



VIEWPOINT

Zoning Reimagined:

What Newly Signed Senate
Bill 840 Means for Multifamily
Development in Texas

June 2025

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Texas Senate Bill 840 (SB 840) is poised to reshape the commercial real estate (CRE) landscape in some of the state's largest cities. With its passage through the legislature and the June 20, 2025 signing by Governor Greg Abbott, this bill introduces a powerful new tool for multifamily and build-to-rent developments – one that could unlock significant redevelopment opportunities in underutilized commercial corridors.

What SB 840 Does

At its core, SB 840 allows multifamily housing to be developed “by right” in areas currently zoned for commercial, office, warehouse, retail or mixed-use – without the need for rezoning, variances or public hearings. This applies to cities with populations over 150,000 located in counties with more than 300,000 residents, including major metros like Dallas, Austin and San Antonio.

The bill mandates that these projects be approved administratively, bypassing the often lengthy and politically fraught zoning process. It also sets minimum development standards: a height of at least 45 feet and a density of at least 36 units per acre, or higher if the city already allows it.



CRE Redevelopment Opportunities

For CRE investors and developers, SB 840 opens the door to a wave of adaptive reuse and infill development. Properties that were once constrained by commercial-only zoning – think aging strip malls, vacant office parks or obsolete warehouses – can now be repositioned as multifamily housing without the usual entitlement risk.

This is particularly compelling in urban and suburban submarkets where demand for housing remains strong, but land availability is limited. When SB 840 goes into effect in September 2025, developers will be able to:

- Convert underperforming retail centers into mixed-use residential hubs
- Reposition office buildings – especially those struggling with post-pandemic occupancy rates – into apartments or condos
- Densify existing mixed-use zones with additional residential units, enhancing walkability and long-term asset value

The administrative approval process, combined with the waiver of certain development fees such as building permits and impact fees, also reduces holding costs and accelerates time to market, improving project feasibility and investor returns.



Why Timing Matters

While SB 840 removes key zoning barriers, it doesn't eliminate all forms of local control. Cities still retain authority over infrastructure, permitting and design standards – and many are expected to respond quickly to regain some influence over development patterns.

Potential local responses include:

- Stricter infrastructure requirements (e.g., traffic studies, utility upgrades)
- Enhanced design guidelines (e.g., setbacks, façade treatments, parking minimums)
- Overlay districts that impose additional restrictions
- Amendments to Future Land Use Plans (FLUPs) to prevent supply shortages in other asset classes (e.g., retail, medical, industrial, for-sale single-family)
- Stricter standards for low-income housing tax credits (e.g., bond qualification)
- Restricting access to sewer and water

In short, the window of opportunity may be limited. Developers who act quickly can secure prime sites and entitlements before cities adapt their rules to narrow the bill's impact.



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SB 840 applies to Texas municipalities with a population over 150,000 that are wholly or partly located in counties with populations over 300,000. Based on recent census and population estimates, here is a list of cities that meet this criteria and are therefore expected to be impacted by SB 840.

DALLAS-FORT WORTH METROPLEX

Arlington

Dallas

Fort Worth

Frisco

Garland

Grand Prairie

Irving

McKinney

Plano

AUSTIN METRO AREA

Austin

Round Rock

SAN ANTONIO METRO AREA

San Antonio

OTHER CITIES

Corpus Christi

El Paso

Lubbock



Challenges and Risks

Despite its promise, SB 840 is not without challenges:

- **Infrastructure capacity:** Many commercial zones were not designed to support residential density. Upgrades to water, sewer and transportation networks may be necessary.
- **Community and local government opposition:** While public hearings are no longer required, local opposition could still influence how cities implement the bill through design and permitting processes. Refusing to issue permits – in a timely manner or at all – refusing to respond to requests or rejecting access to utilities are all possible ways developers could meet resistance.
- **Market saturation:** In some submarkets, a sudden influx of multifamily development could lead to oversupply, impacting rents and absorption rates.
- **Financing hurdles:** Lenders may be cautious about underwriting projects without clear budgets related to demolition, utilities and other capital costs needed to repurpose the site.
- **Lease terminations:** If tenants have renewal options and leases cannot be terminated, in-place tenants could push back on buyout offers.

Strategic Considerations for Investors

To capitalize on SB 840, CRE stakeholders should:

- Audit existing portfolios for eligible properties in qualifying cities
- Engage local counsel, CRE advisors and planners to navigate evolving municipal responses
- Model infrastructure costs and permitting timelines into pro formas
- Move quickly to secure entitlements and lock in favorable conditions

Conclusion

SB 840 represents a rare alignment of legislative reform and market opportunity. For CRE investors and developers, it offers a fast-track to multifamily development in some of Texas's most dynamic markets. But the clock is ticking. Those who move decisively will be best positioned to lead the next wave of urban redevelopment in the Lone Star State.

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