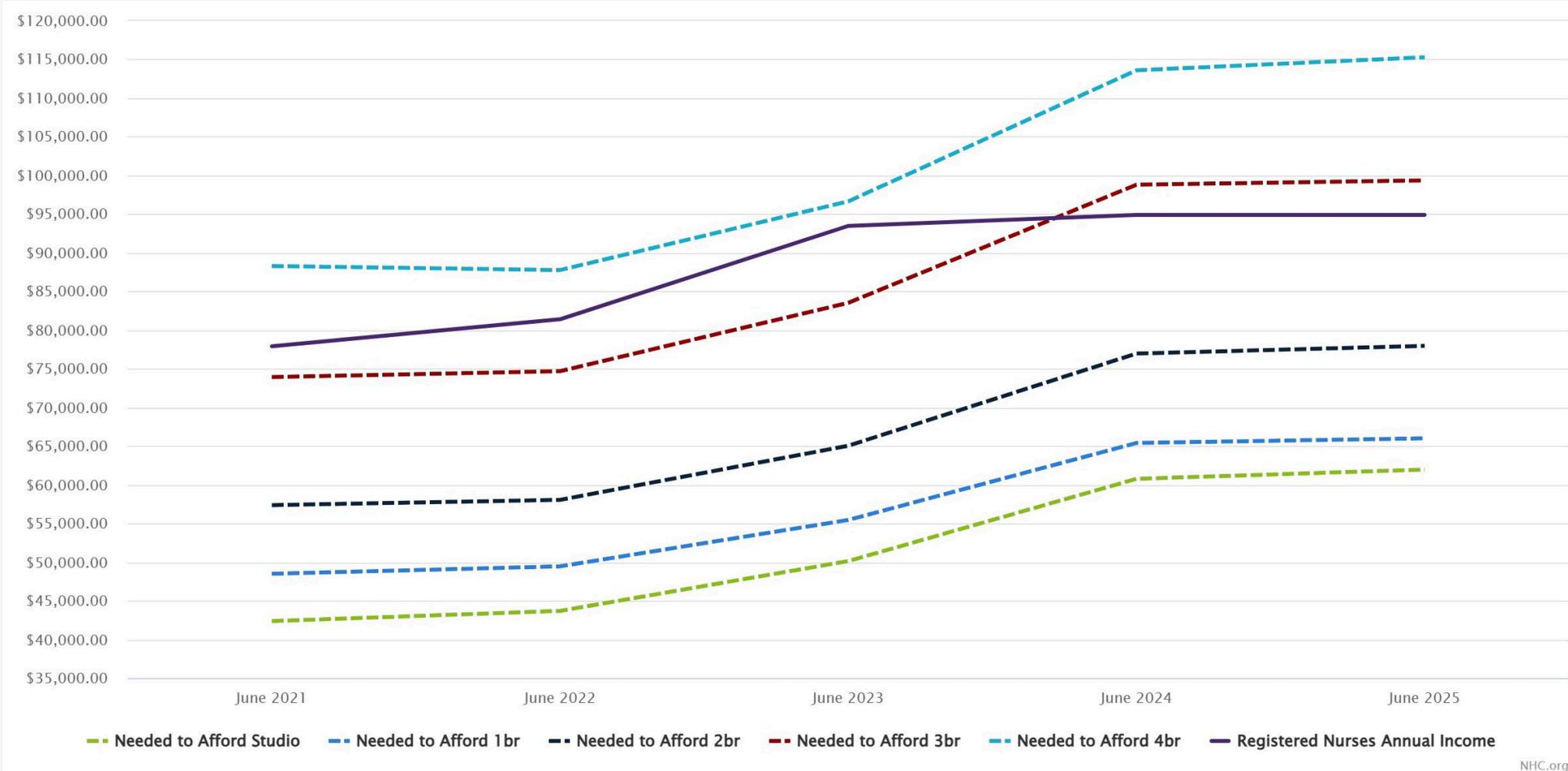
Electrician Salary in Relationship to Housing Costs, 2021-2025 (50% MFI)



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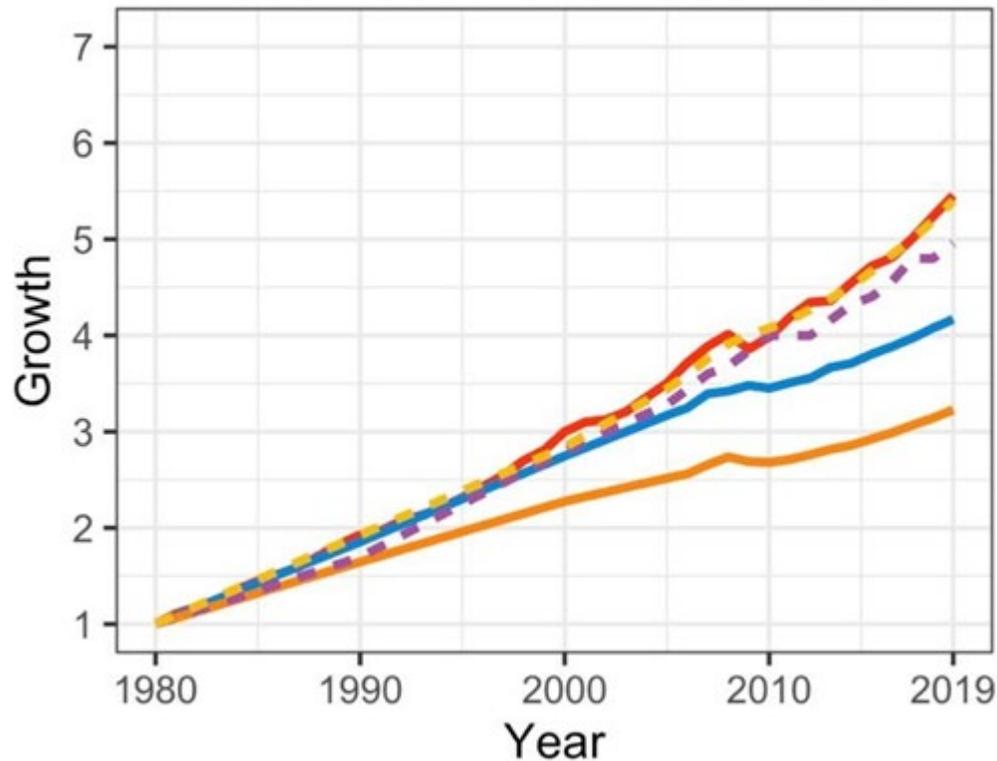


Registered Nurse Salary in Relationship to Housing Costs, 2021-2025 (80% MFI)



NHC.org

U.S. Income, Rent, and Inequality Growth



- The gap between college and noncollege incomes has widened, with national wage growth being about 317 percent for the college-educated and only 223 percent for the noncollege-educated
- Rents have increased at an even higher rate, making housing less attainable for people without college degrees

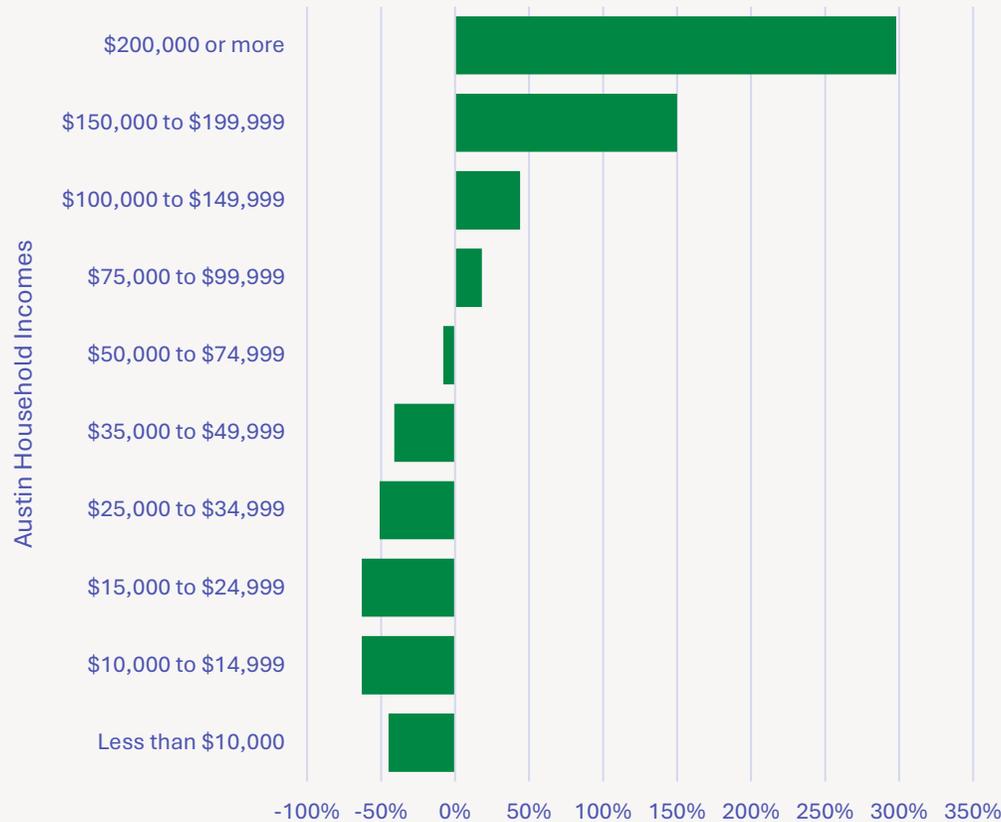


Source: https://eprints.lse.ac.uk/131070/1/III_Working_Paper_159.pdf

Income Growth and Educational Attainment in Austin



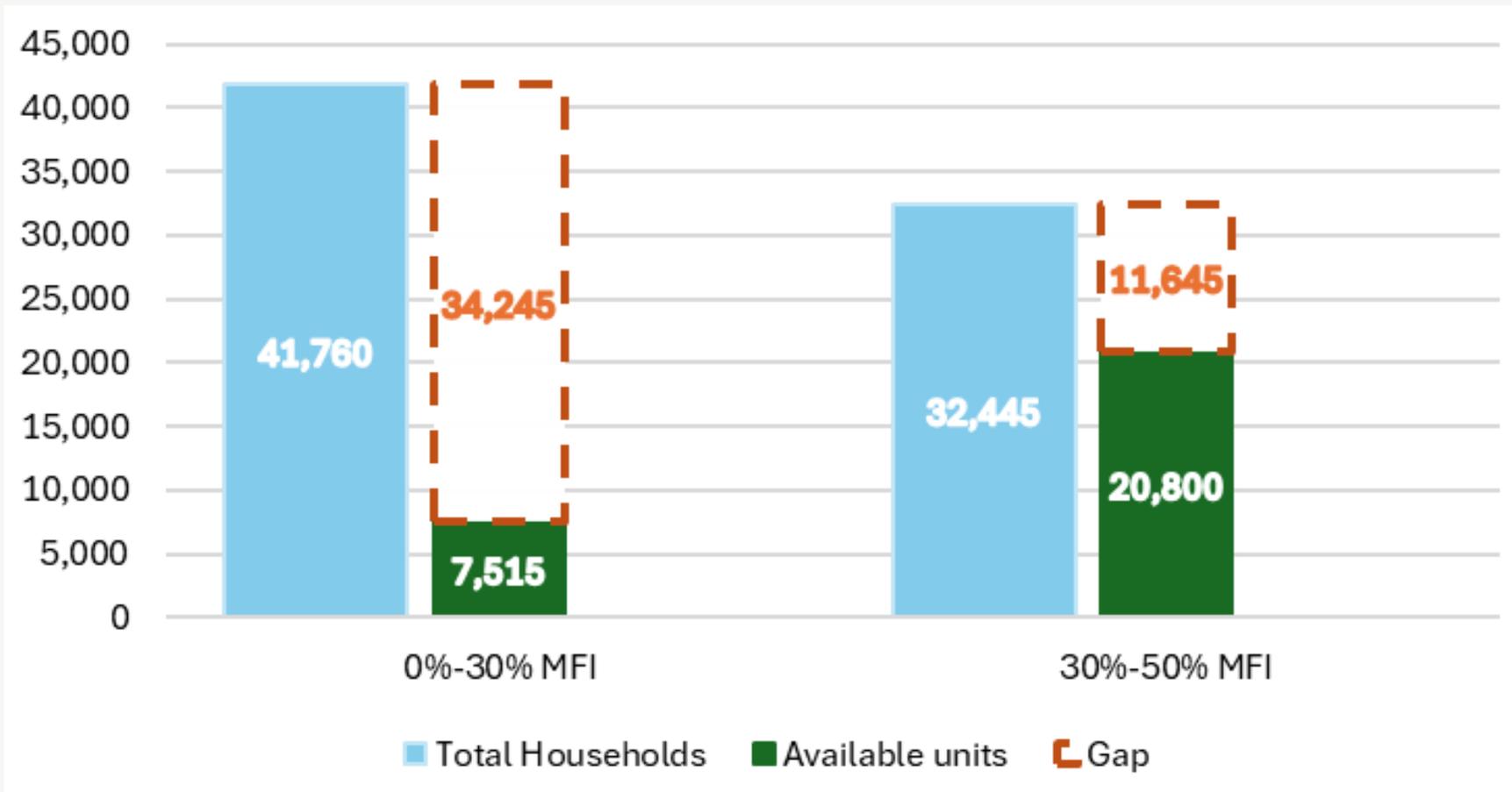
Percent Change of HH Income, 2010 to 2024



- The proportion of higher-income households in Austin has increased significantly since 2010, while the proportion of lower-income households has decreased
- 38.3% of Austinites over the age of 25 don't have bachelor's degrees

Source: American Community Survey data

Rental Unit Supply Gap for Households at or below 50% MFI (\$60,250)





Housing Affordability Gap Analysis



bae urban economics

HOUSING AFFORDABILITY GAP ANALYSIS

February 10, 2026

CITY OF AUSTIN

CONTENTS

1. Area Growth

2. Housing Affordability Gap Analysis

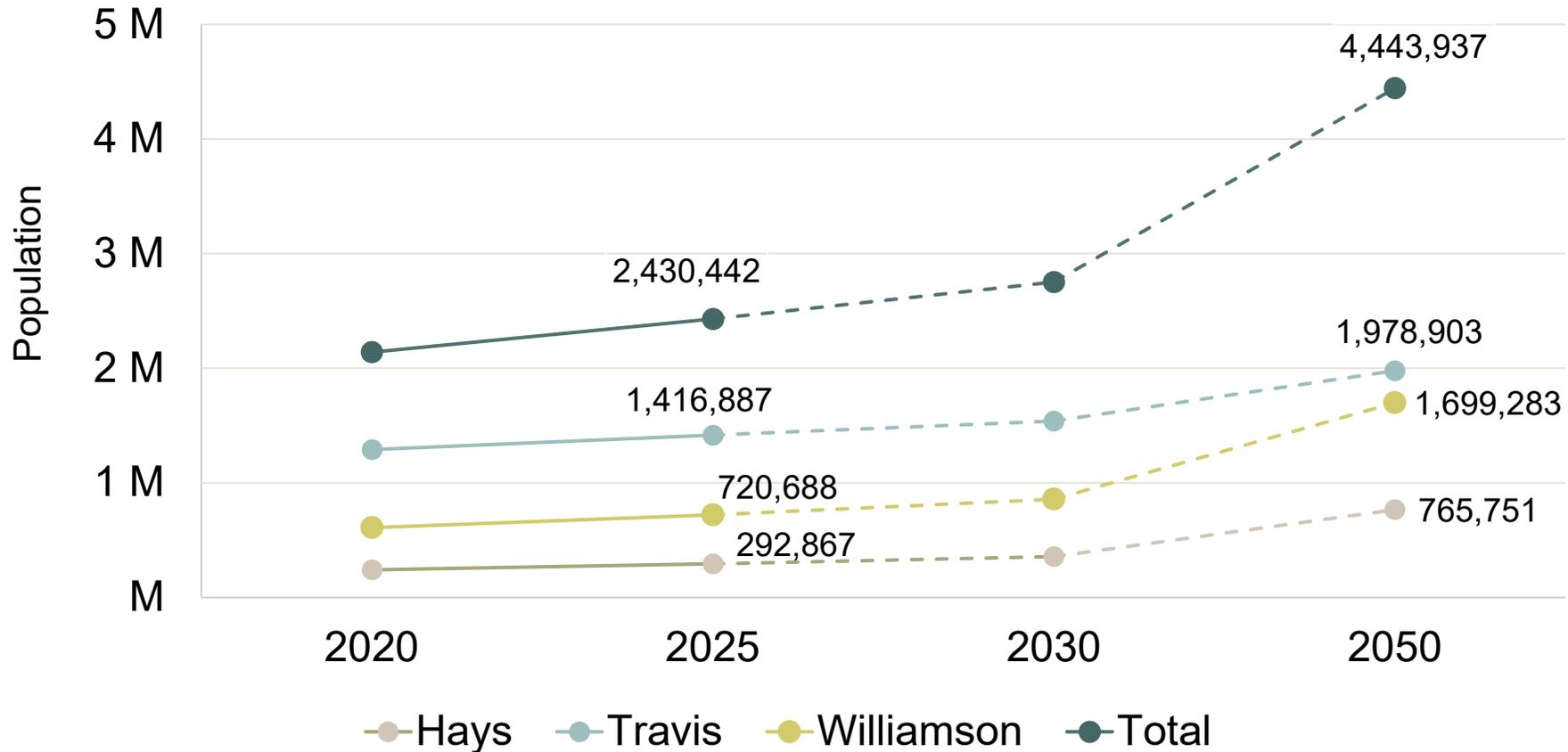
- Affordability of Market-Rate Rental
- Affordability of Market-Rate For-Sale

3. Policy Implications



AUSTIN AREA POPULATION GROWTH

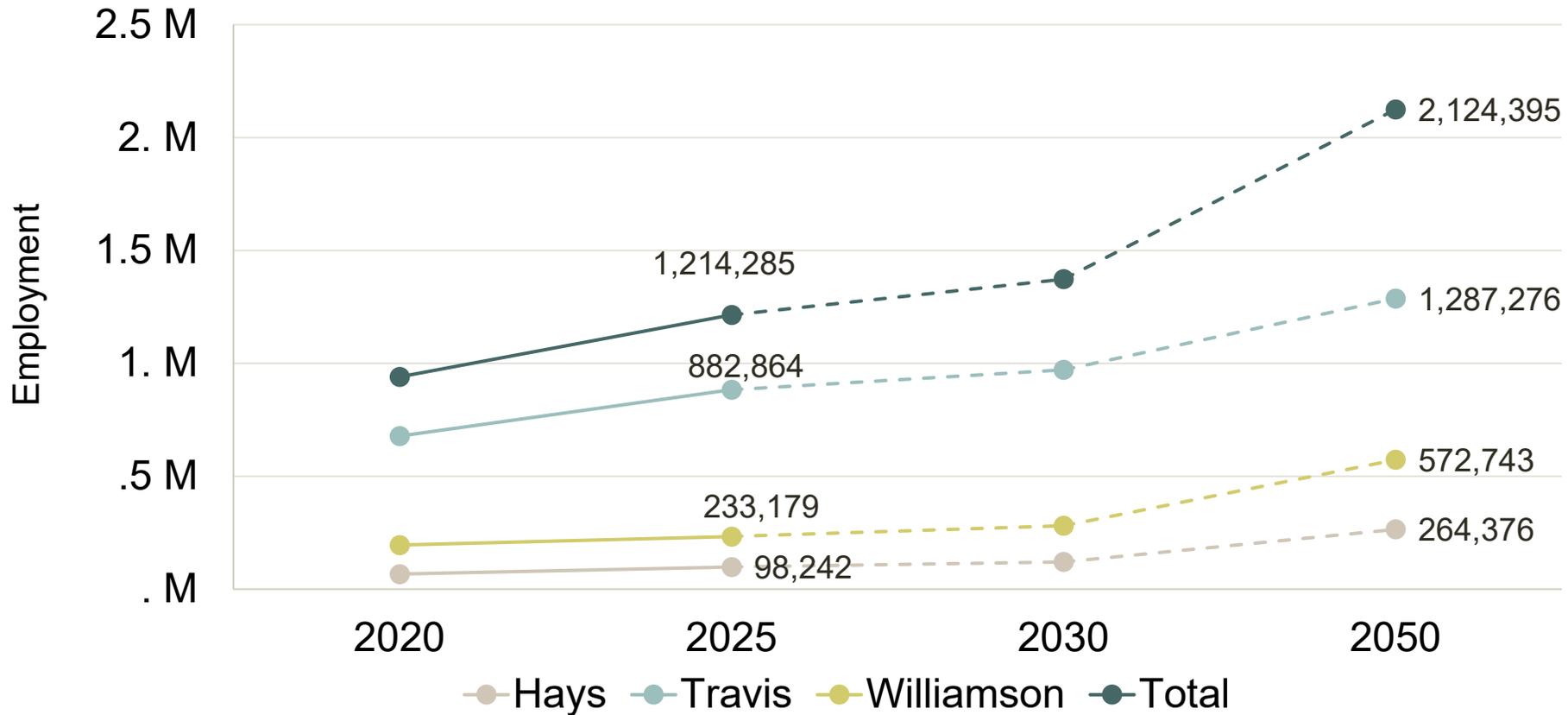
Population Projections by County, 2020 - 2050



Sources: Capital Area Metropolitan Planning Organization, 2025; BAE, 2026.

AUSTIN AREA JOB GROWTH

Employment Projections by County, 2020 - 2050



Sources: Capital Area Metropolitan Planning Organization, 2025; BAE, 2026.

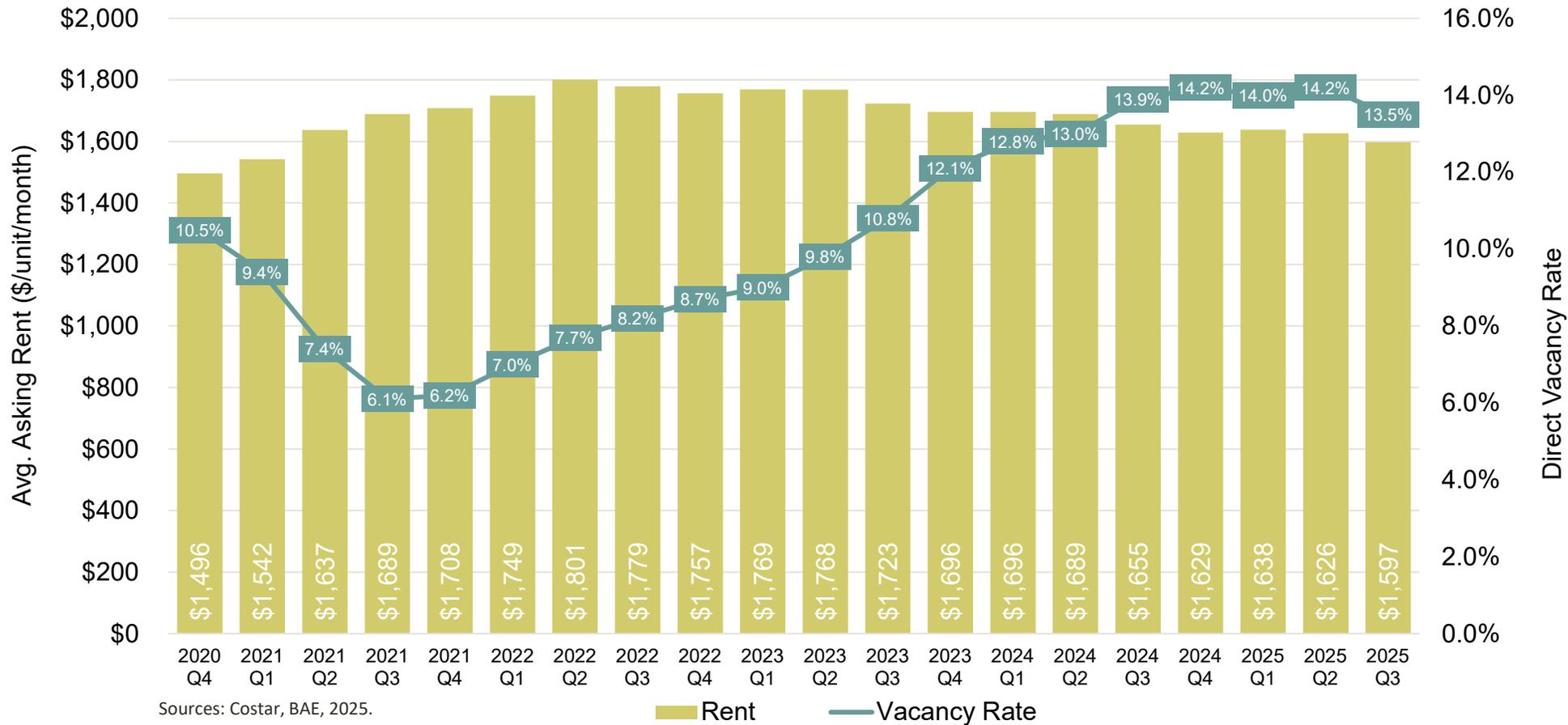
AFFORDABILITY GAP ANALYSIS

- The analysis shows the gaps between market-rate rental and sale prices and household incomes broken down by household size.
- This allows for a precise identification of housing needs that are not being met by the market to inform the development of policies and programs that address the greatest community needs.



Eastside at 2201 Apartments serving households earning up to 60% of the Median Family Income.

MULTIFAMILY RENT & VACANCY TRENDS



Sources: Costar, BAE, 2025.

Tight rental market in the early 2020s with noticeable cooling in recent years.

Multifamily production has been rapid over the past 5 years with 65,558 new units delivered (23% of existing inventory).

AFFORDABILITY OF MARKET-RATE RENTAL HOUSING

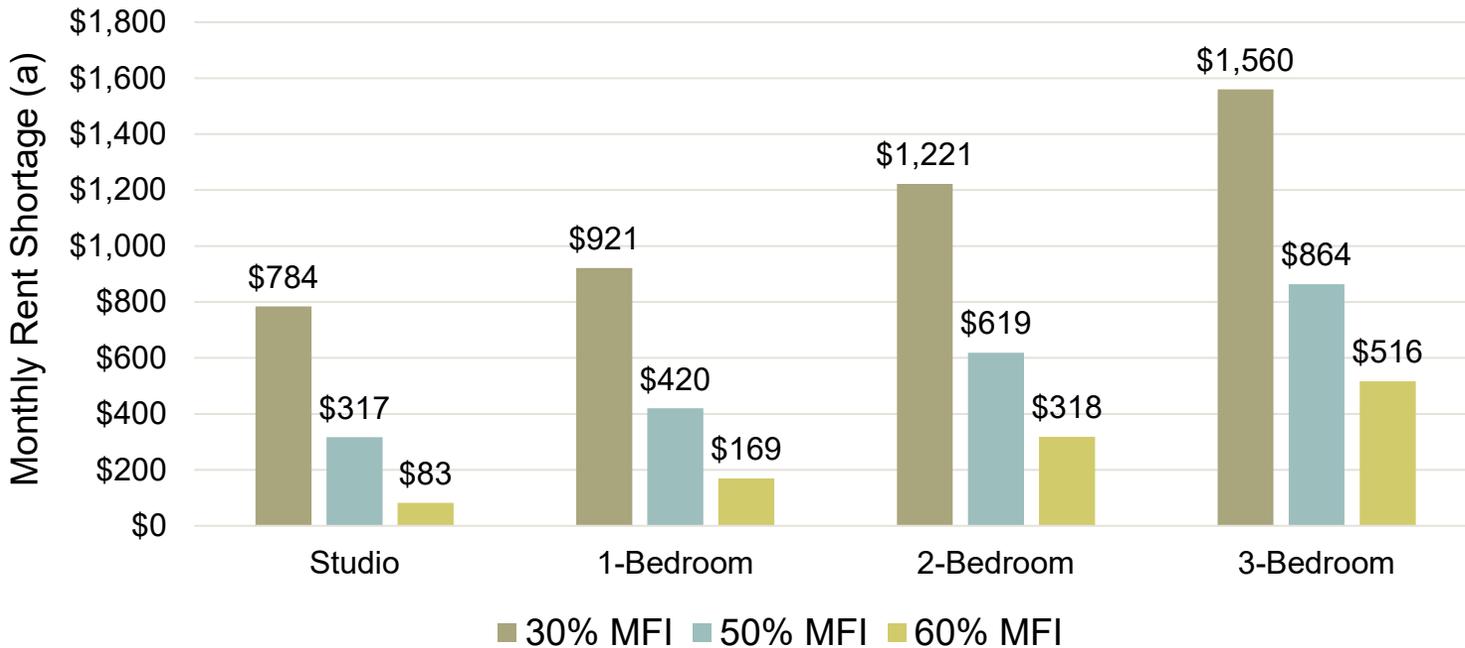
Households earning 30%, 50%, and 60% of MFI cannot afford an average-priced, market-rate multifamily rental unit, regardless of unit size. These units are affordable to households earning 80% of MFI or higher.

Maximum Affordable Base Rent	Unit Size			
	Studio	1-Bedroom	2-Bedroom	3-Bedroom
Assumed Household Size	1.0	1.5	3.0	4.5
Utility Allowance	\$236	\$248	\$297	\$344
Maximum Monthly Base Rent				
30% MFI	\$468	\$506	\$607	\$700
50% MFI	\$935	\$1,007	\$1,209	\$1,396
60% MFI	\$1,170	\$1,258	\$1,511	\$1,744
80% MFI	\$1,588	\$1,706	\$2,048	\$2,365
100% MFI	\$2,105	\$2,261	\$2,713	\$3,135
Average Market-Rate Rent	\$1,252	\$1,427	\$1,828	\$2,260

Sources: CoStar; City of Austin Housing Department & Austin Housing Finance Corporation, U.S. Department of Housing and Urban Development (HUD), BAE, 2025.

AFFORDABILITY OF MARKET RATE RENTAL

Households earning 30% and 50% of MFI experience the greatest difficulty affording market-rate housing.



Unit Type	Average Market Rate Rent
Studio	\$1,252
1-BR	\$1,427
2-BR	\$1,828
3-BR	\$2,260

Notes:

(a) Represents the difference between average market-rate rent and the maximum affordable monthly base rent.

Sources: CoStar; City of Austin Housing Department & Austin Housing Finance Corporation, U.S. Department of Housing and Urban Development (HUD), BAE, 2025.

Ownership Housing Affordability

- The median priced 3-BR single family home (**\$490,000**) is unaffordable to households earning **30% to 100% of MFI** and is affordable to households earning **120% of MFI** or more.
- The median price 2-BR condominium (**\$355,000**) is unaffordable to households earning between **30% to 80% of MFI** and is affordable to households earning **100% of MFI** or more.

AFFORDABILITY ANALYSIS

KEY FINDINGS

Rental Housing

The primary rental affordability gap for rental units in Austin is experienced by households earning 60% of MFI or less. Households earning 30% and 50% of MFI experience particularly large affordability challenges.

For-Sale Housing

The primary for-sale affordability gap is for households earning 100% or less of MFI, although affordability varies by product type.



For-Sale Housing Affordability

Product Type

Unaffordable to...

Single Family Homes

100% of MFI or less

Condominiums

80% of MFI or less

NEXT STEPS & POLICY IMPLICATIONS

- Use gap analysis findings to inform potential changes to the City's regulatory, incentive, and financing policies and programs.
- Continue to monitor the evolving relationship between housing costs and incomes as the market changes over time.
- Partner with the private-sector to meet housing needs and ensure balanced and diverse communities.



THANK YOU!

Questions or Comments?





Takeaways and Next Steps



Austin's Affordable Housing Needs

- Stagnating wages for essential workers, including food service workers, childcare workers, and others
- Essential workers are being priced out of Austin, threatening public services and economic growth
- MFI increasing rapidly in Austin due to more high-income households, so 60% MFI units renting at \$1,800/month don't serve low-income people very well
- Market isn't providing for households at and under 50% MFI (\$60,250/year for a 3-person household), for which there is decreasing funding



Creating Inclusive Growth

- The market provides housing for people at higher income levels, but planning is needed for affordable housing needs not addressed by the market
- Development contributes to the City's General Fund, which pays for city services, including police, fire, and EMS
- Want to combine affordable housing with market-rate development, when possible, to help solve both issues simultaneously

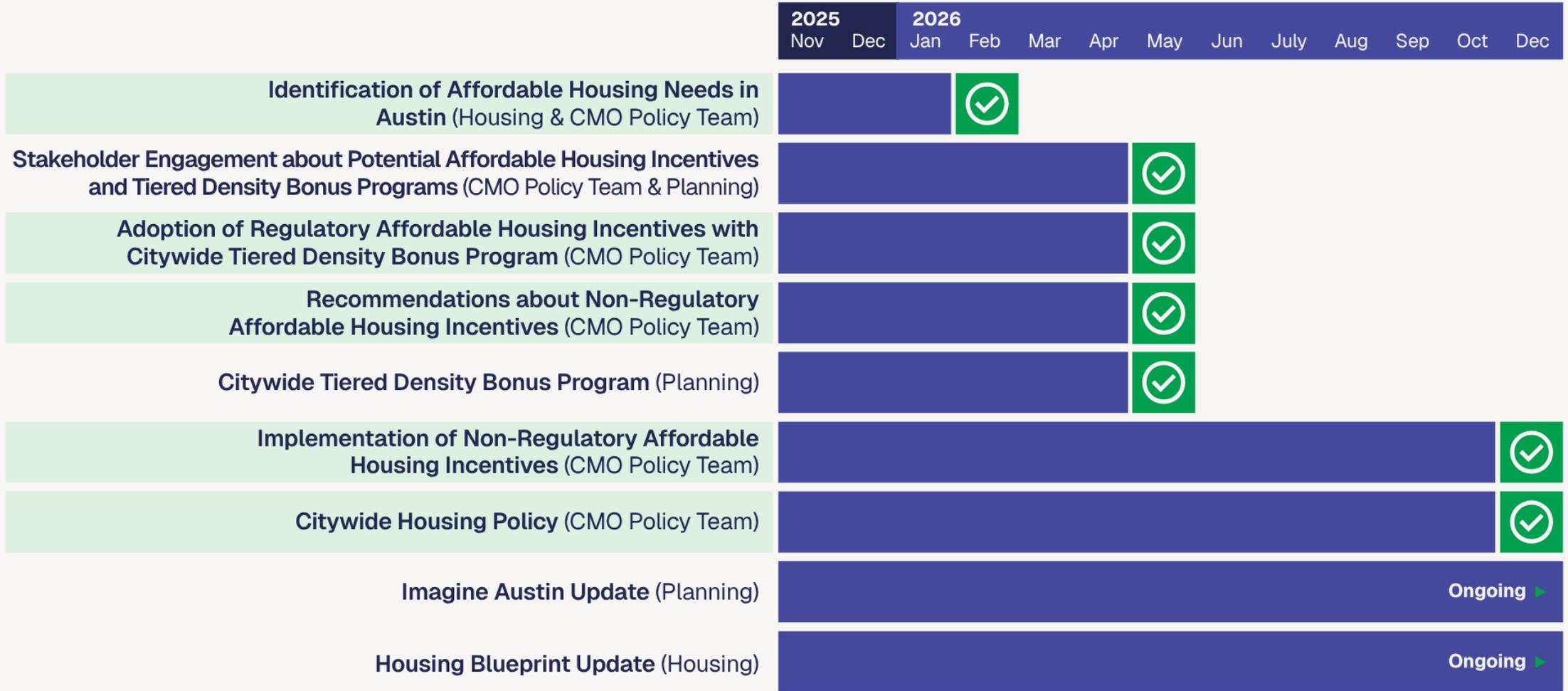
Addressing Austin's Affordable Housing Needs



Through:

- Policy Changes
- Development Process Improvements and Timeline Incentives
- Regulatory Incentives
- Financial Incentives and Innovative Financing
- Cost Reductions
- Partnerships

Timeframes for Housing Policy-Related Initiatives



Legend

Work Underway

Work Completed

CMO Housing Policy Team

Questions
