

CENTRAL TEXAS HOUSING DEVELOPMENT FEES ANALYSIS

RELEASED JULY 2022



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ABOUT THE CENTRAL TEXAS HOUSING DEVELOPMENT FEES ANALYSIS

The Central Texas Housing Development Fees Analysis is a joint publication from the Austin Board of REALTORS® (ABoR) and the Home Builders Association of Greater Austin (HBAGA). This analysis provides a snapshot of Austin housing development fees as they relate to those in major cities throughout Central Texas and the largest metro areas in Texas. Data in this analysis is derived from "Initial Report on a Survey of Residential Land and Housing Development Fees in Texas" released in June 2022 by the Texas Real Estate Research Center at Texas A&M University, as well as housing market statistics from the ACTRIS multiple listing service, the most complete, accurate source of listing information across the 18-county Central Texas region.

ABOUT THE NUMBERS

In its "Initial Report on a Survey of Residential Land and Housing Development Fees in Texas", the Texas Real Estate Research Center presents municipal housing development fees in two models to demonstrate how those fees can change depending on the scale of development. Model 1 represents a 40-acre suburban-style development yielding 200 single-family homes, whereas Model 2 represents a one-acre infill-style development yielding four single-family homes. Both models assume the land to be developed is along an existing roadway with all utilities present at the edge of the site, with final identical residential structures of 1,500 square feet.

"Housing development fees" is defined here as municipal fees directly involved in the development, infrastructure, and other activity on a new single-family housing site and are based on fee information surveyed by the Texas Real Estate Research Center from each municipality in the report.

To see the full methodology and list of housing development fees for each municipality presented in this report, download the "Initial Report on a Survey of Residential Land and Housing Development Fees in Texas" on the Texas Real Estate Research Center's website at www.recenter.tamu.edu.



NOTE: While some city departments in the study are enterprise-funded and may recoup the total cost of service, such as the City of Austin's development and planning department, not all are.

LETTER FROM THE AUSTIN BOARD OF REALTORS® & THE HOME BUILDERS ASSOCIATION OF GREATER AUSTIN

In 2021, the Austin Board of REALTORS® (ABoR) and the Home Builders Association of Greater Austin (HBAGA) jointly approached the Texas Real Estate Research Center at Texas A&M University to conduct a research study on barriers to housing development in Central Texas. Integrating our request into a larger project that was already underway, the Texas Real Estate Research Center conducted a first-ever compilation and analysis of housing development fees throughout the state.

Until now, there has been shockingly little data available on housing development fees and their impact on housing affordability. This **Central Texas Housing Development Fees Analysis**, made possible by the Center's work, confirms what those in the real estate community have known for a long time: **Austin is one of the most expensive cities to build new homes in Texas**, with fees that are drastically higher than most other cities throughout Central Texas and major metro areas across the state.

That's a problem, considering we're in the middle of a housing supply crisis.

What's more concerning, this analysis shows that infill development – a critical component to delivering more housing inside Austin's city limits – is exponentially more expensive to build in Austin, with per-unit fees that are **127% higher** than those of a suburban-style development and **187% higher** than average infill development fees across Dallas, Houston, Fort Worth, and San Antonio.

These development fees, while ultimately a small portion of the overall cost of a home, can make or break a first-time buyer's ability to afford a home. In fact, our analysis found that for an Austin renter earning the median household income in 2019, City of Austin development fees could comprise **up to 20%** of the mortgage that a household could reasonably afford.

This analysis is an important first step in understanding how housing fees directly impact housing development and affordability, and we hope it is a helpful tool as local policy makers continue to prioritize housing in our region.

Every day matters. Since 2021, when this research started, home prices have already **increased 22%** (approximately \$100,000) across the MSA.

While there is no one-size-fits-all solution to solving our region's housing crisis, housing development fees are one area in which policymakers have direct influence. Swift and focused action is needed, and ABoR and the HBAGA look forward to seeing our City's leaders take such action.



EMILY CHENEVERT
Chief Executive Officer
Austin Board of REALTORS®
& ACTRIS MLS



TAYLOR JACKSON
Chief Executive Officer
Home Builders Association
of Greater Austin

MODEL 1 FEES COMPARISON | TOP 5 TEXAS METROS

By far, the City of Austin has the highest per-unit development fees (**\$18,168 per unit**) for suburban-style single-family housing developments among the five largest metro areas in Texas, including Dallas, Fort Worth, Houston, and San Antonio.

- Across the five largest metro areas, the average total housing development fees charged per unit is **\$10,073**, with a range between **\$4,841** and **\$18,168**.
- The highest City of Austin per-unit fee is an Impact Fee (**\$7,200**), followed by a Dedication Fee for Parkland Development (**\$5,664**) and Permit Fee (**\$2,148**).
- The per-unit housing development fees for a suburban-style development comprise approximately **3.4%** of the 2021 median price for a single-family home in the city of Austin (**\$536,331**).

\$18,168

Estimated total per-unit fees for a suburban-style development in the city of Austin. For a 40-acre development yielding approximately 200 single-family homes, City of Austin development fees alone would cost developers **approximately \$3.6M**.

80.4% **AUSTIN FEES: \$8,000+ ABOVE THE AVERAGE**

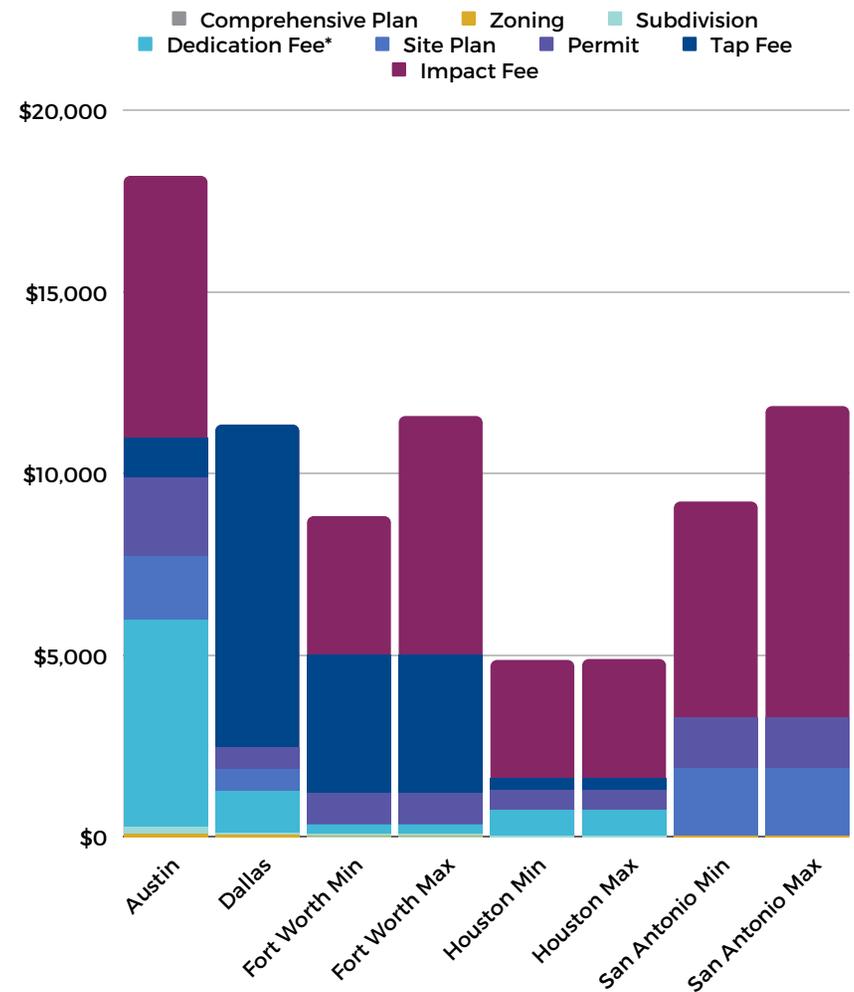
Per-unit fees for a suburban-style development in the City of Austin are **80.4% higher** (or more than \$8,000 higher) than the average per-unit fees for a suburban-style development in the five largest metro areas in Texas (**\$10,073**).



NOTE: Some municipalities set minimum and maximum housing development fee structures determined by the size of the development. Among the five largest Texas metros, Fort Worth, Houston, and San Antonio set minimum and maximum fee ranges, whereas Austin and Dallas do not.

ESTIMATED HOUSING DEVELOPMENT FEES PER UNIT IN TOP 5 TEXAS METRO AREAS

40-Acre Suburban-Style Development Yielding 200 Single-Family Homes

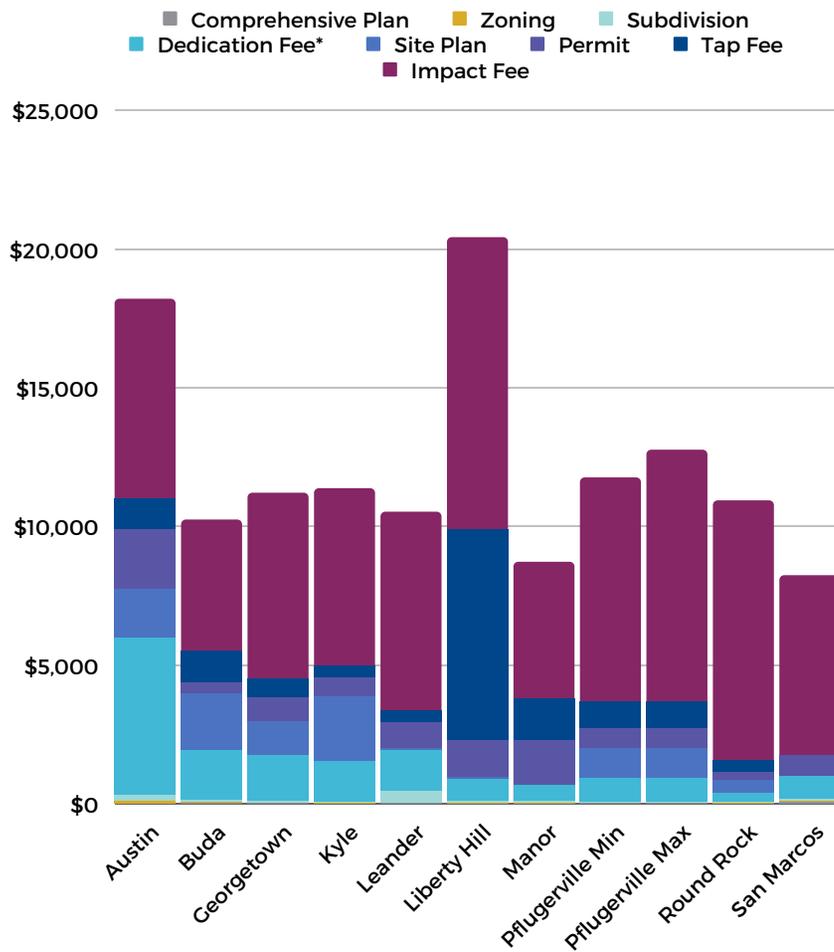


MODEL 1 FEES COMPARISON | CENTRAL TEXAS CITIES

The City of Austin has the second-highest per-unit development fees (**\$18,168 per unit**) for suburban-style single-family housing developments among Central Texas cities in this analysis, exceeded only by Liberty Hill (**\$20,388 per unit**).

ESTIMATED HOUSING DEVELOPMENT FEES PER UNIT AMONG CENTRAL TEXAS CITIES

40-Acre Suburban-Style Development Yielding 200 Single-Family Homes



 **NOTE:** Liberty Hill has the highest impact fees among the surveyed municipalities. As a rural community experiencing such growth, it is not surprising that much of the necessary infrastructure (like roads, water, and wastewater) needs to be built, resulting in high impact fees.

ESTIMATED TOTAL HOUSING DEVELOPMENT FEES CHARGED AMONG CENTRAL TEXAS CITIES

40-Acre Suburban-Style Development Yielding 200 Single-Family Homes

AUSTIN	\$3,596,888	LIBERTY HILL	\$4,077,596
BUDA	\$2,042,800	MANOR	\$1,829,790
GEORGETOWN	\$2,234,043	PFLUGERVILLE MIN	\$1,715,998
KYLE	\$2,263,904	PFLUGERVILLE MAX	\$2,344,598
LEANDER	\$2,097,698	ROUND ROCK	\$2,178,166
		SAN MARCOS	\$1,642,407

\$11,846

Among the Central Texas cities in this analysis, the average total housing development fees charged per unit is **\$11,846**, with a range between **\$8,212** and **\$20,388**. This average per-unit fee is approximately **2.6%** of the 2021 median price for a single-family home across the Austin-Round Rock MSA (**\$450,000**). This per-unit fee grows to about **3.4%** of the 2021 median price for a single-family home in the City of Austin.

53.4%

AUSTIN FEES: \$6,300+ ABOVE THE AVERAGE

Per-unit fees for a suburban-style development in the City of Austin are **53.4% higher** (more than **\$6,300**) than the average per-unit fees for a suburban-style development among the Central Texas cities in this analysis (**\$11,846**).

MODEL 2 FEES COMPARISON | TOP 5 TEXAS METROS

City of Austin fees for an infill-style development are the highest among any municipality and any development type in this report, with per-unit fees of approximately **\$41,303**. Austin's per-unit housing development fees are **127% higher** for infill-style developments than suburban-style developments.

- Across the five largest metro areas, the average total housing development fees charged per unit is **\$14,401**, with a range between **\$5,014** and **\$41,303**.
- The highest City of Austin per-unit fee is a Site Plan Fee (**\$14,613**), followed by a Subdivision Fee (**\$8,106**) and Impact Fee (**\$7,200**).
- The per-unit housing development fees for an infill-style development comprise approximately **7.7%** of the 2021 median price for a single-family home in the City of Austin (**\$536,331**).

\$41,303

Estimated per-unit fees for an infill-style development in the city of Austin. For a one-acre infill-style development yielding four single-family homes, City of Austin development fees alone would cost developers **over \$165,000**.

186.8% **AUSTIN FEES: \$26,900+ ABOVE THE AVERAGE**

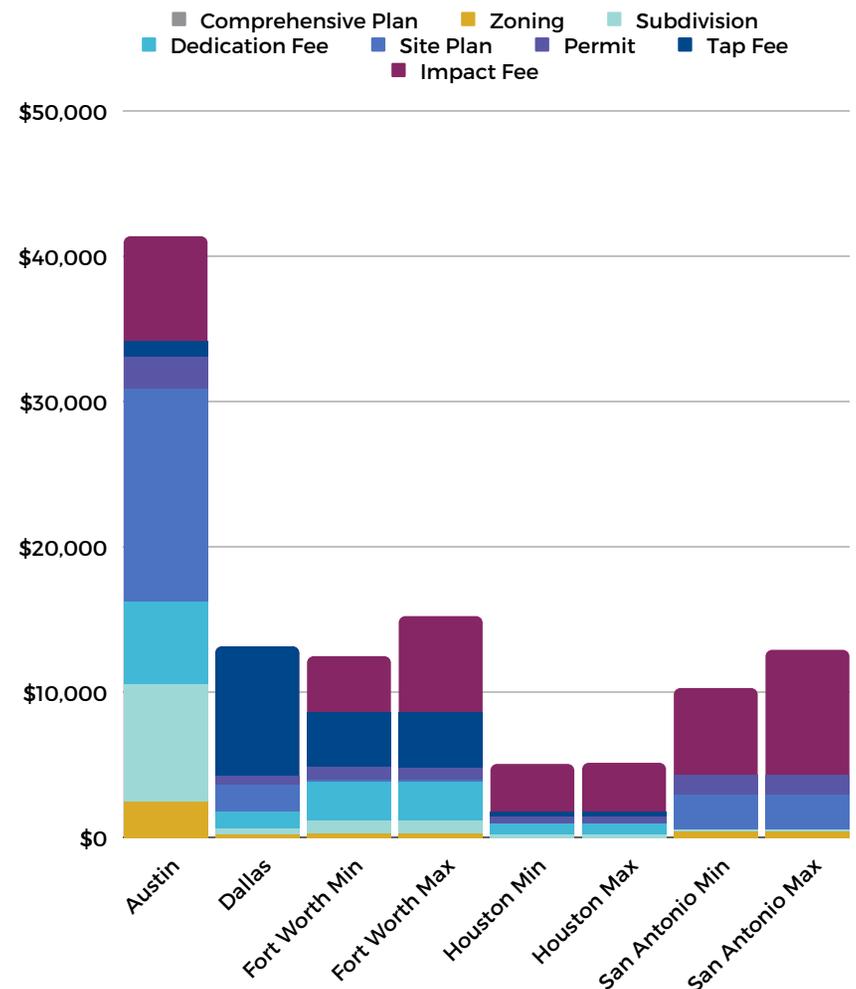
Per-unit fees for an infill-style development in the city of Austin are **186.8% higher** (or nearly \$27,000 more) than the average per-unit fees for an infill-style development in the five largest metro areas in Texas (**\$14,401**).



NOTE: All surveyed municipalities charge slightly higher rates per housing unit on smaller developments. A larger reliance on base fees rather than marginal fees related to the size of the development can significantly increase per-unit costs for infill developments.

ESTIMATED HOUSING DEVELOPMENT FEES PER UNIT IN TOP 5 TEXAS METRO AREAS

One-Acre Infill-Style Development Yielding Four Single-Family Homes

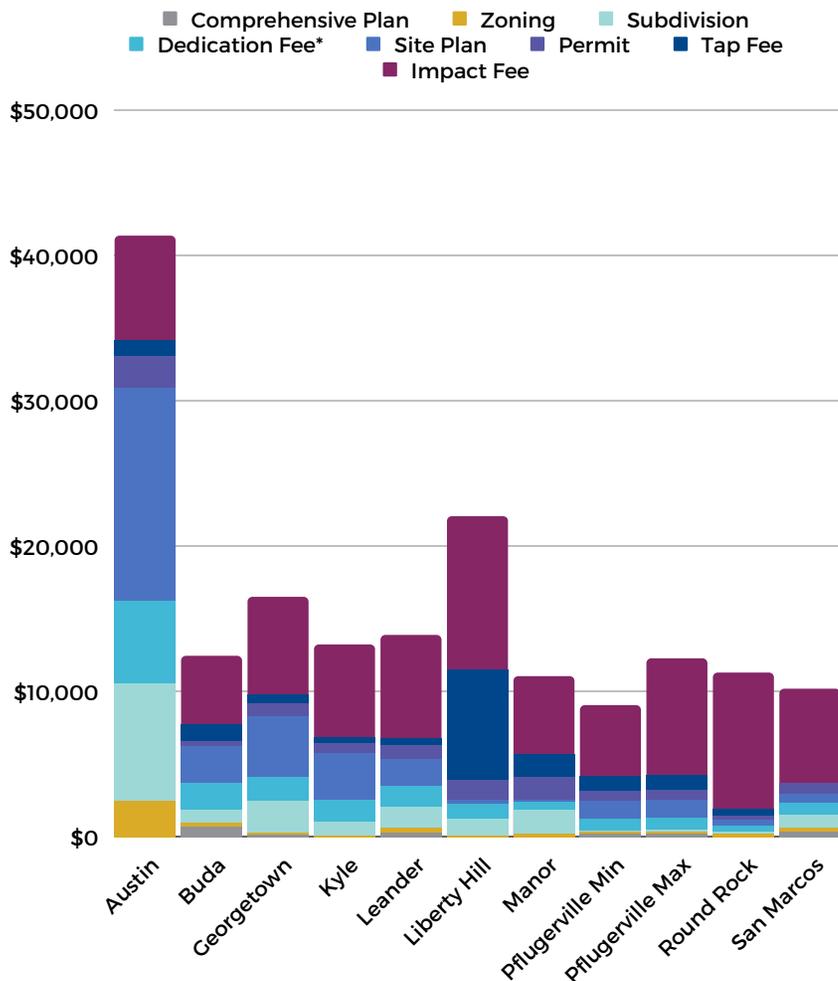


MODEL 2 FEES COMPARISON | CENTRAL TEXAS CITIES

The City of Austin has the highest per-unit development fees for infill-style single-family housing developments among Central Texas cities in this analysis (**\$41,303 per unit**), more than **2.5x the average** for development fees for infill housing in Central Texas.

ESTIMATED HOUSING DEVELOPMENT FEES PER UNIT AMONG CENTRAL TEXAS CITIES

One-Acre Infill-Style Development Yielding Four Single-Family Homes



ESTIMATED TOTAL HOUSING DEVELOPMENT FEES CHARGED AMONG CENTRAL TEXAS CITIES

One-Acre Infill-Style Development Yielding Four Single-Family Homes

AUSTIN	\$165,214	LIBERTY HILL	\$88,036
BUDA	\$49,813	MANOR	\$44,043
GEORGETOWN	\$66,026	PFLUGERVILLE MIN	\$36,240
KYLE	\$52,761	PFLUGERVILLE MAX	\$49,112
LEANDER	\$55,545	ROUND ROCK	\$45,023
		SAN MARCOS	\$40,750

\$15,740

Among the Central Texas cities in this analysis, the average total housing development fees charged per unit is **\$15,740**, with a range between **\$9,060** and **\$41,303**. This average per-unit fee is approximately **3.5%** of the 2021 median price for a single-family home across the Austin-Round Rock MSA (**\$450,000**). This per-unit fee grows to about **7.7%** of the 2021 median price for a single-family home in the City of Austin (**\$536,331**).

162.4% AUSTIN FEES: \$25,000+ ABOVE THE AVERAGE

Per-unit fees for a infill-style development in the City of Austin are **162.4% higher** (or more than **\$25,000** higher) than the average per-unit fees for a infill-style development among the Central Texas cities in this analysis (**\$13,579**).

IMPACT OF DEVELOPMENT FEES ON HOUSING AFFORDABILITY

Housing development fees can have a significant impact on a first-time homebuyer's ability to afford a home. According to the Texas Real Estate Research Center, households renting in the Austin-Round Rock MSA in 2019 had a median income of \$54,871, which would allow them to afford a home loan of up to **\$204,556**. This is **less than half** of the median home price in the Austin-Round Rock MSA, which was **\$450,000** in 2021, just two years later.

SUBURBAN-STYLE DEVELOPMENT

- The average development fees for a suburban-style development among the Central Texas cities surveyed is approximately **5.8%** of the home loan that the median Austin renter could afford in 2019.
- For a suburban-style development in the city of Austin, that percentage jumps to **8.9%**.
- As a comparison, City of Houston development fees for a suburban-style development are estimated to be only **2.4%** of the home loan affordable to a 2019 median renter household.

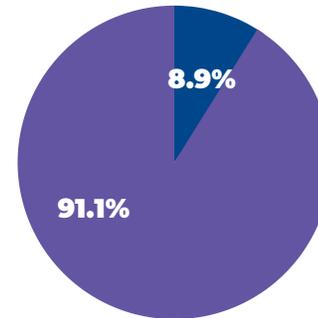
INFILL-STYLE DEVELOPMENT

- The average development fees for an infill-style development among the Central Texas cities surveyed is approximately **7.7%** of the home loan that the median Austin renter could afford in 2019.
- For an infill-style development in the City of Austin, that percentage soars to **20.2%**.
- As a comparison, City of Houston development fees for an infill-style development are estimated to be **2.5%** of the home loan affordable to a 2019 median renter household.

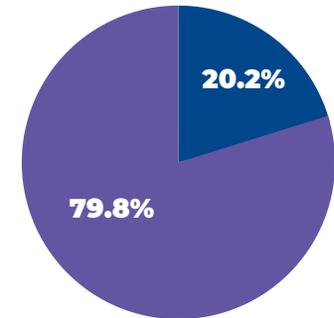
20.2%

Per-Unit Housing Development Fees for an Infill-Style Development in the City of Austin as a percentage of the mortgage that an Austin-area renter could reasonably afford in 2019, based on a median household income of \$54,871.

PERCENTAGE OF HOUSING DEVELOPMENT FEES OF MORTGAGE FOR AUSTIN RENTER IN 2019



SUBURBAN-STYLE DEVELOPMENT:
8.9% OF MORTGAGE



INFILL-STYLE DEVELOPMENT:
20.2% OF MORTGAGE

PERCENTAGE OF DEVELOPMENT FEES OF 2021 MEDIAN HOME PRICE IN THE CITY OF AUSTIN

3.4% SUBURBAN-STYLE DEVELOPMENT **7.7%** INFILL-STYLE DEVELOPMENT

\$204,556

The home loan that a renter in the Austin-Round Rock MSA could reasonably afford in 2019, assuming the median household income of \$54,871. The last time the median home price for the Austin-Round Rock MSA was \$205,000 was in **February 2013**.

UNDERSTANDING RESIDENTIAL HOUSING DEVELOPMENT FEES

Municipal housing development fees are assessed at all stages of the development process, including planning, zoning, subdivision and platting, site planning, and permitting. Below is a snapshot of common fees assessed by cities throughout the residential housing development process. Note, each step below may have multiple fees assessed within these broader categories.

STEP ONE: COMPREHENSIVE PLANNING



Comprehensive Plan Fee: Cities that adopt a comprehensive plan may assess a fee for developers to request a change to that plan. According to the data, the City of Austin **does not charge** a comprehensive planning fee for residential housing developers.

STEP TWO: ZONING



Zoning Change Fee: A property owner must pay a fee and have a zoning change approved at a public hearing when they want to use the property for a use different than what the current zoning allows (such as, when seeking to build homes in a commercially zoned area).

STEP THREE: SUBDIVISION & PLATTING



Parkland Dedication Fee: This fee allows cities to meet the need of providing parkland and open spaces as a city grows.

Stormwater Fees: Stormwater fees are imposed for projected pollution in stormwater drainage from impervious surface runoff. Often, this fee is proportional to the size of "impervious cover" areas that don't allow rain to infiltrate, such as roofs, driveways, and paved walkways.

STEP FOUR: SITE PLANNING



Site Plan Application Fee: Cities require a review and approval of the design plans for a new development before a building permit will be issued. This fee is due upon submitting the design plan to the City for review.

STEP FIVE: SUBDIVISION & PLATTING



Building Permit Fees: To begin construction on a residential housing site, a builder must apply and pay for a building permit.

Tap Fees: Tap fees are assessed to connect the new housing site to public utility lines such as water and wastewater.

Impact Fees: Often one of the highest fees assessed, impact fees funds the construction of public infrastructure facilities that are required as a city grows, such as roadways and drainage systems,



According to the Texas Real Estate Research Center, an infill-style development refers to housing developments found "closer to town on land that has already undergone one or more development phases through time as a city has grown."

RECOMMENDATIONS FOR LOCAL POLICYMAKERS

While several factors that impact the overall cost of housing are outside the control of local governments, development fees are one area where cities throughout Central Texas have direct oversight and can take action. We invite local policymakers to consider the following recommendations in order to prioritize housing in their community.

1. INCREASE TRANSPARENCY IN DEVELOPMENT FEES

Cities need to be more transparent about development fees. Cities should create easy-to-use online tools that help community members, developers, and elected officials find information about development fees. These online tools should provide quick and centralized access to information related to development fees, including a list of all the fees charged, how much each fee costs, how each fee has changed year-over-year, an explanation of each fee, where people can find more information about each fee, and an easy-to-use development fee calculator to help community members understand the total amount of development fees charged for a home. Cities should also be more transparent about how fees are justified by including information on how they calculate the cost of the services provided during the development process.

Why it matters: The Texas Real Estate Research Center highlights the significant lack of comprehensive information on local government's role in Texas' housing development process. This lack of information limits the ability of communities to understand the full role and impact a municipality's development fees has on residential construction.

2. IMPLEMENT DEVELOPMENT PROCESS IMPROVEMENTS

Cities should work to simplify their development process to make it more efficient and predictable. This includes:

- Reviewing all development regulations and fees, and getting rid of any that are no longer needed, are in conflict with one another, or make it difficult to build homes;
- Implementing reforms to create process efficiencies that will streamline and expedite residential permitting;
- Regularly reviewing, modifying, and removing rules and regulations that add unnecessary time and cost to the development process;
- Setting a goal of approving permits for single-family homes, ADUs, duplexes, and other housing types within 14 days;
- Adopting success metrics for city departments to inform the community how long it takes to complete the review process; and
- Reviewing development processes from other cities to identify and implement best practices.

Why it matters: The Texas Real Estate Research Center highlights that the time municipalities take for their review and application iterations increases financing costs for new housing, which ultimately drives up the cost of new housing. By operating more efficiently, cities can process the same volume with fewer city resources.

3. RIGHT-SIZE DEVELOPMENT FEES

Cities should right-size development fees to ensure appropriate fee levels are charged for different-sized developments. As cities grow, it is critical that they find ways to minimize fees for infill and missing middle developments in their urban core so that the fees are comparable to suburban-style developments.

Why it matters: The Texas Real Estate Research Center highlights that development fees consistently have a greater impact on homes built in an infill-style development compared to those built in a suburban-style development. Some cities, like the City of Austin, have extreme per-unit cost differences between these two styles of development due to the larger reliance on base fees rather than marginal fees related to the size of the development. This means that infill-style housing is inherently more expensive to build on a per-unit bases.

ABOUT THE AUSTIN BOARD OF REALTORS®

The Austin Board of REALTORS® (ABoR) is the largest professional trade association in Central Texas, representing nearly 20,000 REALTORS® and real estate professionals. As the organized voice for Central Texas REALTORS® and homeowners, we work with policymakers at the local, state, and national levels to implement policies that champion housing equity and accessibility for all. Locally, our advocacy efforts are concentrated around three areas: property rights, strategic land use, and business issues and practices. We focus our advocacy on policy areas where our members bring a high level of experience, expertise, and can be part of developing solutions for Central Texas. For more information, visit ABoR.com/Advocacy.

ABoR supports efforts to ensure a balanced and healthy housing market. We believe allowing the creation of more housing should be a regional priority. Our communities must come together to meet the challenge of housing in our rapidly growing population by collectively finding ways to increase the abundance and variety of housing. ABoR is committed to being a consensus builder during these conversations and we are uniquely positioned to bring parties together as our members represent every corner Central Texas.

ABOUT THE HOME BUILDERS ASSOCIATION OF GREATER AUSTIN

The Home Builders Association of Greater Austin (HBAGA) is the leading professional trade organization dedicated to residential construction and remodeling in Central Texas. With more than 750 member companies and thousands of community members, the HBAGA works with government, public, business and community organizations in seven counties – Bastrop, Burnet, Caldwell, Hays, Lee, Travis, and Williamson. It is our mission to advance the professionalism of the home building industry by building strong communities and homes that enable people to thrive. For more information, visit HBAAustin.com.

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The logo for the Austin Board of Realtors, featuring the text "AUSTINboard of REALTORS®" in a white, sans-serif font. "AUSTIN" and "REALTORS" are in all caps, while "board" is in lowercase. A registered trademark symbol (®) is located to the right of "REALTORS". The text is enclosed in a white rectangular border with a slight drop shadow.

AUSTINboard
of REALTORS®

The logo for the Home Builders Association of Greater Austin. It features the letters "HBA" in a large, bold, white sans-serif font with a white star inside the letter "A". Below "HBA" is the text "Home Builders Association" in a smaller, white sans-serif font, and "GREATER AUSTIN" in an even smaller, white sans-serif font at the bottom.

HBA
Home Builders
Association
GREATER AUSTIN