



MEMORANDUM

TO: Mayor and Council

FROM: Gregory I Guernsey, AICP, Director
Planning and Development Review

DATE: March 18, 2014

SUBJECT: Micro-Units (Council Resolution No. 20140123-059)

On January 23, 2014, Council approved Resolution No. 20140123-059 directing the City Manager to research best practices for the development of micro-units, identify barriers to development, and report back to Council with recommendations, including necessary code amendments. Attached for your information is the requested analysis as well as a copy of the referenced Resolution.

Please feel free to contact Jerry Rusthoven at (512) 974-3207 should you have any questions.

Attachments

Cc: Marc A. Ott, City Manager, CMO
Sue Edwards, Assistant City Manager, CMO

Micro-Units Outline

1. Micro-units in other cities: what they are and why they're being built.
2. Barriers to building micro-units in Austin: zoning code and building code.
3. Possible ways to remove constraints.

1. Micro-units in other cities: what they are and why they're being built.

What's a micro-unit?

A micro-unit is a dwelling unit that is typically less than 500 square feet in size, usually an efficiency, which uses clever packaging and spacing to create a dwelling space suitable for one or two people. The space in a micro-unit usually has convertible or modular furniture that plays different roles, depending on what activity is taking place, with higher ceilings to accommodate storage and to create an airier space. Micro-units have gained popularity and press in the last few years, but have existed since at least 2006 in some cities. The smallest micro-units are less than 200 square feet total, but are generally closer to 300-350 square feet. Most micro-unit projects have been constructed in very dense urban cores, where parking requirements are greatly reduced or non-existent.

Why are micro-units being built?

The overwhelming factor that is driving the construction of micro-units is the need for affordable housing. Micro-units are being developed or have been constructed in the most expensive housing markets in the US: San Francisco, New York City, Los Angeles, Washington, D.C., Seattle, and Boston. Micro-units offer the ability to rent or buy a space for less than comparable (albeit larger) units in the same area, although the cost for a micro-unit on a *per-square-foot basis* is often higher than a traditional apartment or condo. It is the lower fixed monthly cost of living in a micro-unit that holds appeal. In cities that have geographical limitations to building outward, and land is already at a premium, micro-units offer a way to increase density on a given footprint, offer more units than a traditional project, and at a lower per-unit cost to consumers. In Austin, the median rental rate has increased 49% since 2003, while median incomes have barely improved. Combined with an annual population increase of nearly 40,000, and a vacancy rate of less than 5%, the demand for affordable housing is extremely high.

Shifting demographics are also driving interest in micro-units. Single individuals are the most likely occupants of micro-units, although two people could also share such a space; more than two occupants would require additional space, such that the unit would likely no longer be considered "micro." In the US today, singles account for about 27% of all households, and their numbers are growing. In Austin, this number is higher, where 34% of the City's households are comprised of single individuals. This percentage has been fairly consistent over the last 20 years, but the total number of single-person households continues to grow in step with Austin's population.

Another factor driving interest is a much harder to quantify cultural shift, particularly among younger adults. The recent housing crash has, for some, imparted or necessitated a

desire to make do with less, where ownership of a larger dwelling is not needed or preferred. Micro-units appeal to those who want to live simply, with fewer possessions, and also want an urban lifestyle with many amenities at a more affordable price. Reduced car ownership among 16- to 34-year olds goes hand in hand with this, and from a practical standpoint, synchs with the lack of or reduced parking that many micro-unit developments have.

2. Barriers to building micro-units in Austin: zoning code and building code.

Zoning code constraints

Austin's zoning code does not expressly prohibit the construction of micro-units or place minimum size requirements on dwelling structures. Unlike New York City, which had to remove a prohibition on dwelling units under 400 square feet to enable micro-unit construction, Austin's zoning code has no such specification. Under today's code, the construction of micro-units is legal. There are, however, other regulations in Austin's land development code that indirectly impact the feasibility of constructing micro-units:

- Minimum site area requirements: Site area requirements specify the minimum amount of land required per dwelling unit. In Austin's zoning code, these requirements differ depending on the zoning district. Site area requirements exist for most single-family and multifamily zoning districts, except for MF-6 zoning (highest density multifamily zoning district), DMU (Downtown Mixed Use) zoning, CBD (Central Business District) zoning, or through the utilization of the VMU (Vertical Mixed Use) combining district. Although there is no specified cap in density allowed in any zoning district, the minimum site area requirements effectively do as much. Under Austin's current code, the smallest site area requirement is 800 square feet, for efficiency units located in MF-5 zoning.
- Parking requirements: Minimum off-street parking requirements exist for all single-family and multifamily uses, depending on which zoning district they are located in. CBD and DMU districts do not have minimum parking requirements, and in Austin's central core, the minimum parking requirements can be reduced by 20%, compared to land outside the core. In addition, the VMU combining district allows for a parking reduction compared to what would otherwise be required for that base zoning district to which VMU has been applied. Under today's code, Austin's multifamily use requires *at least* one space per dwelling, unless it meets one of the above conditions for reduced parking. That means that aside from CBD and DMU zoning districts, a multifamily development will have close to one parking spot per dwelling (at the 20% central core reduction) or more. This requirement for parking adds an additional cost per unit, and reduces density by requiring land for parking instead of additional dwelling units.

Building code constraints

Austin uses the International Building Code (IBC) to evaluate residential projects that contain more than two dwelling units. Under the IBC, an efficiency must have 220 square feet of living area, with additional space required for a bathroom, making a feasible minimum space of approximately 250 square feet. For a one bedroom unit, the living area must be 120 square feet, with each additional habitable space at least 70 square feet, and additional space required for a bathroom. A one bedroom also requires approximately 250 square feet of space.

With most micro-units in the 300-350 square foot range, the IBC does not pose any real obstacle to the development of micro-units in Austin. Some municipalities, such as San Jose and Santa Barbara, have adopted local amendments to the IBC that allow the minimum size of an efficiency to be 150 square feet.

3. Possible ways to remove constraints.

The above described constraints fall within Austin's land development code, which can be amended via Planning Commission or Council action. In addition, the Code Next project is currently examining how to comprehensively revise the land development code. Either avenue could address the following:

Minimum site area requirements: These requirements may be adjusted for urban core projects. In order to allow the kind of density typical of micro-unit developments, the site area requirements for multifamily zoning districts could be reduced or removed. As an alternative to adjusting the Code, micro-unit projects could request MF-6 zoning.

Parking requirements: Minimum parking requirements are appropriate for areas of Austin that are not well served by public transit or are lower density. Existing parking reductions and eliminations are a good way to allow the market to determine if parking is really necessary for a given development. To make the development of micro-units more feasible for property not zoned CBD or DMU (which is typically more expensive), parking minimums could be reduced or eliminated. A possible drawback to this, as has been experienced in Portland, is that tenants simply park their cars on adjacent neighborhood streets, much to the consternation of the people who live on those streets. One approach could be to couple any parking reduction with on-site car share (already incentivized in current code) or bike share facilities, or in conjunction with a residential permit parking program for adjacent neighborhoods.