U.S. land-use reform tackles soaring housing prices

Houston and Austin's experiences

November 2026





Source: Shutterstock

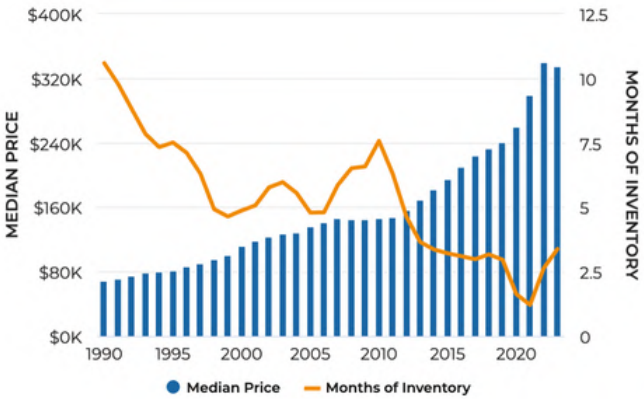
Soaring housing prices have become a serious problem in the U.S., making it a major policy priority to increase the number of affordable homes. In this context, one approach that is attracting attention is the relaxation of regulations on minimum lot sizes required for building in areas zoned for single-family homes (SFH). This is an attempt to maximize limited land by allowing a greater number of homes to be built on smaller plots. Texas is a pioneer in this regard, with Houston beginning such reforms in the 1990s, and the state capital, Austin implementing them in the 2020s.. We spoke with Dr. Jake Wegmann, an urban planning researcher at the University of Texas at Austin, who shared his analysis of the effects of Houston's reforms, and observations on related challenges and prospects for these reforms across Texas and beyond.

1 Expanding housing options to address soaring prices

For many years, Texas has succeeded in attracting businesses by promoting its low taxes, business-friendly environment, and strong growth potential. However, especially since the COVID-19 pandemic, rising housing prices have begun to undermine these strengths. The median home price across the state rose by approximately 40%, from around $240,000 in 2019 to $335,000 in 2023.[1] Concerns about the housing problem first emerged in Austin, and have spread to other major metropolitan areas such as Dallas-Fort Worth. The state government has also started to move towards expanding the housing supply, and a series of related state laws to encourage housing were passed in 2025. Expanding the housing supply has become a bipartisan policy issue, and Dr. Wegmann believes this trend will continue in the 2027 session of the state legislature.

Housing affordability concerns have promoted a variety of reforms meant to boost supply, with reductions of SFH minimum lot sizes potentially being one of the most impactful.

Trends in median home prices and months of unsold properties in Texas (1990-2023)



Source: COMPTROLLER.TEXAS.GOV

Lot size requirements for SFH-zoned neighborhoods were originally established in the U.S. to prevent overcrowding and ensure a good living environment with adequate lighting, ventilation, and sanitation.. However, such laws have increasingly come under scrutiny across the U.S. in recent years because they limit the number of houses that can be built on the same plot of land, hindering supply expansion and affordability.. Years before widespread housing affordability concerns gripped Texas, Houston was a pioneer in working to ease these constraints on supply.

2 Houston demonstrates the potential of small-lot housing

Houston is unusual as one of the few major cities in the U.S. that does not employ zoning. However, as Dr. Wegmann points out, "just because there is no zoning doesn't mean anything can be built." Instead of zoning requirements, minimum lot sizes and other regulations have been set by land development ordinances. In 1998, the city lowered the standard minimum lot size in the central Inner Loop area of the city from 5,000 square feet to 3,500 square feet, a change that was later expanded citywide in 2013.

Furthermore, Houston introduced a system that allows residential construction on small lots averaging 1,400 square feet, provided that a certain amount of open space is preserved.[2] At the time, there was a growing movement in the construction industry to request zoning exceptions for small-lot development, and this reform was seen as a systemic recognition of that demand.

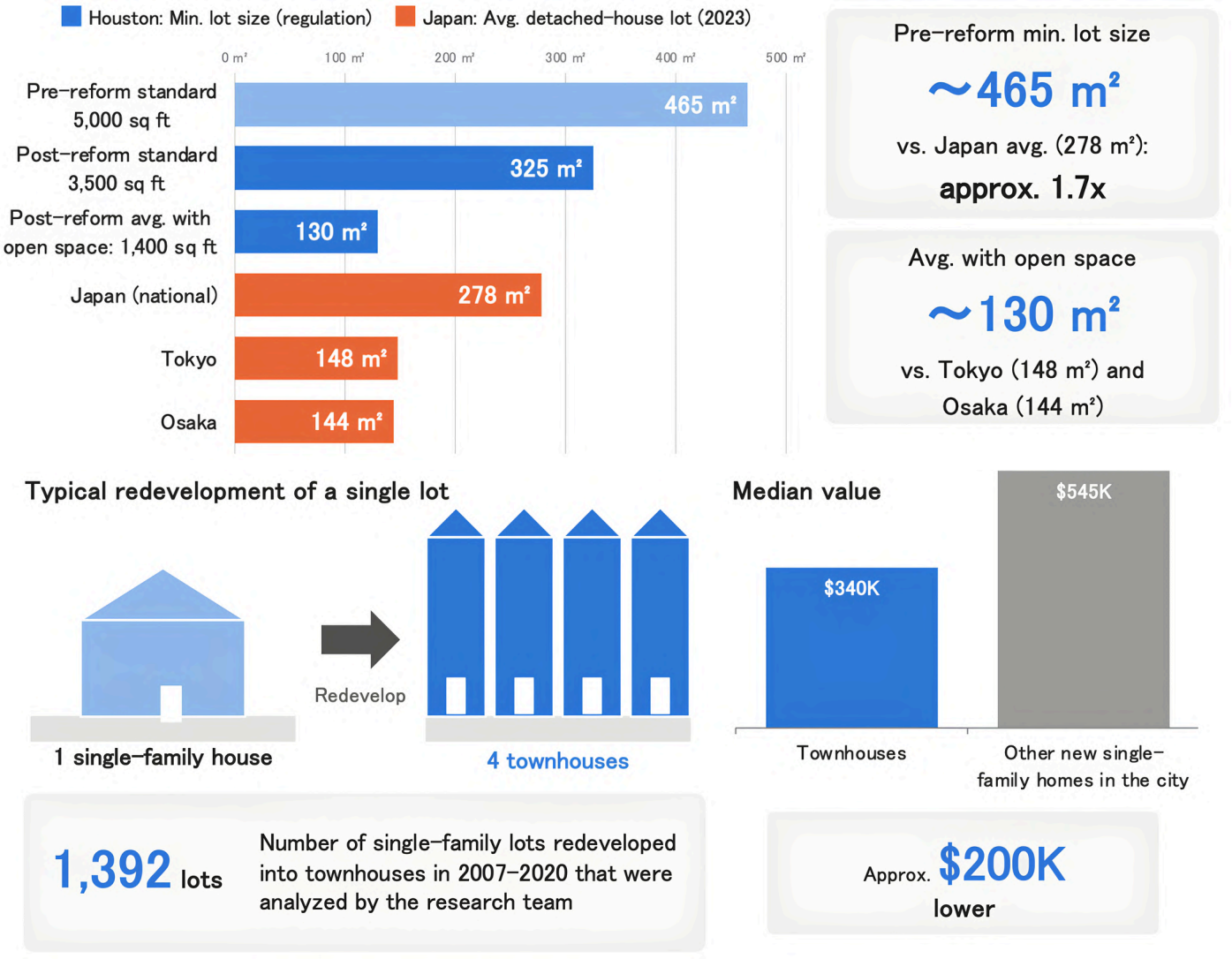
The effects of the reforms are evident in housing redevelopment projects. Dr. Wegmann and his research team analyzed cases between 2007 and 2020 where SFHs were replaced with townhouses. In the 1,392 plots studied, an average of four townhouses replaced a single SFH. [3]The median assessed value of these townhouses was $340,000, about $200,000 less than the assessed value of $545,000 for other new SFHs in the city. [4]Dr. Wegmann explains, "The mechanism is simple: it's cheaper because less land is used." By subdividing land to allow for the construction of multiple homes, the land burden per home can be reduced. The simplification of administrative procedures associated with land subdivision also encouraged this type of development.

3 Austin follows Houston's lead

Efforts to deregulate housing construction in the state capital Austin have broadened housing options and yielded some positive results. However, institutional barriers to land subdivision remain, and there are many challenges to fully realizing the benefits of these reforms.

The "HOME" reform, passed in December 2023, allows for the construction of up to three houses on most SFH lots. A second phase of HOME in May 2024 reduced the minimum lot size by more than two-thirds, from 5,750 square feet to 1,800 square feet, enabling the construction of houses on smaller lots.[5,6]

Dr. Wegmann describes the first phase as "quite effective." As of October 2026, 742 projects had been approved, allowing for the construction of 1,482 new units.[7] Although the increase was not as robust as anticipated due to the timing coinciding with a period of rising interest rates, the reforms have taken root in the local construction industry. However, despite the second phase allowing for land subdivision, few developers are actually dividing plots.



Source: Washington CORE

This is because, even though land subdivision is feasible under zoning regulations, other regulations and administrative procedures remain as obstacles. As a result, many developers are instead building three units per plot and selling them individually as condominiums.

4 Translating deregulation into actual housing supply

The reforms in Austin are rooted in a shift in the political structure of the city council. In 2014, the election system for city council members changed from a city-wide system to a district system, resulting in an increase in women, minorities, and younger members on the council. Dr. Wegmann points out that this has made the city council "more sensitive to the needs of people struggling in the housing market."

On the other hand, there remains a strong movement to protect SFH neighborhoods. Austin's housing reforms were enabled not only by trying to persuade these opponents, but more significantly by the shift in political power dynamics brought about by generational change.[8] The younger generation supported the reforms, many of them subscribing to the YIMBY (Yes in My Backyard) [9]pro-development movement that spread across the U.S. in recent years.

The younger generation also places a high value on preserving the environment, so it is essential to balance rising housing density with environmental protections. Austin has strict regulations protecting trees above a certain size[10] to preserve the city's sun-blocking tree canopy, and many construction companies are devising housing designs to preserve trees. A bigger issue is stormwater management. Under the HOME reform, impermeable surfaces such as pavement and roofs that prevent rainwater from seeping into the ground are currently limited to within 45% of the site, but the construction industry is calling for an increase to 60-65%. Dr. Wegmann points[11] out that there are ways to implement rainwater management without sacrificing housing supply, such as converting parts of wide roads into "rain gardens"[12] that absorb rainwater.

The construction industry's response to Austin's housing reforms has been generally positive. Small businesses are expanding in Austin, and established companies from Houston are also moving in. However, simplification of administrative procedures is still needed to translate deregulation into actual home construction.

In Austin, developments above a certain size are required to undergo a "site plan review," which includes technical assessments such as rainwater drainage, making the process more costly and time-consuming. Therefore, in March 2025, the city passed a second phase of "Site Plan Lite," simplifying the review process [13]for smaller developments of 5 to 16 units or for the re-division of existing plots.

If these procedural revisions continue, townhouse-style developments, which have proven popular in Houston, could become more widespread.

The impact of deregulation on land prices is unclear. According to Dr. Wegmann, a study of Houston's 2013 reforms found no evidence[14] of rising land prices.

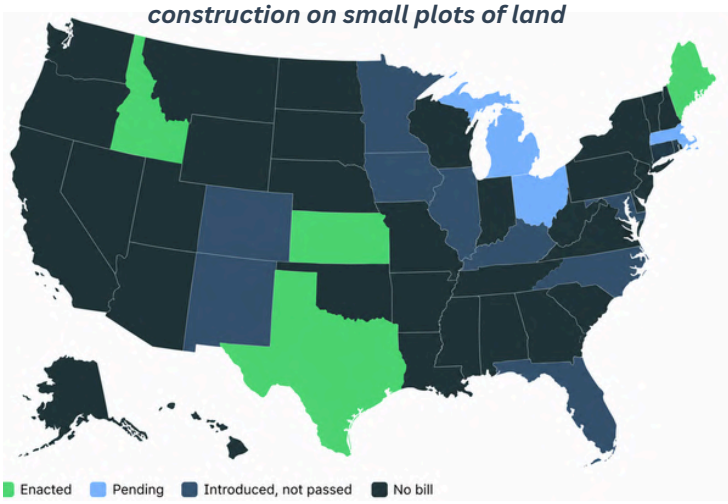
While these challenges remain, small homes have proven their potential for broadening homeownership options. In Austin, although rents have fallen due to an increase in the supply of rental housing, many people are still forced to move to distant suburbs to be able to purchase a home. Dr. Wegmann believes that well-located, relatively affordable small homes could meet the needs of a wide range of households, from young people to retirees.

These land-use reforms are not limited to Texas but are spreading throughout North America. Maine, Idaho, and Kansas have also passed state laws encouraging housing construction on smaller plots of land. And San Diego, has introduced a system has been introduced that links the supply of affordable housing with the construction of additional ADUs (additional dwelling units), which Dr. Wegmann describes as "quietly radical." By the end of 2026, similar legislation will have been introduced in 18 states, not only at the municipal level but increasingly at the state level as well.[15]

Next door in Canada, reforms are underway to increase housing options in SFH-dominated areas, with Edmonton allowing up to eight homes per block and Toronto allowing up to four.

The idea of increasing housing supply by making better use of existing neighborhoods in response to soaring housing prices is becoming a common policy trend across North America. However, simply changing land use alone will not solve the housing problem. Challenges remain in translating deregulation into actual construction, such as licensing procedures, construction costs, and input from residents. The experiences of Houston and Austin show that increasing housing requires not only reviewing lot size regulations but also creating the systems and environment that facilitate building.

Status of state legislation allowing housing construction on small plots of land



Source: AEI[16]

Sources

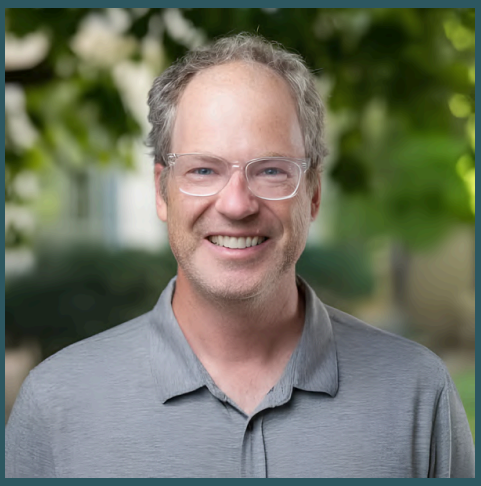
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9. The YIMBY movement is a movement that supports the relaxation of regulations that hinder housing construction in order to increase the supply.
10. https://www.austinchronicle.com/news/2010-02-12/960947/
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12. A rain garden is a planting area designed to temporarily collect rainwater and allow it to slowly seep into the ground.
13. https://austinmonitor.com/stories/2025/03/city-council-approves-phase-two-of-site-plan-lite/
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Interviewee

Jake Wegmann

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Since 2014, Dr.Wegmann has taught and conducted research in the Community and Regional Planning program at the University of Texas at Austin's School of Architecture. His research focuses on housing affordability, land use regulation, and real estate development, particularly the effects of zoning and minimum lot size requirements on housing supply and prices. He holds a Ph.D. in City and Regional Planning from UC Berkeley and master's degrees in City Planning and Real Estate Development from MIT. Before entering academia, he worked in affordable housing development in Denver and San Francisco. His research examines housing densification and townhome development in Houston, as well as land use reforms to address housing shortages.



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