



Residential Occupancy Overlay (ROO) Study and Recommendations

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Abstract: College Station is developing an ordinance that would allow each individual subdivision phase or phases of a neighborhood to approve an overlay to limit occupancy to no more than 2-unrelated individuals. This report includes data and research of the effect on family neighborhoods in College Station from the unconstrained spread of the 4-unrelated business model. Also included is information on the city of Bryan's 14-year experience, limitations in other college towns, the impact on housing affordability for young families and its relationship with long-term neighborhood decline. An unexpected conclusion is that the ordinance will have little to no impact on the overall availability of student housing or rental investments.

We allow high-occupancy student rental houses to be operated in any neighborhood in the city. We do not allow any neighborhood to be reserved for families and children. We need places for both.

CSAN is a volunteer organization. Those who prepared this study are not certified in urban design, land development, real estate, or city planning and development. The views expressed in this study are based on their own research, interviews, interpretation of CSAN data and judgement from life experiences.

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1. Summary of Key Overlay Discussion Points

- a. While the city allows the 4-unrelated business model in every neighborhood, it does not allow even one subdivision to choose to protect itself against the negative effects on families and children. **The purpose of the ordinance is to empower each subdivision phase or phases to make that choice.**
- b. Families with children, retirees and young professionals do not generally desire the same lifestyle or living environment as college students. **Neither is wrong in itself.** Virtually all university towns have taken steps to create separate areas for each (Appendix C).
- c. Approval of the ordinance itself will not change the status of any property. **Each phase or phases of a development must obtain its own overlay, which is usually 1-4 streets and less than 40 houses** (See Fig.1). The empowerment is local. The city would not impose its will and it's likely the HOA also would not.
- d. **The 2-unrelated ordinance will not affect Stealth Dorms**, and it is not intended to. Those properties are overwhelmingly in neighborhoods that likely would not be able to achieve the required approval of owners.
- e. The ordinance will help to seed renewal of older neighborhoods that are currently in decline by encouraging families to buy and renovate. Figure 2 shows a projection of the phases that might be able to achieve the 50% or 58% threshold based on a method developed by Bryan. The difference in area is not great, but **some of the phases enabled by 50% are important in seeding renewal** (Section 4d).
- f. The red areas (58%) in Figure 2 are believed to have virtually no 4-unrelated rentals and the green areas (50%) have few. Those present will be grandfathered. **The data suggests there will be little to no immediate impact on student housing.**
- g. In desirable locations, the high cash flow from the 4-unrelated model drives competition for the land, which **increases purchase costs and monthly rental costs for all traditional family and student rentals** in the same neighborhood (Section 4b).
- h. In 20-to-50-year-old ranch-style subdivisions, the effect of the 4-unrelated is to **perpetuate decline by discouraging the normal process of renewal** by the next generation of families. Families with children likely will not buy on a street with high-occupancy rentals.
- i. There is a strong correlation between low crime and high homestead occupancy (Section 4e). **The overlay will help maintain higher homestead ownership and lower levels of crime.**
- j. Deed restrictions are private contracts and the constitution does not allow any government entity to interfere with or influence private contracts. **The city cannot influence covenants to achieve its objectives.** Of the larger developments, only Foxfire limits occupancy (Appendix D).
- k. If the spread of the 4-unrelated, which includes the rent-by-the-room model, is not confined, families will continue to choose ever more distant neighborhoods, contributing to more sprawl, traffic congestion, and **increased infrastructure debt.**



Figure 1. Example of phases of a subdivision: The dark lines indicate the boundaries of individual phases of a development. Each phase or a group of phases must independently organize, work through the city process and obtain the required percentage approval of the property owners. If the phase has an HOA, it can help with administration, but cannot vote to impose it where it is not wanted. Neighborhood empowerment is very local, usually within 20-40 houses.

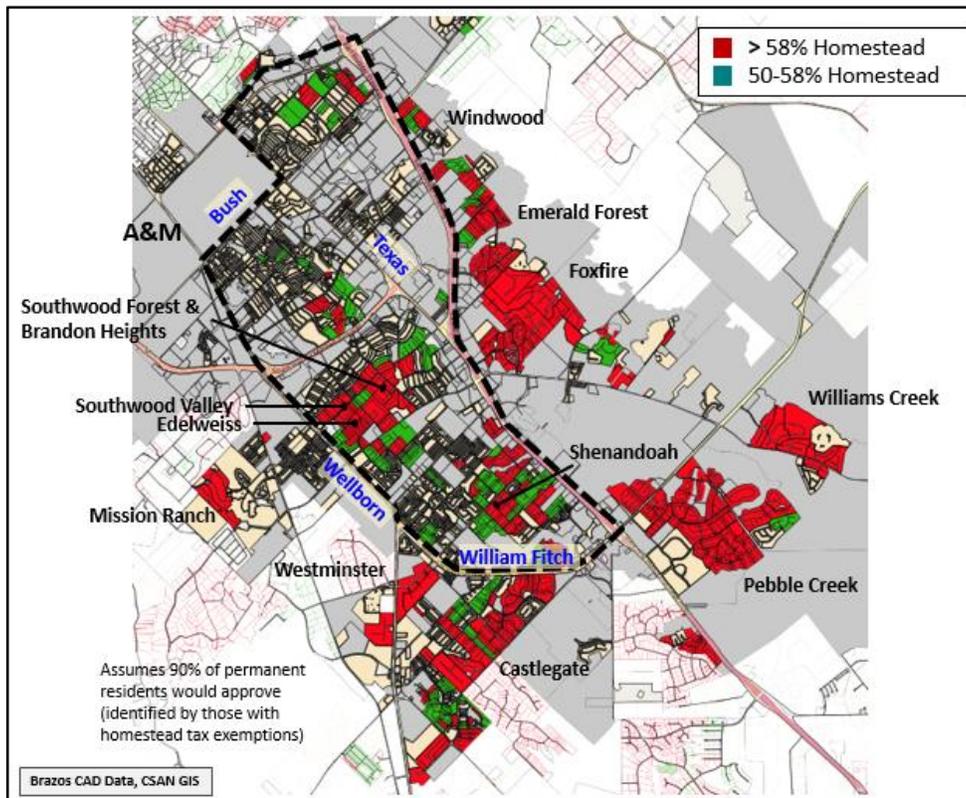


Figure 2. Estimate of College Station subdivisions that could achieve the overlay: The area in red could theoretically be able to obtain the vote to approve the overlay if 58% of properties are required. This, plus the area in green might obtain it if 50% is required. Most new developments are largely owner-occupied and likely would be able to obtain the overlay, regardless of

percentage. But, with a few exceptions, they may be less likely to feel the need. The area within the dashed lines is more likely to be experiencing displacement of families by high-occupancy rentals.

2. Proposed Residential Occupancy Overlay (ROO)

a. Summary of Elements

- i. The proposed ordinance creates a type of “overlay” that empowers each subdivision phase or a group of phases of a development to individually vote to approve an additional rule that lies on top of, but does not change, the underlying zoning rules.
- ii. If your neighbors approve the overlay, the city will limit the occupancy of a home in your subdivision phase or phases of the development to no more than 2-unrelated individuals.
- iii. The definition of “related” is those within two degrees of “consanguinity.” Examples of two degrees would be your grandparents or grandchildren. The family can be any size.
- iv. The required percentage of approval is under discussion. It’s likely to be either 50% or 58% of properties. See Section 4 for discussion.
- v. Under the current proposal, existing households, including rentals, with more than 2-unrelated occupants will be grandfathered and allowed to continue with up to 4-unrelated. See additional discussion of potential grandfathering details below.
- vi. The overlay must be approved by each subdivision. But a “subdivision” is not what most people think. The city defines each phase of a neighborhood development to be its own subdivision. For example, the area known as Castlegate has 37 phases, each of which would need to independently vote, or combine to vote, to obtain the overlay protection. Neither the HOA nor other phases of the HOA can impose it in a phase that does not want it. (Figure 1)
- vii. Each property in a phase is given one vote, not each owner. Owners with multiple properties will have multiple votes.
- viii. City staff is still developing the step-by-step procedure the residents of a subdivision phase or phases would follow to obtain the overlay. Any of this could change, but key elements expected are:
 - a) A small group of residents canvas the owners in their subdivision phase.
 - b) If encouraged, they self-identify as an Overlay Committee and the city establishes a liaison.
 - c) A committee is required to conduct a meeting of all owners for the liaison to explain the overlay, the process and to answer questions. This is a critical meeting.
 - d) The committee circulates or mails the petition for owners to sign.
 - e) If the required percentage approval is achieved, the petition is submitted for verification of the signatures and ownership of each property.
 - f) The petition is reviewed by the Planning and Zoning Commission for their opinion, and then City Council must approve. **As with all petitions, Council reserves the right to approve or deny.**

Again, this description is speculation based on experience with previous overlay processes and Council’s directives to date. We strongly recommend you review the details in the package that’s eventually posted for public comment.

b. What Does “Related” Mean?

The extent to which two individuals are related is determined based on levels of “consanguinity.” Most regulations consider relations within two degrees of consanguinity to be a family, which would include siblings and grandparents, but would exclude nieces, cousins and great grandparents. A home inhabited by a couple, their children and a grandparent would all be within two degrees of consanguinity. Relationships are also typically defined to include couples in an established domestic partnership (such as a civil union, life partnership, etc.).

Consanguinity: includes individuals related by blood			Affinity: includes spouse and individuals related to the source	
First Degree	Second Degree	Third Degree	First Degree	Second Degree
Parent	Grandparent	Great Grandparent	Spouse	Grandparent
Child	Grandchild	Great Grandchild	Parent	Grandchild
	Brother or Sister	Uncle or Aunt	Child	Brother or Sister
		Nephew or Niece		

Figure 3. Consanguinity table used by the State of Texas

(Source: <https://gato-docs.its.txstate.edu/jcr:a90734d3-1580-405d-bde6-ea14126aefc6/Nepotism%20Chart.pdf>)

A question then is how best to count these relationships. Is a family of six and one other counted as 7-unrelated, or 2-unrelated? CSAN recommends, and would urge others to recommend, this be counted as only two. In a sense, the language might more correctly be “a family plus one” where the number of related family members is unrestricted.

In an early presentation to P&Z and Council, a graphic was not clear as to what related would mean. The graphic appeared to be inconsistent with the language. Staff is working to clarify this.

In general, Council has directed staff to pattern the ordinance after the city of Bryan which has proven to be legally durable for 14 years.

Examples:

The city of Bryan’s R-NC regulation specifies “no more than 2-unrelated persons,” where the term “related” is defined as “persons who are related by blood, adoption or marriage, and children with familial status.” Bryan defined “related” by providing an example, rather than detailed semantics:

“A family of 3, common by blood, share a property with an **unrelated roommate**. In this situation no more than 2 unrelated individuals are considered living at the property.” (<https://www.bryantx.gov/codeenforcement/>)

San Marcos’ regulation states that single-family zoning districts “shall be restricted to occupancy by a family, and up to **one other person who is not related** to any of the family members by blood, legal adoption, marriage, or conservatorship.”

Auburn Alabama’s regulation has varying definitions of “family”: “Two (2) or more persons residing in a single dwelling unit where all members are related by blood, marriage, adoption or guardianship up to the second degree of consanguinity, **plus one unrelated person** in the Limited Development District, Neighborhood Conservation District, or the Development District Housing. For the purpose of this definition ‘consanguinity’ means husbands and wives, brothers and sisters, parents and children, grandparents and grandchildren, uncles and aunts, nephews and nieces, and first cousins.”

CSAN believes these would be reasonable interpretations of any 2-unrelated ordinance.

c. Grandfathering Options to Consider

The grandfathering provision will allow an investor to continue to operate with up to 4-unrelated occupants in any subdivision phase that obtains the 2-unrelated overlay. This is a critical element in the ordinance because it ensures there is no immediate impact on the availability of student housing, or individual investors, regardless of the number of subdivision phases that might obtain the overlay.

How does one qualify to be grandfathered?

The process through which the owner would document the current operation has not been established. The expected elements include a description of operations that would qualify, documentation required to demonstrate those operations and a statement of conditions under which the right would cease.

Council has directed staff to research options but that work is incomplete at this time. The options discussed to date are:

- 1) Continues until end of the current lease
- 2) Continues through subsequent leases, but with the number limited to that in the prior lease (i.e., if only leased to 3, the next is limited to 3)
- 3) Continues until transfer of property/home to a new owner
- 4) Continues through transfers with sale until the home is reconfigured or rebuilt.

The fourth option is unusual, but is being considered due to the potential for “stranded capital” in stealth dorms that are not configured for the family market. If the right to rent to 4-unrelated terminated (Option 2), the owner could sell the home in either the rental or residential markets. However, as shown below there do not appear to be any stealth dorms in neighborhoods likely to obtain the overlay, so this may be an academic point.

There are some traditional homes in older neighborhoods of various sizes, configurations and valuations that are being used for 4-unrelated. Unlike the purpose-built stealth dorms, these are less likely to become stranded capital because the rental owner may be able to sell to a residential market at about the same value or choose to continue renting to a fewer number of related people. This is not currently the case because families likely will not buy or choose to rent among high-occupancy student rentals.

d. Enforcement

The city has not proposed a different enforcement process for the 2-unrelated occupancy limitation than what already exists for 4-unrelated. If a violation is suspected it may be reported through College Station’s “SeeClickFix” reporting site. The case will be forwarded to Code Enforcement for investigation.

Based on Bryan’s experience, the number of complaints tend to be low, probably due to there being few 4-unrelated operations at the outset in those neighborhoods which obtain the overlay. As discussed in Section 5, most College Station developments have varying numbers of rentals, but those likely to obtain an overlay have mostly family rentals.

In Martin Zimmerman’s 2018 presentation on Bryan’s experience, he stated “the problem resolves itself.” There were only 34 complaints in five years from 2013-to-2018. In 82% of the cases, staff found no violation, and only 3 complaints were filed in court. Some have misunderstood this to mean it was difficult to take someone to court when, in fact, there was no need.

In Bryan, windshield inspections of the property are performed once a complaint is received to build a vehicle tracking log and pinpoint signs of over-occupancy. Utility records may be reviewed to establish trends for water and electricity consumption. Staff may make direct contact with the property owner, tenant, landlord or leasing agent to inquire about the property. An official notice will be issued to all parties if the investigation produces reasonable cause to suspect an over-occupancy violation exists. A reasonable amount of time will be given to each party to come into compliance or face legal action.

(<https://www.bryantx.gov/codeenforcement/>)

Lubbock’s code enforcement website provides the following guidance: “You, as a citizen, can help a great deal if you will write down the license numbers of the vehicles that are at the property on a regular basis – the vehicles belonging to the people who you believe actually live there. That way we can identify the involved persons, who will be sent a notice and expected to comply.” (<https://ci.lubbock.tx.us/departments/code-enforcement/services>)

3. Why the Owner Approval Threshold Should Be 50%

State law allows cities to approve overlays by a vote of 50% +1 of property owners. There appear to be two main reasons people oppose the new ordinance: a) they believe it is unfair to people who invested in good faith, or b) that it will create a shortage of student housing. Those would be good reasons if the ordinance would really lead to these outcomes. **It won’t.**

As shown in Figure 5, the effect on the rental market will be very small, and even that is minimized by the plan to grandfather. In contrast, the gain for College Station and its families and children could be significant (Section 4). The primary reason is that few subdivision phases with 4-unrelated rentals are projected to be able to approve an overlay. This projection is important and it frames the entire conversation. With such a small number of subdivision phases of neighborhoods who can actually obtain the 2-unrelated overlay (plus grandfathering) how does this damage an investor or create a change in the availability of student housing?

The method used to identify individual subdivision phases is identical to that used by Bryan 14 years ago when they passed their 2-unrelated rules (Figure 4). In 14 years no “unpredicted” subdivision has obtained approval. In their projection, Bryan estimated all owners who lived in their homes would vote for the overlay , and all other owners (rental) would vote against it. They made the assumption that all homes with a Brazos County homestead exemption were occupied by the owner.

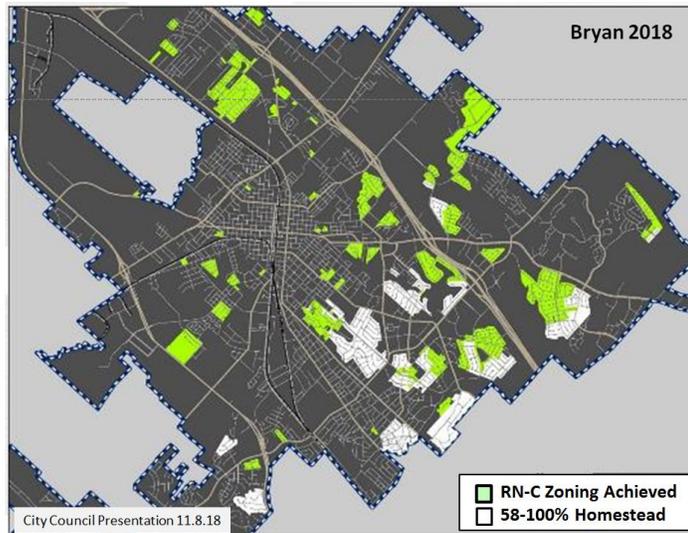


Figure 4. Areas in Bryan that could and have achieved the R-NC zoning: Based on Brazos County Appraisal District (Brazos CAD) data the area outlined had homestead ownership greater than the required threshold. In 14 years, no area has achieved the 2-unrelated restriction that did not have homestead ownership greater than the threshold. In fact, the assumption that all homestead owners would approve has proven to be very optimistic. The white areas that had more than the required threshold have not achieved it.

The areas outlined in Figure 4 were projected to be able to approve an overlay based on the percentage of homestead owners being greater than the required threshold. In practice, not all homeowners will vote for an overlay. The white areas could not obtain the overlay, despite having more homeowners than the required threshold. This, and other experiences with overlays, suggests that obtaining 50% approval may require that more than 60% of owners are permanent residents.

Projections for College Station were developed using the same method as Bryan and the results are shown in Figure 5. This map assumes 90% of homestead owners will approve an overlay, and this is probably still optimistic.

This is an important map. Locate your own property on this map.

- **Red areas are likely to be able to obtain the overlay.** Red areas tend to be well above 58%. However, obtaining the overlay is tedious and if you live in an area with no threat of 4-unrelated rentals, your neighbors may choose not to pursue it. These areas appear to have almost no 4-unrelated rentals and those will be grandfathered.
- **Green areas are above the 50% threshold, but are unlikely to obtain the overlay.** The green areas are those that have at least 50% homestead owners, but not more than 58%. They could obtain the overlay if the threshold is set at 50%, but this would require virtually every permanent resident to vote for it. Because subdivision phases are small, the loss of only 2-3 votes can reduce the percentage that has approved the effort by 10-15%. Talk to your neighbors and do the math before you start this process.
- **Areas that are not red or green are extremely unlikely to obtain an overlay.** If the home ownership shifts at some point in the future and an overlay is obtained, the property will be grandfathered. See Section 2c.

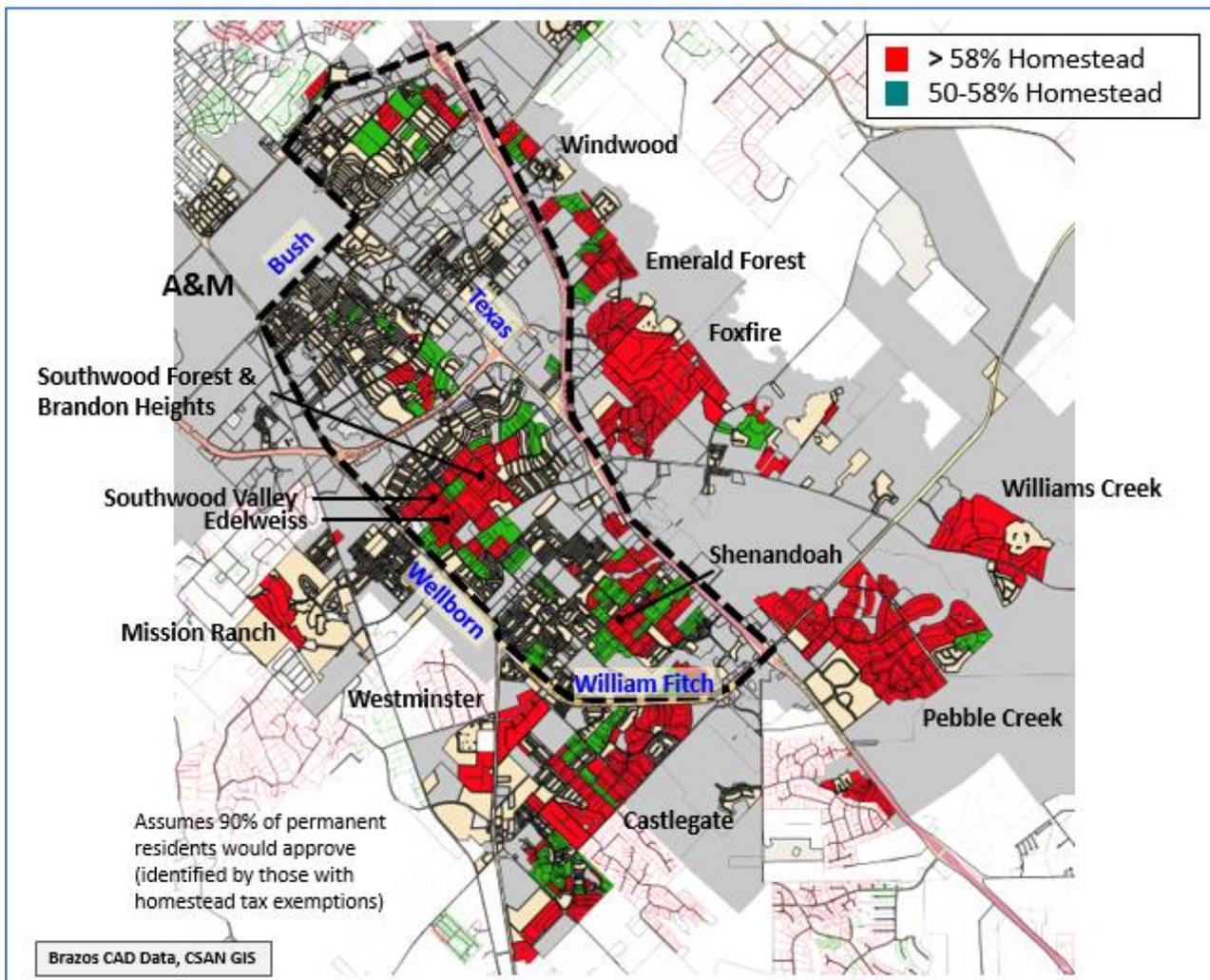


Figure 5. Subdivisions predicted to be able to approve a 2-unrelated overlay based on Brazos CAD records of homestead properties. It is assumed 90% of owner-occupied properties will vote for the overlay, and all others against it. Based on Bryan’s

experience with their 2-unrelated rules, this is optimistic and the area may be much smaller, particularly the green. Also, phases in the newer subdivisions outside the traditional student area (dashed line), may not seek it at all.¹

¹**Footnotes to Figure 5:**

- The map is a homestead map and others are assumed to be rentals. Some near the campus may be game day or second home. They're also assumed to vote no
- .The green in Pebble Creek and Castlegate II are mostly new developments that will become red when more than 50% of the lots are built out.
- Most green areas near the campus already have covenants that restrict occupancy (See Section 8d for deed restricted areas map). There are probably only two to three additional streets in the greater Southside or Eastgate areas that might obtain the overlay.
- The owners of newly purchased homes may require a year to establish homestead status with Brazos CAD. Homes purchased this year may not be counted as a "yes" vote in the method used to project approval of a subdivision phase.
- The city has been encouraged to do this same analysis, which is patterned after Bryan. It has the same Brazos CAD homestead data, but may have a more accurate count of qualified voting properties. We expect the result to be very similar.

The green areas in Figure 5 have more rentals than the red areas, but from observation the majority appear to be families. The city does not have rental registration data indicating the number of occupants or whether they're students or families. (You may want to drive these neighborhoods on weekends or after working hours when families are home and make your own judgements. There are usually visible clues, for example, children's portable basketball goals in driveways.) We believe there are some 4-unrelated in the green 50% area, but not enough to have any effect on overall availability of student housing in the city (we have 6,933 single-family rentals). And again, these will be grandfathered.

To the extent that 4-unrelated rentals are in these areas, the effect will be mitigated by grandfathering rules. The degree of protection provided to these investors over the long term depends on the terms of those rules. See Section 2c.

4. Why College Station Needs the Overlay Option

a. Incompatible Behaviors

According to the state law that empowers the city, the purpose of zoning is to "preserve and protect" a specific type of use, but the use families want preserved can be very different from students. Some students will be immature and residents have experienced loud music, abusive cursing, drunken brawls, speeding and careless drunken driving. On some streets, parties begin on Thursday and last all weekend. Only one "party" house is required on a block to create a hostile environment, especially for young children. Additional problems include trash on the lawn, blocked drives, urination on lawns, vehicles parked in the yard, dead or poorly maintained lawns, and malicious property damage.

While this is not typical of individual students, it's also not uncommon among a group of student houses. Many university towns have concluded the "use" families with children want to "preserve and protect" is so different from what students desire that it belongs in a different zoning. To address this, either zonings or overlays have been adopted, but their purpose is the same. The occupancy restrictions of 16 university towns are summarized in Appendix C, including eight South East Conference towns. Bryan's 2-unrelated ordinance is described in Section 5.

Furthermore, since the occupants of rental homes change regularly, families with children are likely to be reluctant to buy homes in neighborhoods with a large number of high-occupancy rentals. Hence, once a handful of 4-unrelated homes pop up in a neighborhood, there is a tendency for the neighborhood to shift entirely to high-occupancy rentals. Families will leave for

a variety of reasons, but new families will not buy once the trend to high-occupancy rentals is obvious.

A significant percentage of single-family homes in College Station will be student housing and 4-unrelated is a more efficient use of land for students than 2-unrelated. **The problem is not that we've allowed 4-unrelated, but that we haven't reserved a place for families and others who do not desire the student lifestyle.** Most university towns have taken steps to do so, either through separate zoning or overlays.

b. Reduces Student Gentrification

A stable neighborhood is defined as one in which residents do not move a great deal and they maintain the condition of the neighborhood. Their income is appropriate for the cost of the area. If wealthier people desire the location, values increase and there is gentrification. Purchase prices and taxes exceed the income of the current owners and they leave. People may leave for other reasons, and when they do the new residents of similar circumstances cannot buy. In areas near the campus the gentrification is by wealthy students, as well as the combined purchasing power of 4-6 people with rent-by-the-room contracts.

Students have always rented houses, but the rent-by-the-room concept is relatively new. One study reported that in a desirable area the cash flow from the rent-by-the-room business model could be twice what the family market will pay. The effects of gentrification can be dramatic and sudden due to the manner in which state law requires Brazos CAD to assess property values.

One reason cities often limit occupancy to 2-unrelated is because the cash flow from two renters has historically been about equal to that of a rental family (Figure 6). The cash flow from the 4-unrelated model elevates what investors will pay for land, or a tear-down. Brazos CAD sees the increased value and, as required by state law, raises the appraisals of all owners in the neighborhood. Those on fixed incomes or whose incomes do not keep pace struggle to stay in their homes and young buyers cannot afford to purchase. The only market that can compete is other 4-unrelated rental investors.

There is some irony in that the argument often made is that higher occupancy reduces costs. But the traditional rental owners are forced to pass higher taxes on to the students in other homes. These may only be appropriate for 2-3 renters who must pay much higher rent or overcrowd the house where parking may also be inadequate. The saving to the renters in a few houses results in increases to the renters and owners of all other houses.

It is highly unlikely that the 2-unrelated overlay will reverse gentrification in any subdivision because the required 50% vote cannot be obtained in phases of subdivisions with high rental content. It will not "take back" a student neighborhood. However, allowing subdivision phases that are still affordable to choose the 2-unrelated overlay will ensure they are not gentrified by the 4-unrelated model, and that new families will be able to purchase. It can "preserve" what they bought.

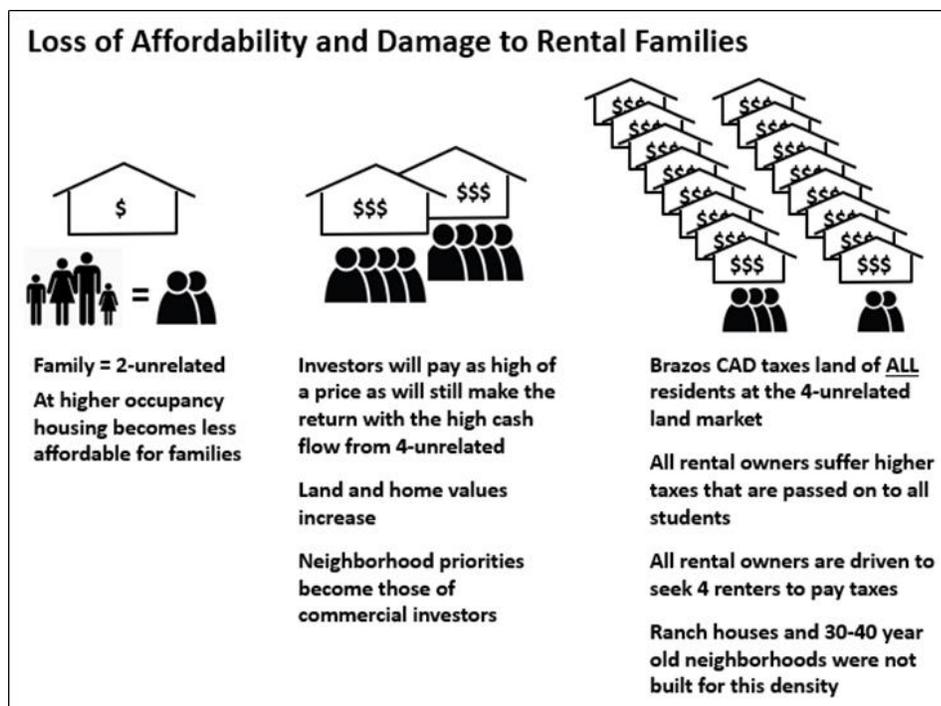


Figure 6. How 4-unrelated areas affect the rental market: The high cash flow from the 4-unrelated, rent-by-the-room business model elevates the price an investor will pay for land, or a tear-down. When Brazos CAD sees what a few “willing buyers have been willing to pay a willing seller,” the land of all neighborhood owners is reassessed. This increases taxes on residents, but traditional rental owners must also pass the increased tax to their renters.

c. Promotes Renewal in Older Neighborhoods

In 2020, CSAN completed a comprehensive Neighborhood Health Assessment effort in which volunteers evaluated the condition of College Station’s 740 residential subdivisions, including apartments. Virtually every street was driven and over 16,000 observations documented. The results are discussed in more detail in Appendix E.

One conclusion of this study was that the normal cycle of renewal expected in single-family subdivisions that are 20 to 50 years old is not occurring in College Station. As a result, over 25% of all subdivisions appear to be in a state of steady decline.

Many factors determine whether each individual family will make the decision to buy in an older neighborhood. These older homes should have lower prices and be the natural starter homes for young families. But the prices may be elevated by the 4-unrelated cash flow, and families with children will not buy on a street dominated by 4-unrelated rentals. If the next generation does not buy, the natural decline that occurs with age continues.

The 2-unrelated ordinance will not address this issue where the overlay cannot be approved because of already high levels of rental properties. But in subdivisions that can still obtain the overlay, it may allow single-family neighborhoods to be renewed by market forces.

d. Family Protection Attracts Industry

Management that's considering relocating to a college town will likely be concerned about there being appropriate places for families with children to live. College Station residents tend to assume there is, but in fact we have high rental content in most subdivisions and the city allows any rental to be 4-unrelated (Appendix A, Figure 8). The city cannot point to a single subdivision and tell management their employees can invest for the long term and be assured it will remain a family-friendly neighborhood.

The data provided in Appendix C on other university towns is significant. Cities such as Madison, Wisconsin and Boulder, Colorado have recognized the need to provide a secure family housing market, as have eight other SEC towns of our size. They all recognized the need for a variety of housing and they also zone areas 4-unrelated. College Station also offers a variety of residential zoning, including mixed commercial housing. Every market is being given specific consideration, except the family. This is what other cities have done. Even if it's only a small portion of the city, knowing that some subdivisions are protected is important. Companies don't tell their employees where to live, but they will be concerned if stable family neighborhoods are not an option.

e. The Overlay Increases Permanent Residency Which Reduces Crime

Families anchor neighborhoods and make them more resistant to crime. Figure 7 shows the percentage homestead owner map as discussed in Section 3, along with the College Station Crime Map from January to July of 2020. <https://www.crimemapping.com/map/agency/491>

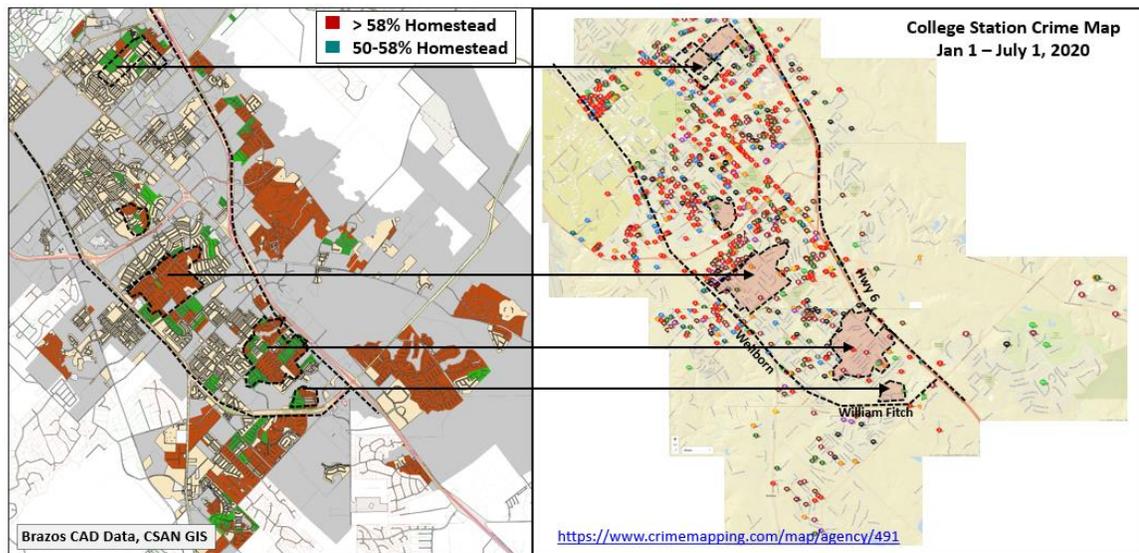


Figure 7. Comparison of percentage homestead and crime from January-July 2020. Properties with Brazos CAD homestead exemptions are assumed to be permanent residents. There is virtually no crime reported in subdivision phases with more than 58% homestead properties.

When the two are compared, there is virtually no crime in subdivision phases that had more than 58% homestead ownership, despite crime in adjacent areas. The contrast is striking. It's important to note that these low-crime areas have a significant percentage of rental (see Appendix A, Figure13), but from observation, they appear to be rentals by families. This is the

environment families with children want. Whether they are permanent residents or rental occupants they engage through their children and support each other. There are many factors that contribute to crime, but a community with families and children develops the social fabric required to become the village needed to raise their children.

There is more crime in the green areas (50 to 58% homeowner occupied), which suggests an opportunity. If the threshold for approval is set at 50% and these can obtain the overlay the confidence of families who might consider moving there will increase. Increased family occupancy may have a positive influence on safety both within the phase and in the adjacent areas.

Some of the green areas are critical as they are islands in areas with both decay (4c) and crime, but with an overlay may have the potential to help the city turn both around. An approval threshold of 58% will help ensure areas that are currently stable remain so. But red areas tend to be clustered, or include entire neighborhoods. A 50% approval threshold may allow more phases to obtain the overlay that are in contact with phases that can't, and this seed more renewal and reduction in crime. They are in a position to be more effective as agents for change.

f. Reduces Sprawl, Infrastructure Debt and Taxes

According to a Texas A&M Real Estate Center article two years ago, College Station had the highest debt per capita of any city its size in Texas except Beaumont, which is still recovering from hurricane Harvey. The reasons appear to be complex and we have yet to see an explanation of the root causes from the city. In general, our taxes appear to cover the operation of the city, and the debt is largely from infrastructure and service facilities associated with very rapid growth. Last year it was reported that debt maintenance alone consumed 40% of all property tax. Cities expect to lose money on new neighborhoods, but they expect the increased property and sales tax from the employers of those people to compensate. College Station has a structural problem in that Texas A&M does not pay taxes.

According to the most recent impact fee assessment, a new home far from the city center will cost the city four times what the same home would have cost near its center. Sprawl is costly and the current zoning ordinance does little to mitigate that cost. People may have chosen to buy and renew mature neighborhoods had high-occupancy rentals not been on the street. If they continue to be faced with the same choices, they will continue to make the same decisions.

The 2-unrelated overlay may help reduce the pressure to grow new infrastructure and debt. Because A&M pays no property tax, the city does not receive the revenue that normally comes from its major employers to help pay for infrastructure associated with new neighborhoods. We've accumulated over \$300M in debt, largely due to residential growth and more distant infrastructure. Until College Station grows more taxable industry, we need to do everything possible to encourage the use of the infrastructure already in place in older neighborhoods.

g. The Overlay May Create Investor Options

Rental investors have essentially had only one strong market to sell to, which is other rental investors. Many rental homes in other communities would be starter homes for young families if 1) they did not have to compete against the cash flow from 4-unrelated, and 2) they knew the street would be limited to 2-unrelated.

Given the potential effects of distance classes in College Station, could market conditions develop such that rental owners would coordinate to redevelop a subdivision phase (1-4 streets) for family use? If so, they will not be able to market it without the option to protect the buyers. The 2-unrelated ordinance would create that option. There is no downside for those who have invested in the student rental market if they control the votes. However, there may be an upside someday if they decide to sell to the residential market.

According to an A&M Real Estate Center article two years ago, the city's single-family occupancy rate was the lowest in Texas at 87%, even before the move to online courses. It's likely the oversupply will be even larger this fall.

5. Bryan's R-NC Zoning (2-Unrelated)

The city of Bryan established its 2-unrelated ordinance in 2006. It is particularly important in this discussion because City Council has asked staff to pattern some elements of the College Station ordinance after Bryan's. It has been effective for 14 years and has proven to be practical and legally durable. It has been supported by Bryan's City Council throughout this period. In 2019 Martin Zimmerman, Bryan's Assistant Director of Development Services, presented a thorough overview to Planning and Zoning and City Council. This is available on the CSAN website at: <http://csantx.org/two-unrelated>.

There are two notable differences in what staff has proposed in College Station. Bryan chose to allow subdivisions to create a "zoning" rather than an "overlay". They call this a Residential Neighborhood Conservation zoning, or R-NC. City staff has expressed a preference for using an overlay rather than creating a new type of zoning, but the overlay will have the same effect.

The second difference is that Bryan also does not allow the architecture that's typical of "stealth dorms" in the R-NC zoning. They recognized the architecture itself created crowding and behavioral conditions that were incompatible with families. It also sends a strong visual signal that drives families to leave and inhibits new families from buying. Most of these homes are literally built to violate the 4-unrelated restrictions with 5-6 bedrooms, and with no real common area, they are not actually suitable for a large family. College Station does not propose to add this additional complexity. It is assumed that if a home can only be rented to 2-unrelated, it will be uneconomical for investors to build a stealth dorm.

The R-NC zoning has proven to be effective in maintaining a family environment. After approving the ordinance 40 subdivision phases have obtained the zoning. According to Zimmerman, in all of the R-NC subdivision phases combined, there had been only 34 complaints in the previous five years, and in 28 there was determined to be no violation. Three were taken to court, and in two of these, the owner was able to prove they were grandfathered by prior rental history. Surprisingly, the

percentage of rental homes (those without a homestead exemptions) has actually increased in R-NC subdivisions in the last decade, suggesting that the zoning has not been a barrier to affordable family rental housing.

6. False Narratives

a) *Anti-Student*

If the ordinance actually eliminated 50% of single-family housing it would be anti-student. **But that's not what this does.** In 2020, students have access to 6,933 single-family homes where 4-unrelated occupants are allowed. If the ordinance is passed, they will still have access to the same 6,933 homes in 2021. As discussed in detail in Section 4, there are very few 4-unrelated rentals in neighborhoods likely to obtain the overlay and those will be grandfathered.

A great deal of focus is placed on complaints such as speeding, parties, alcohol, noise, trash and poor home maintenance. These are very real nuisances and many students who have chosen to live in a quiet residential neighborhood have objections to them as well. But these are also expected behaviors for some students. The fundamental issue is that families and students generally don't want the same lifestyle.

In zoning terms, the use many college students want to "preserve and protect" is different from families. As previously mentioned, virtually every major college town of our size has created a separate zoning for families. They did so because it made sense. The proposed overlay would allow each subdivision phase (usually 1 to 4 streets) to choose this for themselves. By design, it cannot take back neighborhoods that are already student rentals. It will only allow them to preserve what exists.

b) *Violates Fair-Housing Act*

This appears to be a misunderstanding of the term "familial." The Fair Housing Act prohibits discrimination based on familial relationships. Some have taken this to mean that the concept of family cannot be used in an ordinance. In fact, it means you cannot discriminate against children under 18 years of age. It actually strengthens the role of a family by giving it the status of a protected group, however a city defines a family.

The proposed ordinance language is similar to Bryan's 2-unrelated ordinance which has been in place for 14 years. Appendix D provides examples of 16 other university towns with similar ordinances, including 8 in the SEC. All are based on some definition of a family unit plus some number of unrelated persons.

c) *Racially Discriminatory*

This narrative is inexplicable if you understand how unconstrained commercial real-estate investment has displaced minorities in virtually every city in America. Nothing has done more damage to College Station's minority neighborhoods than their inability to protect themselves from the high cash flow from 4-unrelated students and the rent-by-the-room business model.

The manner in which student gentrification drives those with lower or fixed income out of neighborhoods was described in Section 4b. The experience of the historic McCulloch subdivision, which is College Station's only remaining owner-occupied historically black neighborhood, is described in Appendix B.

When investors see early signs of gentrification, they purchase properties at a low price, speculating the trend will continue. Those include the homes of permanent residents, but also less expensive rental properties in predominantly minority neighborhoods. As the gentrification develops, property values rise and the taxes on the remaining residents increase. They are forced out by taxes, and similar people cannot buy due to high land costs. The neighborhood loses its minority residents, and then the nucleus of its sense of community.

In College Station there has been little gentrification by wealthy families, though some is appearing in Southside. For the last ten years gentrification has been almost entirely due to the high cash flow from the 4-unrelated model, and the stealth dorms it funds. It is the lack of protection for family neighborhoods that has made it difficult for minority neighborhoods to remain intact.

Neither the A&M student government nor the student body as a whole can change the market forces that drive this type of displacement, but they can support an ordinance that will allow minority subdivisions to protect themselves from it.

d) *Anti-Property Rights*

Someone once said, "Our principles sit on our shoulder and inform our decisions", but they should not be our decisions, themselves. They do not free us of the responsibility to understand issues deeply and make good choices.

Texas is a strong property rights state, meaning the law and the courts protect the ability of the individual to maximize the value of their property to themselves. But the state also sets boundaries on that right.

- You only have the rights you purchase with your zoning.
- The city can change those rights in response to a new opportunity or threat.

The second item is not discussed much and yet developers and investors ask the city to do this on their behalf daily. Rural zoning is changed to much more valuable commercial zoning, neighborhood lots are changed to allow commercial businesses within the neighborhood, and variances are given to individual investors so they don't need to comply with building codes. The state gives the City Council the power to do these things when it's in the greater public interest.

An overlay is an exercise of the same legal authority to change the zoning rules in response to a threat or opportunity. All that is required is approval of 50% +1 of the City Council. In fact, the process of obtaining owner endorsement by 50% or 58% is not a legal requirement. It's a

number chosen by the city. The City Council actually has the authority from the state to impose a change in citywide zoning rules with no input from the subdivision at all.

In San Marcos, 95% of all single-family housing is restricted to no more than 2-unrelated. When asked how their subdivisions petitioned for it, the administrator was curious as to why anyone would need to. The City Council simply approved it.

Our politics are different than those in San Marcos and no one is suggesting the overlay be imposed by Council. But the argument that it would violate an individual's property rights is incorrect. An owner agrees to the city's authority to change the rules on their property to respond to a larger community threat when they decide to purchase property in any Texas city that has chartered itself as a zoned city.

It is also inconsistent to argue the right to change the use of your property to benefit yourself, but also argue that your neighbors do not have a right to change rules to defend themselves.

It is said, "Your right to swing your arms ends just where the other man's nose begins." Zoning is the way in which that principle is applied in city planning. As we have documented, the current 4-unrelated free-for-all leads to higher taxes, tensions between property owners and a general decline in the quality of our neighborhoods. The 2-unrelated overlay would be a modest change, giving a neighborhood the right to protect its rights.

7. Summary and Next Steps

The College Station Association of Neighborhoods strongly endorses the adoption of a 2-unrelated ordinance. The proposed ordinance would address a critical problem in College Station: while the city has allowed high-occupancy properties in every neighborhood, we have not reserved places for families and children.

The consequences of the failure to provide areas for families are manifold and far reaching. It has pushed families out of neighborhoods for which they were built. It has contributed to decline in older subdivisions by discouraging new families from buying there. It has contributed to sprawl, imposing costs on our city and our schools. And it has created an environment in which there are frequent tensions between students and families who have different expectations for the types of uses that should be protected in a residential zoning.

There are strong precedents for a 2-unrelated overlay, not only in Bryan, but in many college towns of our size where students make up a high percentage of the population. The ordinance allows each subdivision phase of a development to decide for itself whether to obtain the overlay. Few will do so unless they are experiencing a negative impact from high-occupancy housing, but if they are, they should be empowered to obtain this protection.

The City Council has reviewed the basic elements and has directed staff to develop a more detailed proposal. There are still important decisions to be made. We urge citizens to inform themselves on the

policy, and contact city leadership now to express your support. This particular policy will be strongly influenced by public opinion.

As explained in the study, there will be no effect on the availability of student housing and the adverse consequences for investors will be minimal, if any, and it may even benefit them. Empowering residents to choose to preserve a family environment will be good for neighborhoods, families, students and the city at large. Important decisions are being shaped right now. Please contact your City Council, P&Z members and the staff plan to express your support.

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Appendix A: 2020 College Station Rental Study

According to the A&M Real Estate Center, about 60% of College Station’s single-family residences are rentals. Registration data obtained from the City of College Station on June 30, 2020 showed there were 8,796 registered rental properties of all types. Of these, 6,933 were single-family homes (Figure 8).

This number may be low. In a survey of random streets, about 15% of rentals did not appear to be registered. The map below shows the locations of all registered single-family rental homes as of February 2020. The area within the dashed line is now considered by many to be a student rental area, though the concentration of students generally decreases to the south.

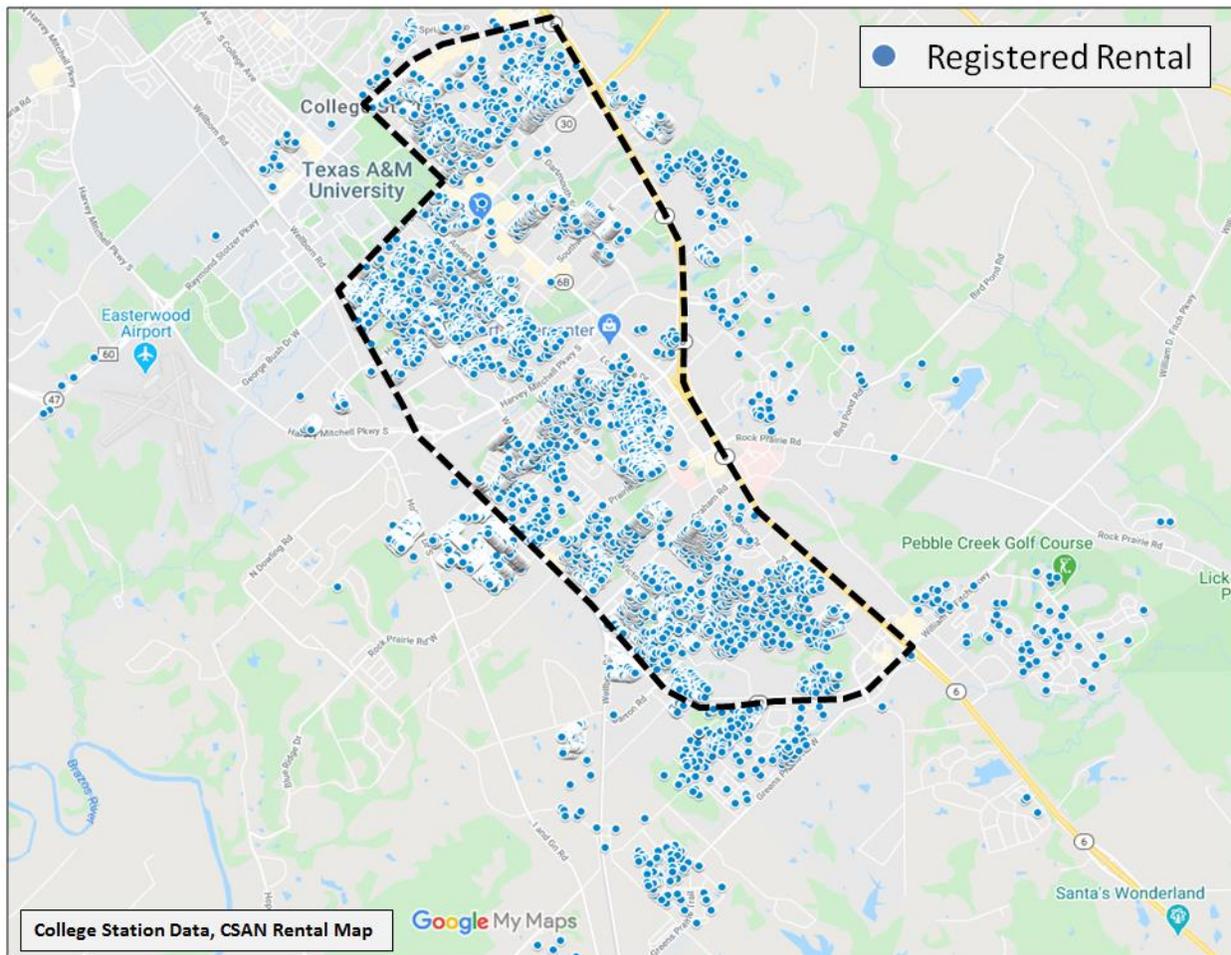


Figure 8. Rental properties in College Station. Each dot represents a registered single-family rental. While the concentration is higher in some areas, all College Station neighborhoods have a significant number of rentals.

Relatively few of the properties are “stealth dorms”. These built-for-purpose houses are located near the campus and will not be affected by the overlay as they are in neighborhoods that cannot achieve the required percentage of owner approval.

The map illustrates two characteristics: rentals are highly concentrated in some areas, yet are found in almost every area. High concentrations are found in aging ranch-style homes in neighborhoods that are

20 to 50 years old. But there are also phases of newer subdivisions such as Dove Crossing and parts of Castlegate with higher concentrations. A significant number of rentals are also found in more distant areas such as Pebble Creek.

The city does not have data as to the breakdown, but many of these are family rentals. The needs of families with children differ from students, including park usage, walkability, bike-ability, public transportation to the university and city services. Consequently, rental families share much of the same perspective as homesteaded owners. As the 4-unrelated business model has advanced further from the campus, there have been fewer rentals available that are affordable and appropriate for family rental, just as there are fewer for purchase.

Rental Ownership

As with most college towns, College Station’s rental properties have become a regional and sometimes national investment opportunity. Students have always saved money by splitting rent. What has changed is not the rental to 4 students, but the rent-by-the room model. Studies have shown in some markets rent-by-the-room investments have been able to charge twice what the entire home previously rented for. University enrollment and the need for housing has increased dramatically over the last few years. There is a unique investment opportunity that has developed in college towns that does not exist in larger cities.

As a result, only one-quarter of landlords have a College Station address (Figure 9). This includes P.O. boxes, business addresses and Brazos County residents with College Station addresses. Further analysis reveals that only about 750 (18% of owners) actually live within the College Station city limits.

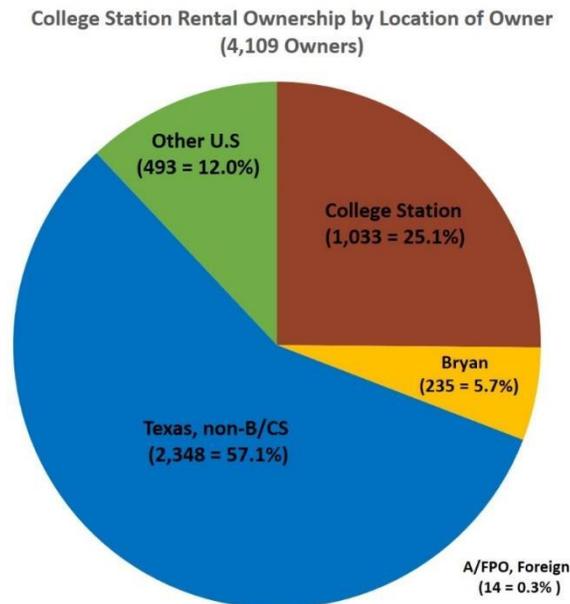


Figure 9. College Station rental ownership by owner location. At the time of the study there were 4,199 owners of single-family rental properties. About 25% of those had a College Station business address. Only 18% actually lived within the College Station city limits.

While Figure 9 shows who owns the properties, Figure 10 shows how many of the properties they own. Two-thirds of College Station’s single-family homes are owned by entities with non-College Station addresses. Over half of the total number of properties are owned by other Texas-based entities including those in Bryan.

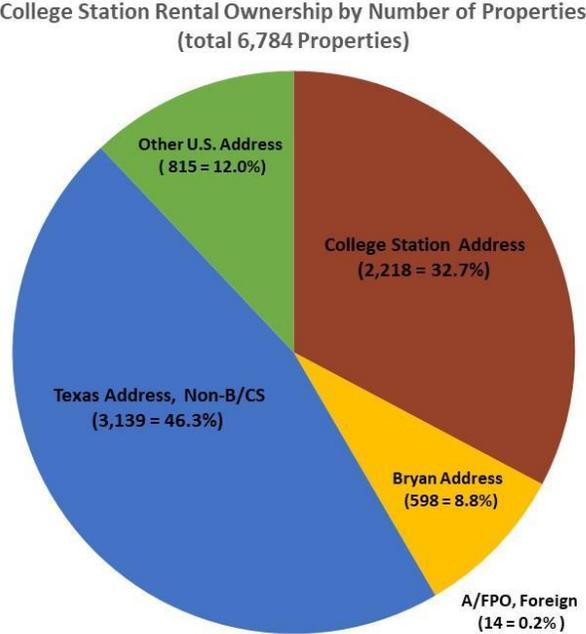


Figure 10. Numbers of College Station rental properties by location of owners.

Another important factor in rental ownership is the number of properties per owner. The chart below gives a breakdown of property ownership for just College Station landlords. Following that is a similar chart for non-B/CS Texas landlords. About two-thirds of College Station landlords own only a single rental property. A remarkable 85% of non-B/CS Texas landlords own only a single property. However, details in the analysis show that the single largest rental property owner in College Station is from Austin (with 53).

This analysis suggests that rental property ownership in College Station may be dominated by the landlords’ life circumstances: buying a house for your kids while they attend A&M and then keeping it as a rental; buying a home then moving, but retaining it for extra income; inheriting the home you grew up in. It is likely that these homes represent important cash flow for their owners, particularly if they live on fixed incomes.

As ownership grows to three, four or more properties, it starts to become a business. The recent appearance of rental-home REITs (Real Estate Investment Trusts) have turned homes in College Station into investment vehicles owned by people with no historical connection to our neighborhoods. Analysis of owner addresses indicates that packages of three to five homes are being sold across the country in this manner.

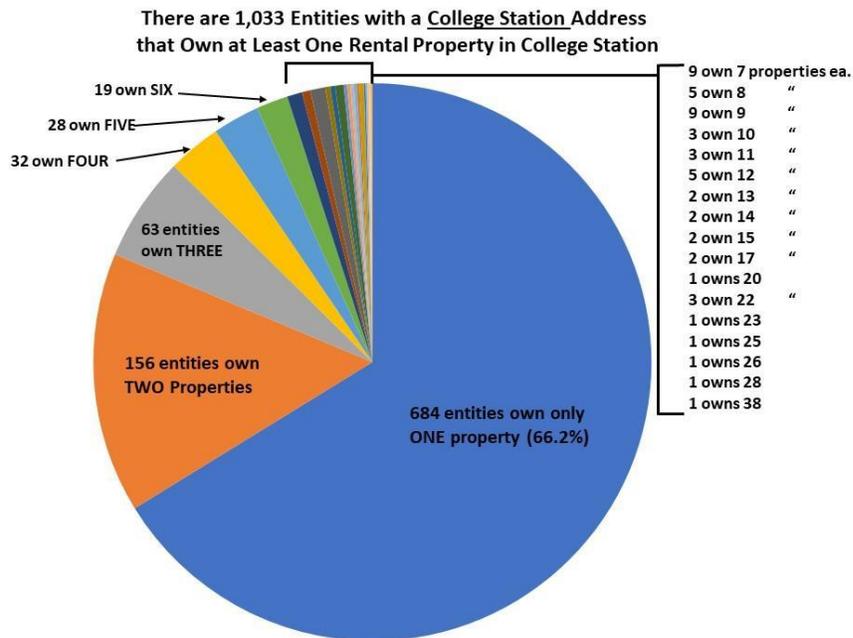


Figure 11. Numbers of College Station rental properties per owner. The majority own only one or two properties, suggesting it may not be their primary source of income.

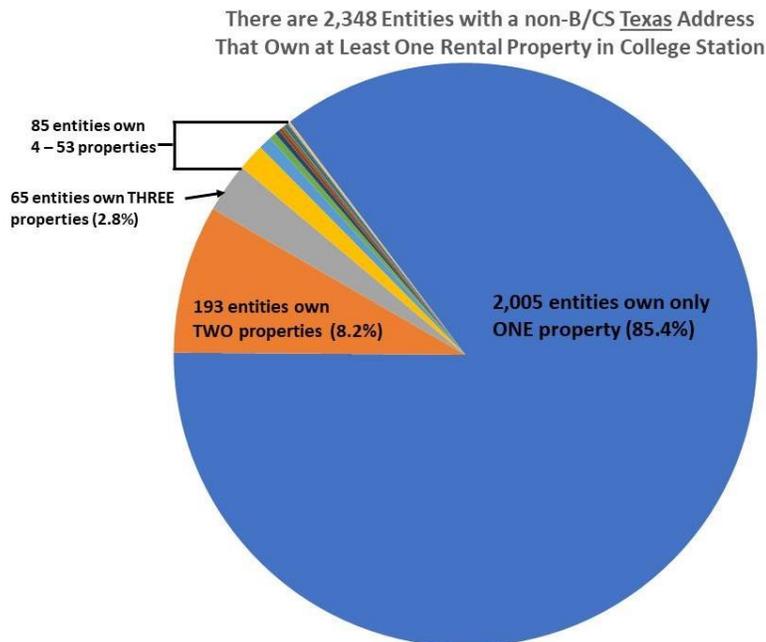


Figure 12. Numbers of College Station rental properties per owner, non-BCS owners. An even higher percentage of non-BCS owners own only one property.

Appendix B: McCulloch Overlay Experience

The McCulloch subdivision, one of the original and now only remaining predominantly black historic neighborhoods, was the first neighborhood to successfully obtain a Neighborhood Conservation Overlay (NCO) in 2015. Confronted by a loss of character to their neighborhood as a result of stealth dorms being built, residents were concerned about noise and the increase in the number of vehicles, parking and speeding that posed a threat to the children playing in the area and walking to the nearby Lincoln Recreation Center. They also faced diminished affordability of housing because of the dramatically increased property taxes caused by the new rental properties.

Because stealth dorms generate very high cash flow, investors are willing to pay more for the land. When only a few lots have sold for a high price, Brazos CAD increases the valuation and tax on all properties, as they are required to do by state law. While all residents in College Station have been concerned about increases of 5 to 8% every year, McCulloch experienced an increase of over 200% in only five years after being targeted by stealth dorm investors. Low income residents, or older owners on fixed incomes are driven out, and new families cannot afford to buy \$250,000 lots.

The NCO they obtained is a type of overlay that is intended to preserve character, not limit occupancy. While an NCO is not designed for it, the residents chose items from the list they felt might have some of the same effect in limiting occupancy. City Council voted unanimously to approve the standards chosen - that all new single-family construction be only one-story, have a minimum 25-foot setback with a maximum 41% lot coverage. Unfortunately, seven additional permits for stealth dorms were issued before the overlay was approved.

As desired, property values and taxes immediately began to decline, though they remain high relative to most of College Station. Opponents of overlays cite declining values as a negative. This reflects the essential conflict the high cash flow from the 4-unrelated, rent-by-the-room business model creates in all family neighborhoods. Many investors believe money itself makes the best decisions. The residents of McCulloch actually sought lower home values. It was their choice to maintain a stable neighborhood and protect their children, valuing more being able to retain their homes and their community. They consider McCulloch a "family".

Appendix C: Occupancy Ordinances in 18 Other College Towns

College Station's 4-unrelated rule was passed in 1938. Public input on this ROO has precipitated a review of the manner in which it has historically been interpreted, as well as an update for consistency with the Fair Housing Act. **The definition of a family and the manner in which the number of unrelated will be counted are likely to be modified before the ROO is adopted.**

Occupancy restrictions are common in university towns the size of College Station where students make up a large percentage of the total housing demand. National statistics are difficult to find, but a 1989 survey found 76% of university towns with a population less than 100,000 had occupancy restrictions. Figure 13 shows a sampling of the numbers of unrelated allowed in a few comparable cities. In each city there is a tiered approach to occupancy and the 2 or 3 unrelated is intended for families with children. In most cities this family protection is simply part of a single family zoning and residents are not required to petition for protection, one subdivision at a time. In fact, the San Marcos (Texas State) city planner was surprised any city would require each phase of each subdivision to seek protection for itself. Their 2-unrelated rule was established by City City Council and covers 95% of the city's single family housing.

The manner in which a family is defined is similar in most cities, most likely due to extensive case history with the Fair Housing Act and HUD. State laws may also vary. Some differences were notable.

1. Some cities allow three degrees of consanguinity. The ROO proposal is for two.
2. Two degrees of consanguinity may include uncles and aunts, which is not the case in this ROO.
3. In some cities, if two adults are not related, they may both have their entire family. In other words, they do not have to be married for all of their children to live there.
4. Some cities specifically state that live-in health care, adopted, foster children or any court ordered children under 18 are included in the family.
5. In each city there is other zoning where higher occupancy is allowed, most commonly 4-unrelated.

	City, State	University	Unrelated Allowed	% Students	Enrolled	City Population
1	Bryan, TX	Texas A&M	2	29	60,000	BCS 209,000
2	Tuscaloosa, AL	University of Alabama	2	39	39,000	101,000
3	Fayetteville, AR	University of Arkansas	3	32	28,000	87,000
4	Auburn, AL	University of Auburn	2	40	27,000	66,000
5	Gainesville Fl.	University of Florida	3	39	52,000	134,000
6	Athens, GA	University of Georgia	2	29	37,000	127,000
7	Columbia, SC	University of South Carolina	3	39	52,000	133,000
8	Knoxville, TN	University of Tennessee	2	16	30,000	188,000
9	Nashville, TN	Vanderbilt University	3	0.5	6,900	1,200,000
10	Clemson, SC	Clemson University	2	54	20,000	37,000
11	State College, PA	Penn State	3	65	46,000	71,000
12	Greely, CO	Univ of Northern Colorado	0	11	12,000	107,000
13	San Marcos, TX	Texas State University	2	60	39,000	64,000
14	Madison, WI	University of Wisconsin	2	17	44,000	258,000
15	Fort Collins, CO	Colorado State Univ.	2	20	33,000	168,000
16	Boulder, CO	University of Colorado	3	31	33,000	107,000
17	Lincoln, NE	University of Nebraska	3	10	26,000	287,000

Figure 13. Sampling of university towns from diverse areas that have single-family zoning with occupancy restricted to less than 4-unrelated. Eight towns are in the SEC. Updated 8.11.20.

Occupancy restrictions do not necessarily result in conflict. According to a Princeton Review study, the college town in which the students rated their relationship with the city the highest was Clemson South Carolina, which restricts student occupancy to no more than 3-unrelated. There is nothing intrinsically wrong with the lifestyle of students, or that of families. But most cities of a size where students make up a large percentage of the population have found they simply don't belong in the same zoning. They are not "compatible".

Appendix D: Deed Restrictions Versus Overlays

Deed restrictions, also called restrictive covenants or CCRs (Covenants, Conditions and Restrictions), are a private contract between a developer and a property owner, but also between owners in the same deeded area. The legal empowerment to do this comes directly from the state and not the city. If an HOA is established by the developer, it will typically represent the owners in defending against violations. If the HOA has expired or does not exist a single owner might choose to defend the covenants or a group may join together.

It is unconstitutional for a government entity to interfere with a private contract, including deed restrictions. The city cannot create or influence these private covenants. It cannot be involved in manipulating them and certainly cannot utilize them to address threats to the community, or to create affordable, appropriate neighborhoods for families.

The state empowers cities to create zoning districts to “preserve and protect” the owners in each zone who desire that particular use. It does not specifically address overlays, but does not need to. An overlay is considered a type of zoning and so is empowered by the same law (Local Zoning Code, Chapter 211). The city has great flexibility in creating overlay processes, as it does zoning. If a new threat or need arises that affects the zoning at all locations, it would make sense to change the base zoning rules themselves. In this case, city staff believes an overlay is the correct tool because the change is only desired in some locations, and only on one specific issue.

It’s been suggested that if a resident wants restricted rights they should move to a restricted neighborhood. But in College Station very few subdivisions restrict occupancy (See Figure 14).

If a subdivision did want to change it’s deed restrictions, the first item to check would be the required percentage of owners who must approve and whether it’s achievable. If your current restrictions are valid the percentage is stated in the document. If the restrictions do not specify the percentage needed to change them, state law requires 75% approval to do so.

If you do modify your deed restrictions, it's important that precise legal language is used and so typically an attorney familiar with real estate law should be consulted to draft an amendment outlining the restriction(s). Then the required percentage of the property owners' approval is obtained via their signatures. The documentation is filed in the county real property records and the change goes into effect. If a zoning ordinance differs from a deed restriction regarding the same geographical area, whichever is the more restrictive of the two rules prevails.

A number of the subdivisions shown in Figure 14 that restrict occupancy have obtained these in recent years. In one case the homeowners stated they wanted to “preserve the tranquil, residential character of their subdivision and reduce the potential of traffic and parking congestion, noise disturbances, excess garbage and other disturbances and safety issues which conflicted with the uncongested, stable environment of an established residential neighborhood”. They report the deed restrictions have been effective in reversing a trajectory many felt was undesirable and damaging to their quality of life. In

Woodland Acres, a homeowner moved there from a different subdivision just two streets over so he could have the protection offered by a no more than 2-unrelated restriction after his neighborhood was unable to obtain one. Other new buyers, wanting some certainty about their property and neighborhood, have specifically sought out these subdivisions.

While a deed restriction amendment may be an option in some newer developments where the covenants have not expired, it should not be the responsibility of individuals to modify private contracts in order to address a citywide need. The 2-unrelated overlay is a more efficient and equitable approach. An overlay or zoning is the only approach available to the city.

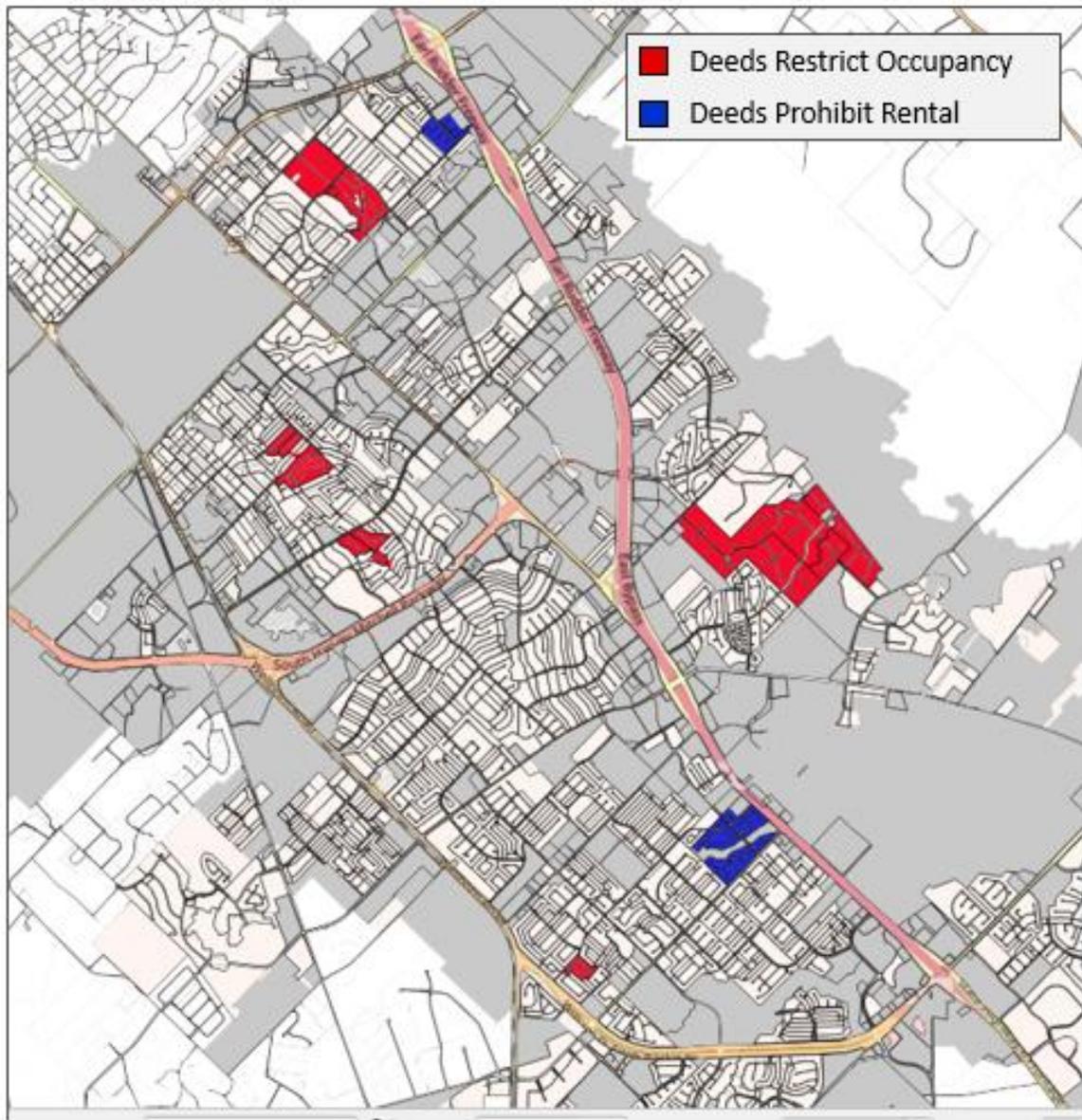


Figure 14. Subdivisions having deed restrictions limiting occupancy. Foxfire is the only large subdivision with restrictions.

Appendix E: CSAN 2020 Neighborhood Health Assessment

In 2019 and 2020, each of College Stations 740 residential subdivisions were evaluated on 20 criteria that were selected to convey the condition of the homes, common community property and public elements like sidewalks and streets. Other quality of life elements were included, such as walkability, bike-ability, access to parks and intensity of traffic. Altogether, 16,000 data points were compiled in a GIS mapping database in an effort spanning over nine months.

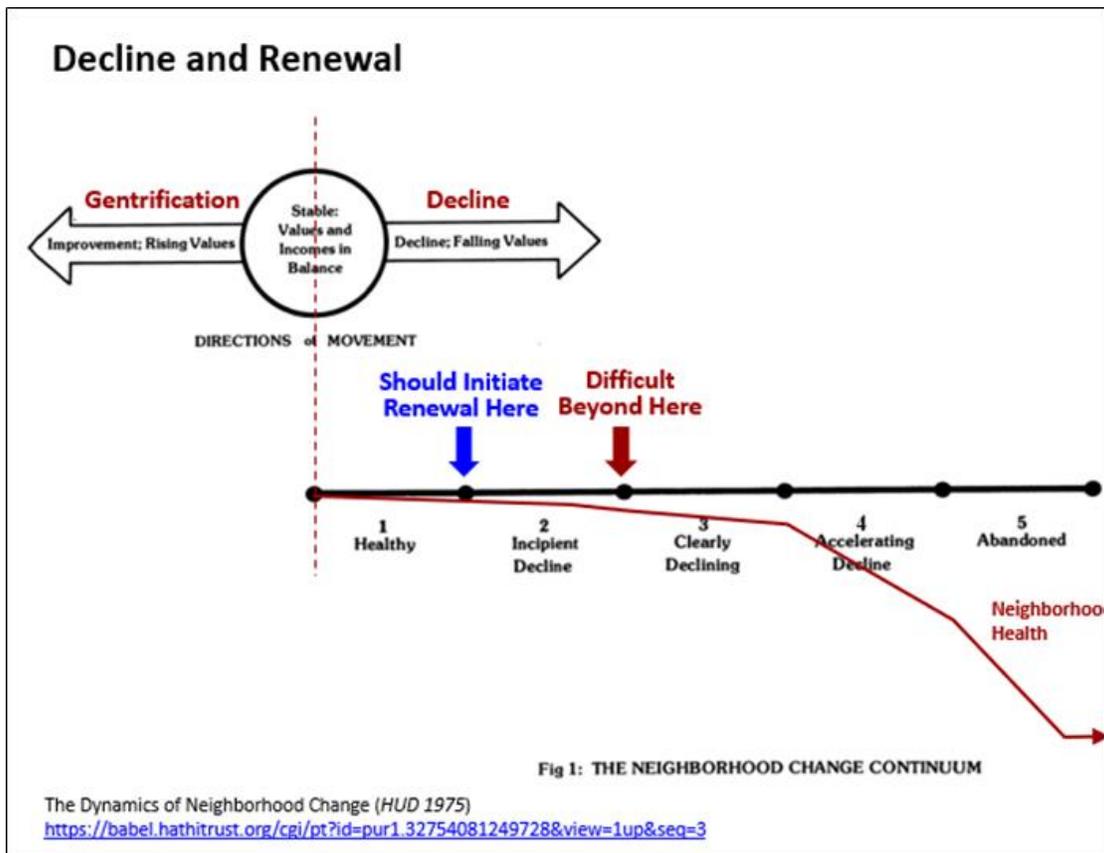


Figure 15. Depiction of the process of decay and renewal as described in the 1975 HUD study on “The Dynamics of Neighborhood Change”. The next generation must buy and start renewal before decay is obvious. Once it is apparent the decline is in progress, the next generation will not buy. High-occupancy student housing has the same effect.

A model of neighborhood decay developed by the Department of Housing and Urban Development (HUD) in 1970 provides a useful framework for understanding the result of the assessment (Figure 15).

Neighborhood Decline

Neighborhood decline would be expected with age. But some depreciate, and others do not. HUD observed that the fate of any neighborhood depended on the collective decisions of individuals. If decline is to be stopped people must individually decide to buy and invest. So the focus of the study was how people made those decisions at each stage in the life of a neighborhood and what influenced them. Why do they decide to renew some areas, while others continue into deep decay?

The stages of decay a neighborhood may pass through are shown in Figure 15. The time required for each to occur cannot be predicted. Some College Station subdivisions are still “healthy” after 30-40 years, while others became poorly maintained almost immediately. In “Incipient Decline” the subdivision is still attractive but is usually aging. Young buyers would likely purchase there and expect to maintain the home and continue to have a cohesive community. A key element of Incipient Decline is that values are now typically lower than new construction, so these begin to become attractive as starter homes for the next generation. This is not true if values are high due to the cash flow from 4-unrelated, despite declining maintenance, lawn care or aging infrastructure.

If property is “Clearly Declining” families sense the risk and won’t invest. In most cases there is obvious physical decline, but other types of decline can also occur that might cause a family to decide not to buy. Examples might be increasing crime, rapidly falling prices, commercial encroachment, or underperforming schools. The major observation in the study was that once a neighborhood was “Clearly Declining” it was difficult to stop it from becoming much worse. A major HUD conclusion was that their efforts to turn neighborhoods around had failed because they did not begin until the area was already Clearly Declining. No government incentive would cause the next generation to invest their savings and family’s future in the neighborhood if they did not feel it was at least stable or already improving.

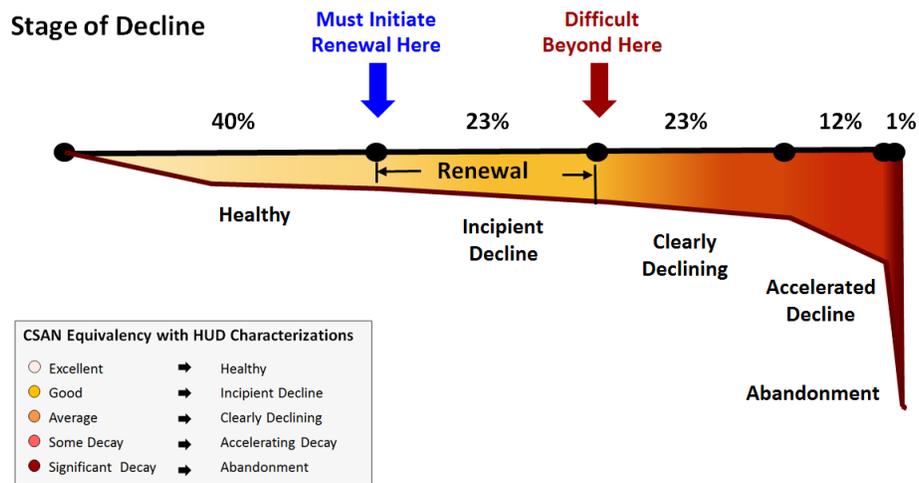


Figure 16. The results of the Neighborhood Health Assessment suggest over 25% of College Station single-family properties may be Clearly Declining, which means they are beyond the point of being attractive to young families for renewal. The same neighborhoods in CS are largely high-occupancy rentals, which further discourages young families with children.

Based on the results of the CSAN Neighborhood Health Assessment, over 25% of single-family subdivisions are Clearly Declining. This was a surprising result. The volunteers assessed each subdivision on 20 criteria and the mass of the data alone tends to moderate bias (16,000 observations). Also, standardized definitions and training were provided. Having said that, the assessment was conducted by volunteers. . However, even if there was significant inaccuracy in the study, you would still arrive at the same conclusions with no data or HUD model.

Young families will drive down the street and make the decision not to buy if:

- The neighborhood is clearly in physical decline;
- The value is high relative to the condition of the home due to high 4-unrelated rental cash flow;
- It is at all obvious there are a lot of 4-unrelated rentals. They are not raising their children there.

If young families don't buy, the decline will continue. We believe the area that may be "Clearly Declining" in College Station is significant, as are the long-term consequences for the city.

The point has been made many times that the 2-unrelated ordinance is not designed to reverse these trends. The required vote cannot be achieved in any of the neighborhoods that are Clearly Declining. But some subdivisions that HUD characterize as Healthy, or in Incipient Decline, could be preserved or renewed if protected now. It's important to the future of the city that the current residents be empowered to do so. It's also important to set the approval threshold at 50% so that as many subdivision phases as possible may obtain it, particularly in the south-central area of the city where these might seed renewal in adjacent subdivisions over time.