

Affordable / Workforce Housing Policy

Purpose: *Define issues associated with the expansion and preservation of diverse, affordable housing choices, in San Marcos and identify specific goals and strategies to address those issues in a manner consistent with the vision expressed in the City's Comprehensive Plan.*

Vision San Marcos Neighborhood & Housing Vision Statement

We envision San Marcos to have a strong, more comprehensive foundation of safe, stable neighborhoods while preserving and protecting the historical, cultural, and natural identities of those neighborhoods.

Importance: Affordable housing is important to the economic vitality of San Marcos as an adequate supply supports the local work force and allows them to live close to their jobs. Shorter commutes reduce traffic congestion, air pollution, and expenditures on road maintenance. Having an adequate housing supply also provides a competitive advantage for area employers. Affordable housing benefits families by alleviating overcrowding, reduces the potential of foreclosure and evictions, and may provide the housing stability that is vital to the emotional well-being of children.

Definitions:

- **Area Median Income (AMI)** – The area median income is the midpoint of a region's income distribution. San Marcos is located within the Austin Round Rock MSA. Federal housing programs utilize the area median income as the basis for funding.
 - *Example: the 2018 median family income for a family of 4 in the Austin Round Rock MSA is \$86,000*
- **San Marcos Median Family Income (MFI)** – The median family annual income for residents of the City of San Marcos as established by the most current data available from the U. S. Census Bureau. This term is defined by the Census Bureau as *“The sum of income of all family members 15 years and older living in the household. Families are groups of two or more people (one of whom is the householder) related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family.*
 - This number is expected to change from year to year as census records are updated.
 - *Example: the 2012-2016 American Community Survey data shows that the Median San Marcos Family Income is \$46,736;*
- **Affordable Housing** – Generally construed to mean that a low or moderate-income family can afford to buy or rent a decent quality dwelling without spending more than 30% of its income on shelter. Generally, affordable housing incentives will be targeted to persons earning 80% or less of the Area Median Income.
- **Workforce Housing** - Housing for moderate-income workers in professions needed in all communities such as teachers, fire fighters, and nurses. Generally, workforce housing incentives are targeted to employees earning no more than 140% of Area Median Income
- **Location Efficient Areas** – Areas (a) where transportation costs are low or where public investment will make transportation more affordable in the future, (b) that are located in close proximity to schools, health related facilities, amenities such as parks and childcare, vital retail establishments (pharmacy, groceries, etc.) and (c) are pedestrian/bicycle friendly.

OWNER-OCCUPIED HOUSING

ISSUES, GOALS, AND STRATEGIES FOR IMPLEMENTATION

1. LOW RATES OF HOME OWNERSHIP

- a. Increase home ownership rate
 - i. Offer targeted homebuyer down payment/closing cost loan programs to encourage those who work in San Marcos to become San Marcos home owners. Review program viability and need for continuing funding during annual budget process. Homes must be located inside the corporate limits. Possible targets might include:
 1. First Time Homebuyers – if funded through the CDBG program, homebuyers will be qualified using HUD income limits.
 2. Texas State Professors (continuation of existing program)
 3. Workforce incentive for school teachers, CTMC employees, Texas State University employees, veterans, and law enforcement professionals who do not earn more than 140% of San Marcos MFI. Generally, this will be targeted to employees working in San Marcos.
 4. City of San Marcos full-time employees who have successfully completed their probationary period. The City Manager may be authorized to review and approve applications by part-time employees on a case-by-case basis.
 - ii. Utilizing San Marcos economic development professionals (city staff & consultants) periodically evaluate new/expanding businesses to have a clearer understanding of the type of housing required and its availability and potential need for targeted homebuyer incentives.
 - iii. Maintain a “Housing” section on City’s Webpage

2. THERE IS A NEED FOR MORE DIVERSITY IN THE TYPES/SIZES OF HOUSING UNITS BEING PRODUCED

- a. Encourage the creation of a diverse housing stock
 - i. Review development codes to reduce/remove regulatory barriers to allow alternative housing types that foster affordability such as:
 1. Micro homes / efficiency dwelling units
 2. Mixed use buildings
 3. Zero-lot line homes
 4. Courtyard homes
 5. Industrial (pre-fab) housing that meets construction codes – with design standards that will ensure the home is compatible with the surrounding area.
 6. Housing designed for persons with special needs

The Development Code shall establish criteria that ensures alternative housing is appropriately located.

- ii. Provide “pre-approved” building plans for micro/efficiency homes to builders who are constructing affordable housing to expedite review times and reduce up-front costs.
- b. Reduce builder’s costs for owner-occupied affordable / workforce housing development
 - i. Review/modify development regulations that increase costs without clear rationale or benefit such as lot sizes, setbacks, parking requirements, street width standards
 - ii. Provide “pre-approved” building plans suitable for affordable / workforce housing
 - iii. Provide development code/construction permitting fee waivers and/or rebates for community-based non-profit organizations that build affordable housing for developers building affordable or workforce housing.
 - iv. Explore using development incentives to encourage developers to voluntarily include housing designed to be owner-occupied and affordable for low to moderate income households. Incentives might include:
 - 1. Considering an increase in height beyond five stores in the Downtown Smart Code District in proportion to the number of affordable units created.
 - 2. Developing an “affordable housing fund” program that accepts fee-in-lieu payments rather than the construction of affordable housing. As adequate funds accumulate, the City could acquire land to be used for affordable housing construction.
 - 3. Allowing developers to construct the affordable units in off-site locations (sites to be approved by the City at the time the development incentive is approved).
- c. Encourage in-fill housing development in older, established neighborhoods
 - i. Update the City’s existing Infill Housing Incentive Program to provide incentives for affordable and/or workforce housing development.
 - ii. Coordinate as practical the affordable/workforce housing program with the Place Based Economic Development Policy.
 - iii. Market the programs to developers, realtors, and lenders.

3. **THE CITY’S AGING HOUSING STOCK AND OLDER NEIGHBORHOODS NEED TO BE MAINTAINED IN GOOD CONDITION.**

- a. Reduce costs of renovating older homes while ensuring that modern safety concerns are addressed.
 - i. Review development code regulations applicable to non-conforming residential structures regarding repairs and modifications, reconstruction after destruction, and non-conforming moved structures to ensure that the standards provide maximum flexibility while not compromising safety.
- b. Assist low income homeowners with the costs of maintaining their homes.
 - i. Consider providing funding for housing rehabilitation programs that provide free housing rehab to low income families.
 - ii. Seek additional funding sources and identify potential non-profit partners to carry out housing rehab/reconstruction programs.

- c. Assist low income families to create developable lots on property with clouded titles.
 - i. Develop and/or sponsor programs that assist families in clearing title to real property – which will facilitate the rehabilitation of dilapidated structures and the redevelopment of vacant lots.

4. HOUSING COSTS (OTHER THAN MORTGAGE PAYMENTS) CAN CREATE A BURDEN FOR LOW AND MODERATE INCOME PERSONS

- a. Reduce transportation costs through development of housing in Location Efficient Areas (LEA).
 - i. Define parameters for establishing Location Efficient Areas & review development codes to ensure they encourage affordable / workforce development therein.
 - ii. Identify areas appropriate for designation as a Local Efficient Area.
 - iii. Target incentives for development of affordable / workforce housing in LEAs.
- b. Improve energy efficiency to reduce housing costs.
 - i. Continue energy audit and indoor water survey programs, maintain funding for energy efficiency rebate programs, and continue public education about programs
 - ii. Utilize energy audits to identify low-income households with a history of very high utility bills whose energy use could be lowered through energy efficiency upgrades. Refer residents to available programs that assist with weatherization or other energy efficiency upgrades.
 - iii. Seek grants supporting this goal and evaluate feasibility of implementing them. The feasibility review shall include staffing requirements and associated costs compared to benefits from the grant.
 - iv. Periodically evaluate and analyze the impact energy efficiency development / improvements has on utility usage and costs.

5. LAND ACQUISITION COSTS ARE PASSED ON TO HOMEBUYERS

- a. Increase supply of sites available for owner-occupied housing.
 - i. Enter into cooperative agreements with other taxing entities to create a program that will identify tax-forfeiture properties appropriate for residential development or redevelopment and made them available for affordable housing development.
 - ii. Evaluate existing city-owned property for suitability for residential development and donate appropriate sites to non-profit organizations to build affordable housing.
 - iii. Consider allocating funding to purchase land to be donated to community-based non-profit organizations (such as Habitat for Humanity) for affordable housing development.
 - iv. Utilize the City's Unsafe Structures Program to create clean, developable lots dedicated to affordable housing development.

RENTAL HOUSING

1. THERE IS A NEED FOR MORE DIVERSITY IN THE TYPES/SIZES OF HOUSING UNITS BEING PRODUCED

- a. Encourage the creation of a diverse housing stock
 - i. Review development codes to reduce/remove regulatory barriers to allow alternative housing types that foster affordability such as:
 1. Micro homes / efficiency dwelling units
 2. Accessory dwelling units - with specific criteria for approval such as the primary dwelling must be the homestead of the homeowner and the house and accessory dwelling unit combined must still be able to comply with any applicable occupancy limits.
 3. Mixed use buildings
 4. Zero-lot line homes
 5. Courtyard homes
 6. Industrial (pre-fab) housing that meets construction codes – with design standards that will ensure the home is compatible with the surrounding area.
 7. Housing designed for persons with special needs

The Development Code shall establish criteria that ensures alternative housing is appropriately located.

2. THE CITY'S AGING HOUSING STOCK AND OLDER NEIGHBORHOODS NEED TO BE MAINTAINED IN GOOD CONDITION.

- a. Reduce costs of renovating older homes while ensuring that modern safety concerns are addressed.
 - i. Review development code regulations applicable to non-conforming residential structures regarding repairs and modifications, reconstruction after destruction, and non-conforming moved structures to ensure that the standards provide maximum flexibility while not compromising safety.
- b. Ensure that aging rental units remain in compliance with safety codes.
 - i. Establish an inspection program that establishes periodic inspections and appropriate responses to complaints from residents
 - ii. Consider adoption of an incentive program to encourage the renovation of small, older residential rental property; incentives might include fee rebates upon the unit passing final inspection.

3. HOUSING COSTS (OTHER THAN RENT PAYMENTS) CAN CREATE A BURDEN FOR LOW AND MODERATE INCOME PERSONS

- a. Reduce transportation costs through development of housing in Location Efficient Areas (LEA).
 - i. Define parameters for establishing Location Efficient Areas & review development codes to ensure they encourage affordable / workforce development therein.

- ii. Identify areas appropriate for designation as a Local Efficient Area
 - iii. Target incentives for development of affordable / workforce housing in LEAs.
- b. Improve energy efficiency to reduce housing costs.
- i. Continue energy audit and indoor water survey programs, maintain funding for energy efficiency rebate programs, and continue public education about programs
 - ii. Utilize energy audits to identify low-income households with a history of very high utility bills whose energy use could be lowered through energy efficiency upgrades. Refer residents to available programs that assist with weatherization or other energy efficiency upgrades.

LOW INCOME HOUSING TAX CREDIT POLICY (LIHTC)

The City of San Marcos utilizes the following criteria in order to determine whether a resolution of support will be recommended for consideration by the City Council.

Resolutions of Support

Applications must meet at least 5 of the 8 criteria below, including criteria #1, in order to receive a staff recommendation for a Resolution of Support.

Criteria

1. No exemption from local taxes may be considered unless the project meets the criteria listed below. The purpose of this criteria is to help increase the City's inventory of affordable units and ensure that units benefiting from the program are reserved for low income households that need them.
 - a. A minimum of 10% of all units within the project shall be affordable to households at or below 30% percent of the AMI for the duration of the tax exemption.
 - b. A minimum of 10% of the units affordable to households at or below 30% of the AMI shall be ADA accessible.
 - c. A minimum of 35% of the units within a project that is not age-restricted shall include a minimum of three bedrooms in each unit.
 - d. The project shall include these criteria in the Texas Department of Housing and Community Affairs Land Use Restriction Agreement (LURA).
 - e. When considering a recommendation of support, projects must show proof that revenues will remain in San Marcos and will be utilized to support local residents with housing preference should be given to projects that utilize a local entity for such tax exemptions.
2. The proposed units address a housing need identified in this housing policy or in the City's current consolidated plan for HUD programs.
3. The project is located within a high or medium intensity zone on the preferred scenario map.
4. The project is not proposed to develop under a legacy district on the City's current zoning map.
5. The project is located within half (.5) mile walking distance from services such as grocery, medical facilities, and schools.
6. The project is located within one quarter (.25) mile walking distance of a proposed or existing bus stop on a current or planned transit route. If the project is not located within one quarter (.25) mile walking

distance of a proposed or existing bus stop on a current or planned transit route, a private shuttle service for residents is provided in accordance with TDHCA requirements.

7. The project is renovating or redeveloping an existing multifamily complex or under-performing development.
8. The project incorporates wraparound support services that provide flexible voluntary social, economic, or education benefits to the residents. The project should meet the following criteria and will be considered in the analysis of whether criteria 8 is met: Proposed support services should:
 - a. Proposed support services should mMeet the needs of the local community;
 - b. The project should uutilize local support services and resources;
 - c. The project should eExceed the minimum TDHCA requirements for amenities;
 - d. The project shall sSubmit to the City the Project's TDHCA Application for Low Income Housing Tax Credits and includes the list of amenities in the Project's Land Use Restriction Agreement (LURA).
 - e. The project shall submit surety documentation to the City that the proposed support services will be included in the completed project. Projects will be required to submit documentation such as a Memorandum of Understanding (MOU) or any other legal documentation indicating the partnership between the project and the support service. Such documentation shall be required prior to the issuance of a Certificate of Occupancy for the project. Submit to the City the Project's TDHCA Application for Low Income Housing Tax Credits and includes the list of amenities in the Project's Land Use Restriction Agreement (LURA).