

Legalize Starter Homes: Dreaming Big with Small Lot Reforms



SUMMARY

Increased demand coupled with insufficient supply have made homes in Utah worth \$250,000 in 2015 now cost \$500,000 or more. At these inflated prices, the American dream of owning property and a home is on life support for too many of our children, employees, and neighbors.

It doesn't have to be this way. Attractive, affordable starter homes can exist if city councils, planning commissions, staff, and other stakeholders work together to pass the Small

Lot and Cottage Court ordinances described in this policy brief. Luckily, these proposals do not require government subsidy, mandate small lots, or burden the taxpayers of Utah.

The key component to starter home legalization is to allow them to be built on smaller lots that homeowners can afford. For context, the price of a half-acre of land in Utah commonly exceeds \$300,000. This alone necessitates reforms that allow more flexibility in lot size, shape, and home placement requirements.

Local officials can provide relief to aspiring homeowners by passing ordinances that legalize a greater variety of affordable, attractive single-family homes.

Utah's housing crisis is a textbook example of the unbreakable law of supply and demand. Due to insufficient levels of construction for over a decade (which currently stands at a 31,000-home deficit),¹ homes worth \$250,000 in 2015 now sell for \$500,000 or more.²

So, what does this level of housing inflation mean for Utah communities? For starters, it means that police officers, teachers, and other professionals that make less than about \$80,000 per year cannot qualify for a home loan.

Housing Shortage Tax?

For those who do purchase homes for \$500,000 when the price could have been half of that, the difference over thirty years (when factoring in 5 percent interest) totals \$483,137.

On an annual basis, this “housing shortage tax” costs just over \$16,000, not including differences in additional property tax and insurance.

The amount of this “housing shortage tax” makes legitimate concerns over gasoline prices doubling and food costs rising by 10 percent seem minor by comparison.

The burden of the tax also extends beyond prospective and recent homebuyers—renters, business owners, and consumers alike are subjected to it.

Utah businesses particularly suffer, as housing inflation raises their labor costs by thousands per employee in order to account for the increased cost of living. In turn, these increases lead to price hikes for their products and services, which are purchased by the public at large.

It Can Get Worse

Alarming, inaction and insufficient steps to eliminate the shortage can make the housing crisis even worse. As the crisis worsens, the chorus of those asking governments for subsidies will increase. The trouble with direct subsidy proposals, and others like it, is that they cannot work in the long term. Not only would a surge in government spending not address the underlying issue, it would also require a staggering level of taxation. Need proof? Check California's tax rates, home prices, and out-migration numbers.

In short, we can declare housing a crisis and we can debate about growth, but unless more homes are built, Utah's crisis will not end.

Statewide Problem, Local Solutions

In many ways, Utah's housing crisis is a story of its success. The pioneers who entered its mountain valleys throughout the 1800s scratched out a living for themselves and soon began to prosper. Cities with distinctive grid-like patterns were founded as local officials facilitated the surveying and subdivision of land throughout Utah's beautiful territory. Properties were developed and further subdivided to build the homes, farms, and commercial buildings necessary to sustain its society.

Starter homes are generally understood to be smaller homes with permanent foundations on smaller lots those with middle-class incomes can afford.

Today, local officials (now including mayors, city councils, planning commissions, city staff, and other stakeholders) are still in the primary position to adjust local land use policies to meet Utahns' needs.

Knowing that Utah's current and future residents need a greater variety of homes to be built, what Utahns need now are reforms that address the heart of the matter — outdated land subdivision, lot size, and home setback requirements.

Legalize Starter Homes by Passing Two Ordinances

Considering that a vacant half acre of land in Utah's population centers can exceed \$300,000, Utah residents need the freedom to create and buy smaller lots that fit middle-class budgets. Both ordinances proposed in this brief do just that.

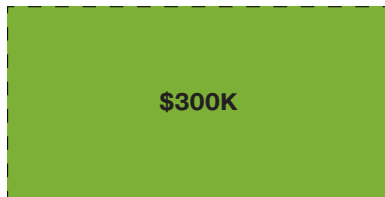
For example, the Small Lot Ordinance proposal legalizes homes being built on 1/8-acre (5,454 sq. ft.) lots. It also gives owners the freedom to sacrifice some of their front and side yards in order to have a backyard large enough for a pool, homestead garden, and a cottage for granny.

The Cottage Court Ordinance proposal legalizes a concept growing in popularity — clusters of homes arranged around a shared courtyard, clubhouse, garden, or other amenity. If these can be legalized in more jurisdictions, they have the potential to provide single-family home ownership opportunities at condominium pricing.

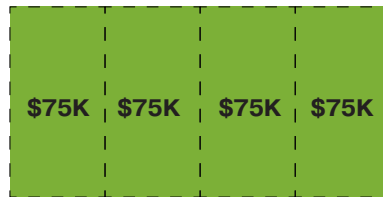
The following pages provide some sample affordability calculations, visual examples, and ultimately show what urban, suburban, and rural Utah stands to gain by implementing small lot reforms.

Financial Reality Necessitates the Passage of Small Lot Reforms

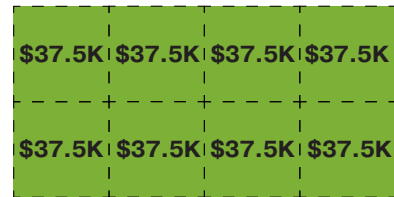
Price Range for Vacant 1/2-Acre Lot in Utah's Population Centers: \$200,000—\$400,000



One 1/2-acre lot
(21,780 sq. ft.)



Four 1/8-acre lots
(5,445 sq. ft.)

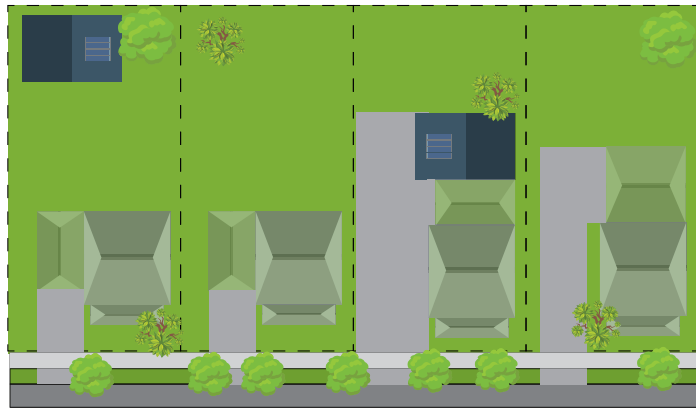


Eight 1/16-acre lots
(2,722.5 sq. ft.)

Proposal #1 - Small Lot Ordinance Impacts on Housing Affordability



3 bed, 2.5 bath | 1,394 sq. ft.
Construction costs @ \$200/ sq. ft.
\$278,800



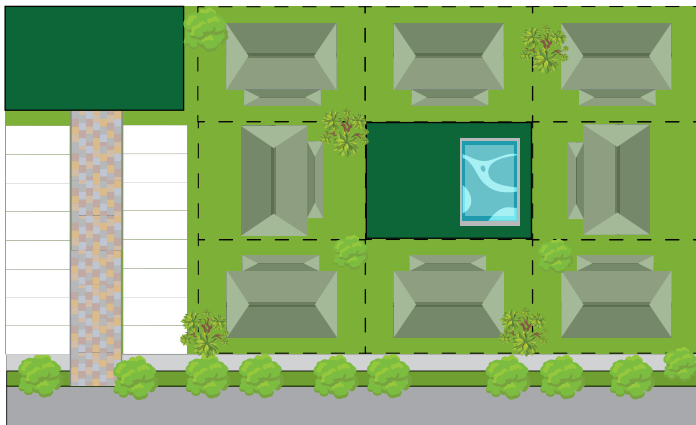
1/8-acre lot: \$ 75,000
Home: \$278,800
Land+Home: \$353,800

Monthly mortgage/rent:
approx. \$2,000
Annual income to qualify:
approx. \$75,000

Proposal #2 - Cottage Court Ordinance Impacts on Housing Affordability



3 bed, 2 bath | 1,112 sq. ft.
Construction costs @ \$200/ sq. ft.
\$222,400



1/16-acre (lot+commons): \$ 37,500
Home: \$222,400
Land+Home: \$259,900

Monthly mortgage/rent:
approx. \$1,600
Annual income to qualify:
approx. \$50,000

Note: These figures are simplified and do not include costs such as impact and permit fees, variations in developer profit margin, or the ability for buyers to increase down payments or choose lower-priced materials. Lot prices and affordability calculations via Zillow.com.

Example Starter Homes Made Possible with Small Lot Reforms



The homes above, despite having ample parking, do not meet the zoning requirements in cities throughout Utah for three reasons: (1) Their lots are less than 6,000 sq. ft. (2) They are positioned “too close” to the street. (3) Their lots do not meet 40’ width requirements.



The homes above are three and four feet from their side property lines, on lots “too narrow”, and violate zoning codes throughout Utah.



These 3 bed, 2 bath, cottage style homes do not meet zoning codes throughout Utah because their lots and setbacks are “too small” and also because they lack “street frontage” (a requirement that the lot borders a street).

Dos and Don'ts of Small Lot Reforms



For Small Lot and Cottage Court ordinances to improve housing affordability, the following should be kept in mind.

DOs



PROVIDE CLARITY FOR RESIDENTS, SELF-BUILDERS, & DEVELOPERS

The most critical aspect of small lot reform is to implement the right approval process. Instead of subjecting every tiny project to a costly rezone or Planned Unit Development process, the best strategy is to gather community input when working to pass the ordinances. City staff, planning commissions, builders, and residents alike will appreciate the time and stress reductions provided by a proper zoning designation and predictable administrative approval process.



ALLOW NEIGHBORHOODS TO OPT OUT VOLUNTARILY

Some well-established neighborhoods will be made up of residents who are unanimously okay with restricting themselves from further subdivisions of their own property. Although small lot reforms never force anyone to subdivide their property, prudence dictates allowing anxious neighborhoods the freedom to opt out.



IMPLEMENT THE APPROPRIATE MINIMUM LOT SIZES & SETBACKS

For starter homes to be legalized, you have to legalize the lot the starter home sits on. With lots as “small” as 1/4-acre or 10,000 square feet, the incentive remains to build larger, 2,500+ sq. ft. homes that price out much of the middle class. In regards to setbacks and lot widths, consider that privacy and safety is not inherently violated or protected at distances from three to ten feet, yet they make a big impact on what aspiring homeowners have the freedom to build.

DON'Ts



DON'T MANDATE ANYTHING

Small lot reforms are not small lot mandates from the government. Residents that want and can afford to build large estates and farms absolutely must retain the freedom to do so.



DON'T IGNORE LEGITIMATE PARKING CONCERNS

If a homeowner is able to provide sufficient off-street parking for every vehicle owned by all living in the home, or otherwise demonstrate that their parking arrangement will not lead to any cars needing to ever park uninvited on the street abutting neighboring lots, parking should not be the basis for rejecting small lot reform.



DON'T IGNORE LEGITIMATE HEALTH & SAFETY CONCERNS

For areas not serviced by municipal water and sewer systems, homeowners may need to implement specific types of septic and well systems in order to prevent deadly water contamination. It is crucial to require the implementation of appropriate well and sewer systems before allowing people to build on small lots. Lastly, home setbacks on some corner lots may need to be adjusted in order to provide sufficient “clear view protection areas” so that vehicles approaching intersections have the ability to spot and prepare for oncoming vehicles and pedestrian traffic.

Small Lot Reforms: Grounded in Principles of Economic and Personal Freedom

TEN SELF-REFLECTIONS ON FREEDOM & UTAH'S GROWTH

1. If passed, would the ordinances described in this brief help reduce Utah's shortage of 31,000+ homes?
2. If similar small lot reforms helped high-growth Houston Texas' housing affordability,³ why wouldn't they work in Utah?
3. Should your personal tastes about how far homes should be from the road (or apart from each other) be imposed by law?
4. Do the residents of subdivision phase one have the right to prevent the construction of homes in phase two?
5. In residential zones where homes are commonly eight, six, and even zero feet (townhomes) from the property line, is a three-foot setback reasonable? If not, why?
6. If residents are allowed to build homes for their cars (garages) three feet from property lines, why not homes for their grandmothers?
7. What right is protected if government mandates that our neighbors cannot subdivide their property to build cottage homes for their posterity?
8. If you want more high paying jobs, restaurants, or grocery stores to come to certain neighborhoods in your community, is your current zoning adequate to meet the business' population and demographic requirements?
9. If you were tasked with punishing your neighbor for subdividing their 1/2-acre lot into four 1/8-acre lots, would it offend your conscience to do so?
10. Do individuals have inherent rights to acquire and peacefully use property, or does the collective?

FREE ENTERPRISE - A SOLUTION TO [HOUSING] SHORTAGES



THE NEED FOR ABUNDANCE

Economic security for self and society is not possible without widespread abundance of life's necessities.



THE NECESSITY OF INDUSTRY

Abundance of life's necessities is impossible without industrious production.



INCENTIVE REQUIRED

Sufficient production requires eager and willing labor, and the freedom to attain a reward is the most sustaining for most people. Sometimes called the profit motive, it is simply the right to earn and enjoy the fruits of your labor.



UNNECESSARY REGULATIONS REDUCE PRODUCTION

Laws, ordinances, and regulations that reduce incentive and limit production can result in shortages. Shortages of necessary goods and services limit access to a lucky few.



REMOVE BARRIERS TO SUPPLY

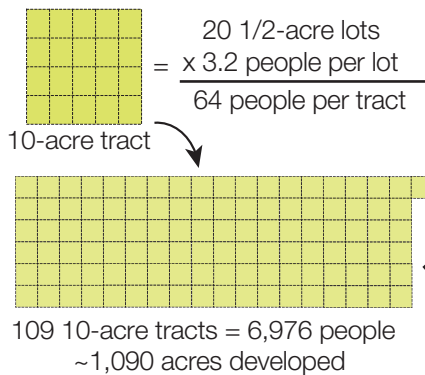
If regulatory barriers to supply exist, they should be reformed.

Small Lot Reforms: Good for Rural Life, Farms, & Water

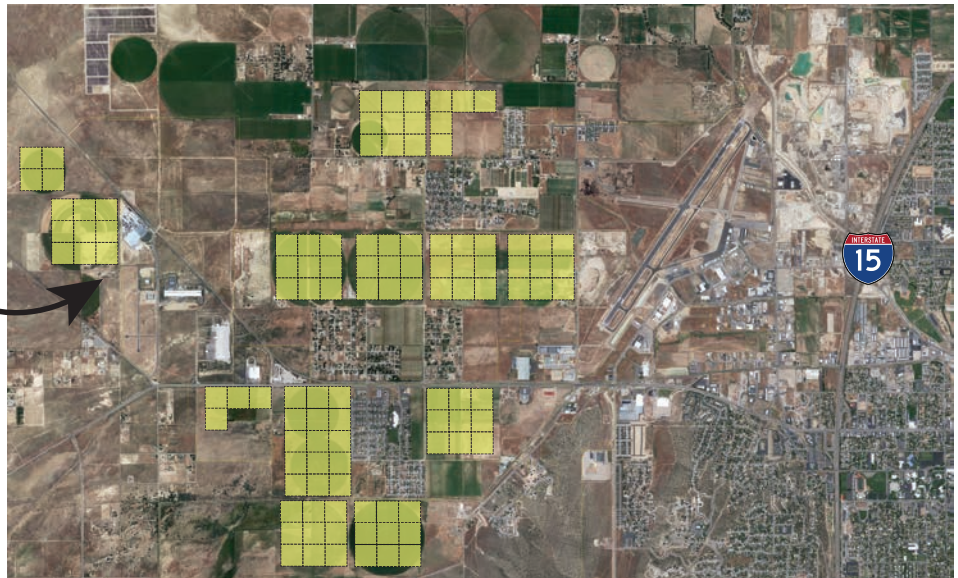
CASE STUDY #1 - IRON COUNTY GROWTH & WATER WOES

In 2015, Cedar City's population was 29,999. By 2021 its population had grown to 37,206. If the same growth continues, by 2027 its population will grow by another 7,000 people. If the average minimum lot size mandated by local governments in the area continues to be a 1/2-acre, then the anxieties felt by the rural community will worsen as development sprawls more rapidly. In other words, if you want to keep the country, **country**, you need to keep the city, **city**. Small lot reforms do just that, and if the small lots use water-wise landscaping, they can save water desperately needed by nearby farms.

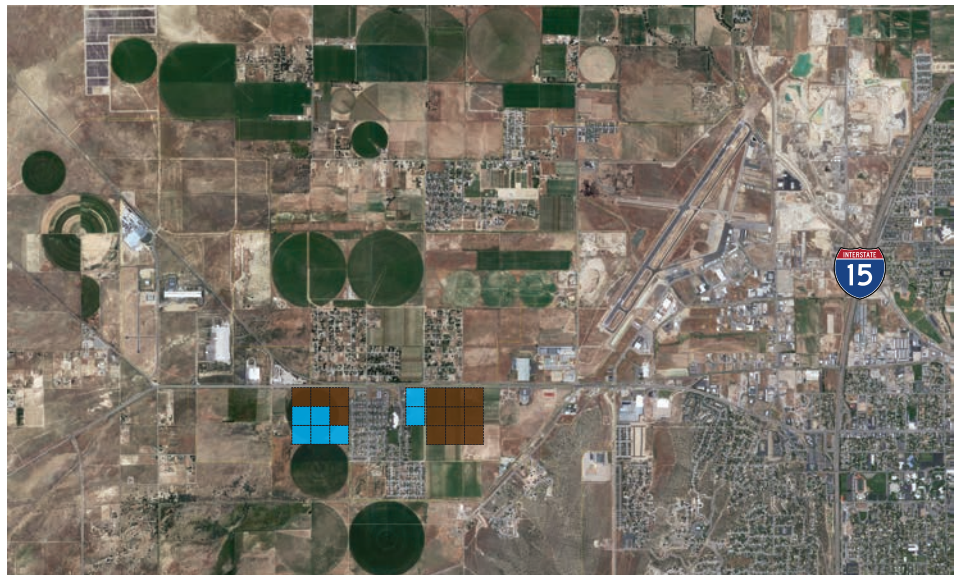
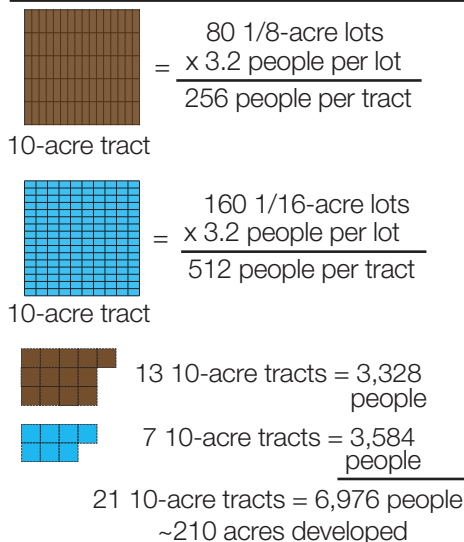
CEDAR CITY AREA WITHOUT SMALL LOT REFORMS



The image demonstrates theoretical effects of 1/2-acre minimum lot sizes on Cedar City and adjacent unincorporated Iron County.



CEDAR CITY AREA WITH SMALL LOT REFORMS

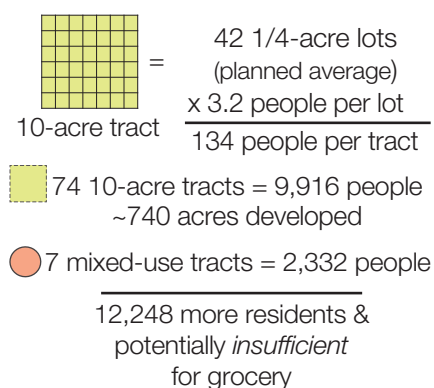


Small Lot Reforms: Good for Cities, Suburbs, & Farmland

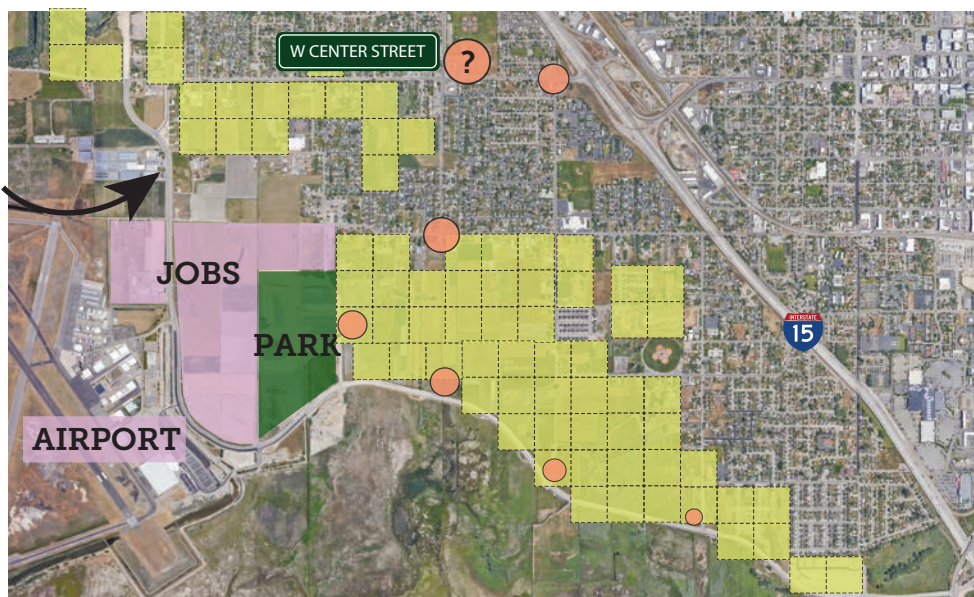
CASE STUDY #2 - THE GREENFIELDS OF SOUTHWEST PROVO

The land near Provo's new airport terminal is poised to provide sites for good paying jobs, a desired supermarket, and much needed housing that the middle class can afford. Implementation of the small lot reforms described in this brief would enable Provo to pay for necessary sewage upgrades, preserve the most valuable and historic agricultural lands, and save water — all while being compatible with strong local desires for neighborhoods with a variety of attractive, detached, single-family homes.

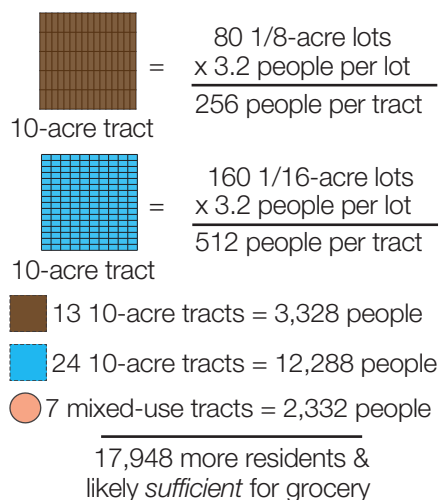
SOUTHWEST PROVO WITHOUT SMALL LOT REFORMS



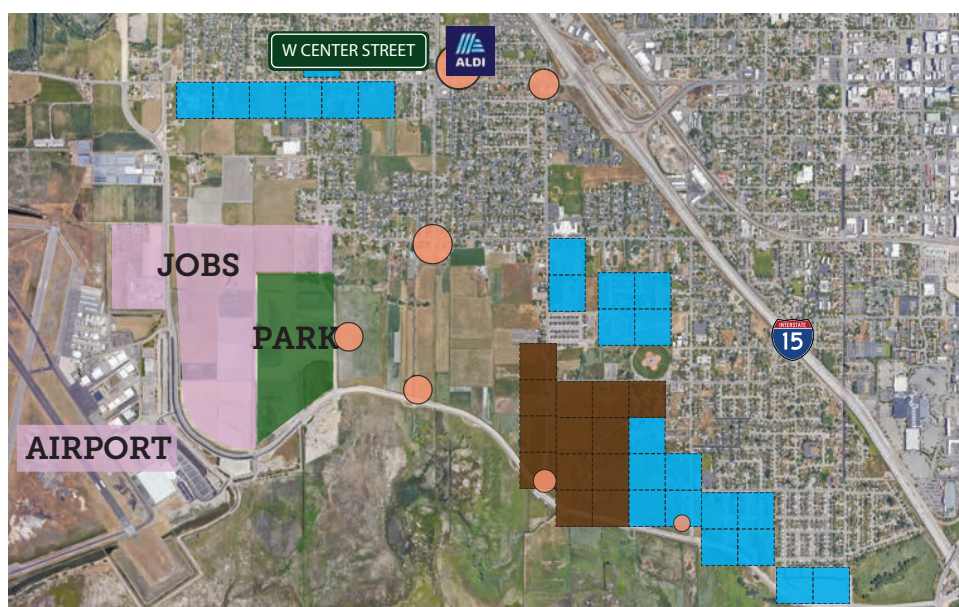
The image demonstrates the effects of the current Southwest Provo Future Land Use Plan on the undeveloped greenfields of Provo.



SOUTHWEST PROVO WITH SMALL LOT REFORMS



With small lot reforms the area could sustain 1.5 times the population and use 50 percent less land.



Small Lot Reforms: Love Thy [Future] Neighbor

CASE STUDY #3 - A HOUSE FOR CARS, BUT NOT FOR GRANNY

When Provo resident Lee Sands learned that his grandmother in Tennessee needed to move from his father's accessory dwelling unit into a nursing home, he started planning alternatives. Sands's solution was from his father's playbook — he would demolish the old garage on his property in downtown Provo and build a small home for his grandmother. From his perspective, it was a win-win. She would save \$6,000 a month on nursing home costs, and he could provide a space for her to live out her days. After acquiring the necessary money from a costly refinance, Sands did something he hadn't done since moving to Provo in 2004 — he went to city hall to get a permit.

However, it turned out that although the zoning district he lived in permitted garages three feet from the property line, accessory dwelling units had to be *ten* feet from the line. After working with Provo city staff on a potential solution, the only option was to rezone the entire district. If small lot reforms were applied to Sands's R1.10 zoning district, demolition of his garage would begin immediately — and the construction of a home for the woman who made Sands's attendance to BYU-Provo possible would commence.

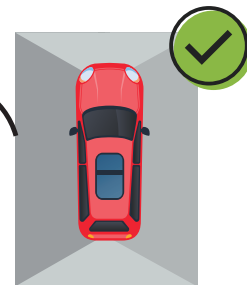


HOME FOR GRANNY - REQUIRES REZONE OF ENTIRE DISTRICT



Sands is allowed to build a home for his car three feet from the property line, but not a home for his grandmother.

GARAGE EXCEPTION - FREELY GRANTED TO ALL



Zoning requirements throughout Utah contain exceptions to setback requirements for garages, but not for living quarters.

PROPOSAL #1 - SMALL LOT ORDINANCE

To meaningfully address housing affordability and to provide homeowners more freedom and flexibility, we propose that mayors, city councils, city staff, planning commissions and other stakeholders work together to pass an ordinance that legalizes starter homes to be built on lots with the following site development standards:



R-6, SMALL LOT SINGLE FAMILY RESIDENTIAL ZONING DISTRICT

ZONING DESCRIPTION SHEET

According to Section _____ of the Zoning Ordinance, the purpose and intent of the R-6 Zoning District is as follows:

“The R-6, Small Lot Single-Family Residential District is intended to provide for areas of dwellings, structures, and uses compatible with a residential district consisting of minimum lot sizes of 1/8 acre or greater.”

Site Development Standards

Minimum Lot (Parcel) Size	Minimum Lot Width	Dwelling Units per Acre	Minimum Setbacks (Dwellings)
1/8 Acre (0.125) 5,445 sq. ft.	30'	8	Front & Street Side Yard = 10 ft. Interior Side Yard = 3 ft. Rear Yard = 3 ft.

Maximum Lot Coverage
The total area (footprint) of all structures on a lot.

60%

Minimum Street Frontage

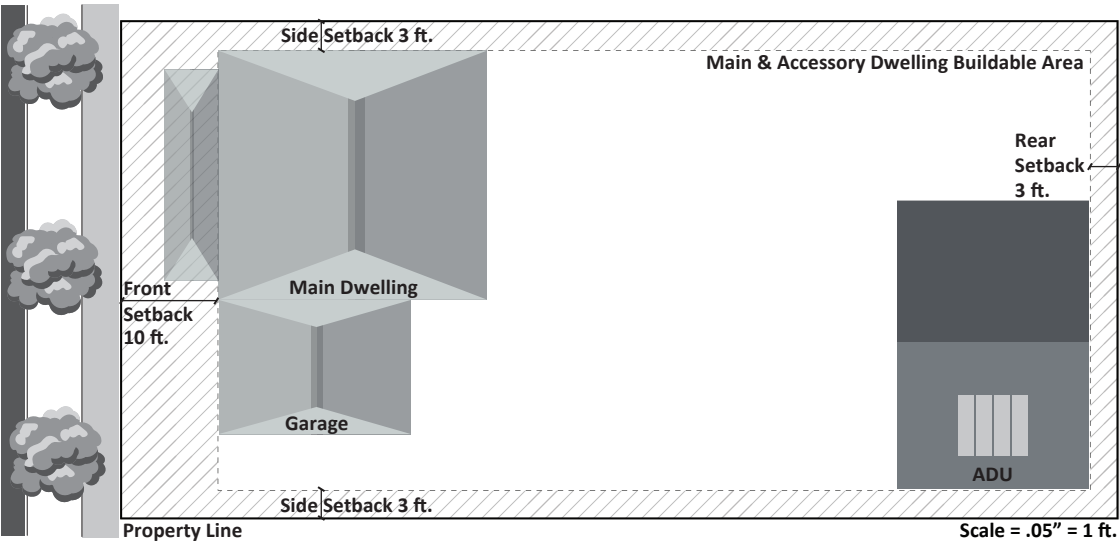
10 ft. (with exceptions)²

Maximum Height

35 ft.

Distance Between Buildings

5 ft.



To see complete site development and other requirements for this zoning district, see section _____ of the zoning code.

Parking Requirements

Without a parking reduction agreement¹, a minimum of two (2) off-street parking spaces for the Main Dwelling Unit and one (1) for any Accessory Dwelling Units must exist for the property. Sufficient parking must also be provided for any vehicle used by those dwelling at the property. Sufficient parking may include on-street parking that immediately abuts the lot, but must not include any on-street parking spaces of neighboring lots.

Footnote¹ – See Section _____ for more information about parking reduction agreements.

Footnote² – See Section _____ for more information about potential exceptions to frontage requirements.

PROPOSAL #2 - COTTAGE COURT ORDINANCE

In addition to the small lot ordinance described in Proposal #1, we propose that mayors, city councils, city staff, planning commissions and other stakeholders work together to pass an ordinance that legalizes starter homes being built on lots in clustered, cottage court arrangements with the following site development standards:



R-7, COTTAGE COURT SINGLE FAMILY RESIDENTIAL ZONING DISTRICT **ZONING DESCRIPTION SHEET**

According to Section _____ of the Zoning Ordinance, the purpose and intent of the R-7 Zoning District is as follows:

"The R-7, Cottage Court Single-Family Residential District is intended to provide for areas of dwellings, structures, and uses compatible with a residential district consisting of minimum lot sizes of 1/25 acre or greater."

Site Development Standards

Minimum Lot (Parcel) Size
1/25 Acre (0.04) | 1,742.4 sq. ft.

Minimum Lot Width
30'

Dwelling Units per Acre
16

Minimum Setbacks (Dwellings)
Street Side Yard = 10 ft.
Interior Side Yard = 3 ft.
Rear Yard = 3 ft.

Maximum Lot Coverage
The total area (footprint)
of all structures on a lot.

75%

Minimum Street Frontage

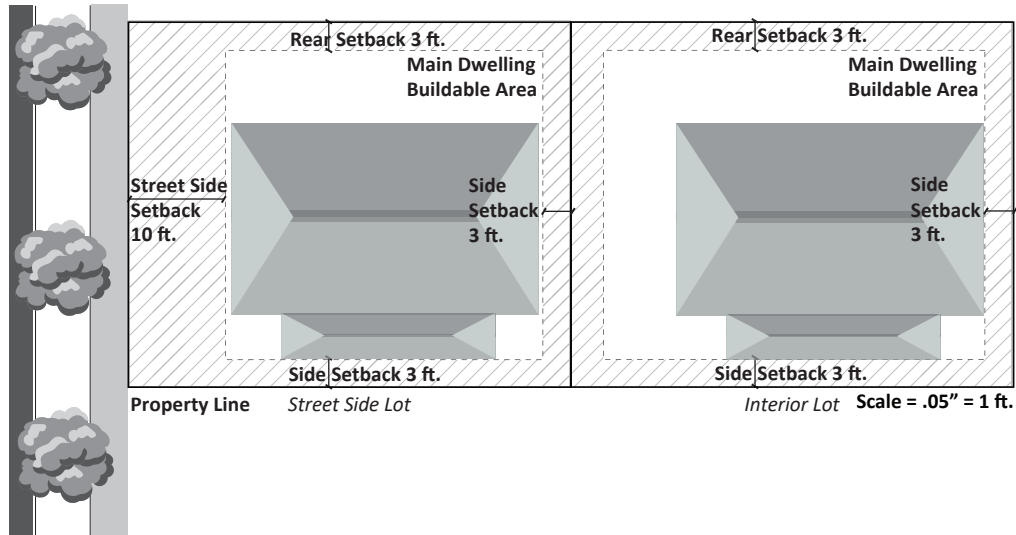
None

Maximum Height

35 ft.

Distance Between Buildings

5 ft.



To see complete site development and other requirements for this zoning district, see section _____ of the zoning code.

Parking Requirements

Without a parking reduction agreement¹, a minimum of two (2) off-street parking spaces for the Main Dwelling Unit must exist. Sufficient parking must also be provided for any vehicle used by those dwelling at the property. Sufficient parking may include on-street parking that immediately abuts the lots within the same cottage court, but must not include any on-street parking spaces of lots outside of the cottage court.

Footnote¹ – See Section _____ for more information about parking reduction agreements.

Endnotes

1. James Wood, "What's Ahead for Utah's Home Building Boom?," Kem C. Gardner Policy Institute, July 2022.
2. Katie McKellar, "Now You Need a Six-figure Income to Afford a Median-priced Home...," *Deseret News*, Jan. 14, 2022.
3. M. Nolan Gray and Adam A. Millsap, "Subdividing the Unzoned City: An Analysis of the Causes and Effects of Houston's 1998 Subdivision Reform," *Journal of Planning Education and Research*, 2020, <https://doi.org/10.1177/0739456x20935156>.

Select images courtesy of architecturaldesigns.com, David Whitworth Development Company, Scott Clevenger/Martin Communications, and Ross Chapin.

PUBLIC POLICY BRIEF

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FREQUENT
RECURRENCE
===== TO =====
FUNDAMENTAL
PRINCIPLES IS
ESSENTIAL
===== TO =====
THE SECURITY
===== OF =====
INDIVIDUAL
RIGHTS

UTAH CONSTITUTION
ARTICLE I, SEC 27