630 E. Hopkins - Work Session

I. Call To Order

II. Roll Call

PRESENTATIONS

1. Receive a presentation and provide direction to staff regarding the workforce housing strategic initiative.

EXECUTIVE SESSION

2. Executive Session in accordance with Section §551.074 of the Texas Government Code: Personnel Matters - to discuss and provide Annual Appointee Evaluations to the City Attorney and the City Manager.

III. Adjournment.

IV. ADDENDUM

The following language was added to the agenda after it was posted on May 30, 2018:

Executive Session in accordance with Section §551.074 of the Texas Government Code: Personnel Matters - to discuss and provide Annual Appointee Evaluations to the City Attorney and City Manager.

POSTED ON THURSDAY, MAY 31, 2018 @ 4:15PM

Jamie Lee Case, TRMC, City Clerk
Notice of Assistance at the Public Meetings

The City of San Marcos does not discriminate on the basis of disability in the admission or access to its services, programs, or activities. Individuals who require auxiliary aids and services for this meeting should contact the City of San Marcos ADA Coordinator at 512-393-8000 (voice) or call Texas Relay Service (TRS) by dialing 7-1-1. Requests can also be faxed to 855-461-6674 or sent by e-mail to ADArequest@sanmarcostx.gov
AGENDA CAPTION:
Receive a presentation and provide direction to staff regarding the workforce housing strategic initiative.
Meeting date: June 5, 2018

Department: Planning and Development Services

Amount & Source of Funding
Funds Required: N/A
Account Number: N/A
Funds Available: N/A
Account Name: N/A

Fiscal Note:
Prior Council Action: City Council approved the workforce housing strategic initiative

City Council Strategic Initiative: [Please select from the dropdown menu below]
Workforce Housing
Choose an item.
Choose an item.

Comprehensive Plan Element(s): [Please select the Plan element(s) and Goal # from dropdown menu below]

- Economic Development - Choose an item.
- Environment & Resource Protection - Choose an item.
- Land Use - Choose an item.
- Neighborhoods & Housing - Diversified housing options to serve citizens with varying needs and interests
- Parks, Public Spaces & Facilities - Choose an item.
- Transportation - Choose an item.
- Not Applicable

Master Plan: [Please select the corresponding Master Plan from the dropdown menu below (if applicable)]
Vision San Marcos - A River Runs Through Us
**Background Information:**
The purpose of this presentation is to discuss the strategies proposed to achieve the major outcomes identified in the City’s strategic initiative for workforce housing. The three outcomes of this initiative include:

- Increasing the rate of home ownership,
- Assembling a leadership team, and
- Maintaining existing workforce housing in safe conditions

In addition to discussing the strategies this presentation will identify the upcoming policy decisions related to workforce housing including:

- Modifications to the Low Income Housing Tax Credit (LIHTC) Policy
- Modifications to the City’s current homebuyer loan program
- The proposed Housing Study
- Application for federal HOME funds.

**Council Committee, Board/Commission Action:**
The Workforce Housing Committee met on May 9, 2018

**Alternatives:**
Click or tap here to enter text.

**Recommendation:**
Provide Direction to Staff
Workforce Housing Outcomes

Workforce Housing Defined: The strategic initiative for workforce housing is targeted to providing housing solutions for San Marcos residents earning up to 140% of the area median income. Area median income is based on the Austin/Round Rock MSA.

Increase the Rates of Home Ownership

Assemble a Workforce Housing Task Force

Maintain Existing Housing Stock in Safe Conditions
Area Median Income

San Marcos is part of a regional housing market and federal funding for housing programs are based on the median income for the Austin Round Rock MSA. The Area Median Income for a 4-person household is $86,000.

The charts below show the percentage of population in each community that earns less than the Area Median Income. The dark green represents the percentage earning less than 80% AMI and the light green and dark green combined represent households earning less than 140% AMI.

San Marcos
84.4% Below AMI

Round Rock
58.4% Below AMI

Georgetown
64.7% Below AMI

- < 80% AMI
- 80% - 140% AMI
Increase Rates of Home Ownership

DEVELOPMENT REGULATIONS
Development regulations play an important role in influencing the number, type, and location of new housing. Monitoring new housing approvals to ensure that a variety of housing types are provided at all income levels to serve residents with varying needs.

HOUSING STUDY
A housing study will provide insights into the housing market and help to target programs and regulations for greatest impact.

HOUSING PROGRAMS
Housing programs use both local and federal funding sources to build homes, support affordable housing builders, support potential home owners, and set aside land for affordable home ownership.
Assemble a Workforce Housing Task Force

**Governmental and Educational Agencies**
Collaboration with local taxing entities to make tax forfeiture land available for the construction of permanently affordable housing.

**Major Employers**
Housing choice and household affordability are important factors in employee recruitment. Major employers are important stakeholders.

**Development Community**
Building capacity with both current and potential affordable housing builders, financing agencies and real estate providers.

**Service Providers**
Community service providers are an invaluable resource in supporting housing programs and establishing long term stability for households.

**Banking Community**
The community reinvestment act encourages the banking community to meet the needs of low to moderate income borrowers through programs such as Individual Development Accounts (IDA).
Maintain Existing Housing Stock in Safe Conditions

Enforcement of Unsafe Rental Conditions
The largest affordable housing asset the City has is existing housing. A key component of the workforce housing strategy involves encouraging and enforcing safe and livable conditions while maintaining affordability.

Housing Rehabilitation Programs
Current housing rehabilitation programs are funded by the CDBG and CDBG-DR. Total 5 yr investment: $943,420

- 2014: 7 Homes, $101,016
- 2015: 7 Homes, $100,000
- 2016: 7 Homes, $100,000
- 2017: 7 Homes, $325,055
- 2018: 22 Homes, $317,349

Years 2014 - 2018
Upcoming Policy Decisions

1. Define Workforce Housing
   June 19, 2018 CC Agenda
   Formally adopt a definition of workforce housing that includes all households earning less than 140% of Area Median Income.

2. Low Income Housing Tax Credit (LIHTC) Policy
   June 19, 2018 CC Agenda
   Consider amending the policy to allow all applications with for new projects and including more rigorous criteria and application process.

3. Homebuyer Program
   FY19 Budget Process
   Consider a modification to the program to provide additional funds for households earning up to 140% MFI

4. Housing Study RFP
   August, 2018 CC Agenda
   To be funded from CDBG - DR planning money.
Upcoming Policy Decisions Contd.

5 Application for HOME
August, 2018 CC Agenda
Requirement for matching funds

6 Housing Trust Fund
FY19 Budget Process
Set aside money for workforce housing programs such as land acquisition, IDA matching funds, HOME matching funds, other programs identified by the housing task force

7 Developer Incentive Package
Utilize recommendations by the workforce housing task force to attract workforce housing developers.

8 Rental Registration Committee
Committee to determine the best approach to managing the high number of rental properties in San Marcos to ensure safe and healthy conditions for occupants.
Workforce Housing is a Community Initiative

With more than 80% of San Marcos households earning less than the area median income the City alone will not be able to create affordable housing opportunities for all. Commitment from community leaders, stakeholders and residents is crucial to the success of this initiative.

Here is How:

- Identify Stakeholder Institutions and Interest Groups
- Invite Participants Coordinated by CM Office
- Formulate Recommendations
- Recommendations to Workforce Housing Subcommittee
- Final Approval by the City Council
<table>
<thead>
<tr>
<th>Income Level</th>
<th>4-Person Household</th>
<th>Max Income</th>
<th>% of SM Population</th>
<th>% Homes Sold 2017</th>
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</thead>
<tbody>
<tr>
<td><strong>Extremely Low Income (42%)</strong></td>
<td>$215</td>
<td>$8,600</td>
<td>14.8%</td>
<td>0%</td>
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<td><strong>20% AMI</strong></td>
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<td>$17,200</td>
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<td>$25,800</td>
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<td><strong>Low Income (17%)</strong></td>
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<td>5.3%</td>
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<td>8.6%</td>
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<td><strong>140% AMI</strong></td>
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<td>$120,400</td>
<td>7.4%</td>
<td>0.9%</td>
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RESOLUTION NO. 2017-42R

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN MARCOS, TEXAS APPROVING AN AMENDMENT TO THE AFFORDABLE/WORKFORCE HOUSING POLICY THAT ESTABLISHES CRITERIA FOR THE CITY COUNCIL'S CONSIDERATION OF REQUESTS TO DEVELOP LOW INCOME HOUSING TAX CREDITS PROJECTS; AND DECLARING AN EFFECTIVE DATE.

RECITALS:

1. The City Council wishes to adopt a policy regarding its consideration of requests to develop Low Income Housing Tax Credit Projects.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAN MARCOS, TEXAS:

PART 1. The attached Affordable/Workforce Housing Policy, as amended to include a Low Income Housing Tax Credit Policy, is hereby approved.

PART 2. This Resolution shall be in full force and effect immediately from and after its passage.

ADOPTED on March 7, 2017.

[Signature]
John Thomaides
Mayor

Attest:

[Signature]
Jamie Lee Case
City Clerk
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:**

- **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. This number will be the basis of incentives developed under this policy unless otherwise specified.

  - *Example: the 2008-2012 American Community Survey data shows that the Median San Marcos Family Income is $48,482;*

- **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 San Marcos MFI.

  - *Example: Based on $48,482 San Marcos MFI, 80% would be $38,786*

- **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 San Marcos MFI.

  - *Example: Based on $48,482 San Marcos MFI, 140% would be $67,875*

- **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-OCUPIED 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)

1. **LOW INCOME HOUSING TAX CREDIT PROJECTS FOR LARGE MULTI-FAMILY DEVELOPMENTS ARE RESERVED FOR AGE RESTRICTED (55+) COMMUNITIES ONLY.**
   
   a. Ensure that age restricted LIHTC projects provide adequate services to support the residents.
      i. No exemptions from local taxes should be given.
      ii. Locate projects in medium or high intensity zones on the Preferred Scenario Map.
      iii. Locate projects in proximity to private services such as grocery, medical facilities, and jobs.
      iv. Locate projects within ¼ mile of bus stops.
      v. Provide sidewalks along the street and pedestrian connections within the development.

2. **GENERAL LOW INCOME HOUSING TAX CREDIT PROJECTS ARE RESERVED FOR ONE AND TWO FAMILY LOTS ONLY.**
   
   a. Ensure that LIHTC projects provide adequate services to support the residents.
      i. No exemptions from local taxes should be given.
      ii. Locate projects in medium or high intensity zones on the Preferred Scenario Map.
      iii. Locate projects in proximity to private services such as grocery, medical facilities, schools and jobs.
      iv. Locate projects within ¼ mile of public transportation.
      v. Provide sidewalks along the street and pedestrian connections within the development.
AGENDA CAPTION:
Executive Session in accordance with Section §551.074 of the Texas Government Code: Personnel Matters - to discuss and provide Annual Appointee Evaluations to the City Attorney and City Manager.