ROOT POLICY
RESEARCH

DRAFT REPORT

SAN MARCOS HOUSING NEEDS ASSESSMENT

PREPARED FOR:

City of San Marcos
630 East Hopkins Street
San Marcos, Texas 78666

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SECTION I.

DEMOGRAPHIC AND ECONOMIC PROFILE

SECTION I.
Demographic and Economic Profile

This section provides an overview of San Marcos' demographic and economic environment to set the context for the housing market analysis. The discussion is organized around population levels and trends, household diversity, and economic health.

Demographic Profile

Similar to national trends, Texas has experienced a population shift toward more urban areas of the state. In 2017, more people moved into Hays County than moved away—particularly college-aged adults and adults between the ages 25 and 34. San Marcos' large student population and strategic location along the I-35 corridor play important roles in its growth.

Hays County is projected to grow at a rapid rate over the next few decades, and as people continue to seek out more affordable urban areas, San Marcos will likely grow at a similar rate, if not faster. These trends and other defining characteristics of the city are explored in this section.

Population. San Marcos' 2017 population estimate was 63,071, an increase of more than 18,000 people since 2010 when the population was about 45,000.

Figure I-1 shows the population trends for San Marcos, four comparison cities in Texas (Georgetown, Denton, Waco, and College Station), and two nearby metropolitan statistical areas (Austin-Round Rock and San Antonio-New Braunfels).[1] San Marcos has grown significantly since 1990, with an average growth rate of 3.0 percent. The Austin MSA grew at a slightly higher growth rate (3.5%) while the San Antonio MSA grew at a slower rate (2.1%).

[1] Austin-Round Rock MSA was formerly identified as Austin-Round Rock-San Marcos by the U.S. Census Bureau.

Figure I-1.
Population Trends, San Marcos and Comparison Communities 1990-2017

	1990	2000	2010	2017	Total Growth (1990-2017)	Compound Annual Growth Rate (1990-2017)
San Marcos	28,738	34,733	44,894	63,071	34,333	3.0%
Georgetown	14,842	28,339	47,400	70,685	55,843	6.0%
Denton	66,270	80,537	113,383	136,268	69,998	2.7%
Waco	103,590	113,726	124,805	136,436	32,846	1.0%
College Station	52,456	67,890	93,857	113,564	61,108	2.9%
Austin MSA	846,227	1,249,763	1,716,289	2,115,827	1,269,600	3.5%
San Antonio MSA	1,407,745	1,711,703	2,142,508	2,473,974	1,066,229	2.1%

Source: 1990, 2000, and 2010 U.S. Census, 2017 Population Estimates.

Full time students. San Marcos is home to Texas State University, which influences the city's population given its sizeable student body. Texas State's 2018 enrollment for the fall semester reached 38,661. Residents associated with the university may not be fully included in population totals because it is unclear how many of these students claim San Marcos residency in the Census.

Around 98 percent of the enrolled students at Texas State University moved from within Texas, while the remaining students moved from other states (1.5%) or countries (0.5%). Approximately 7,000 students live on campus. Students play a key role in the city's demographic makeup (53% of students identify as a racial/ethnic minority), as well as the housing market. Section II will examine housing trends of students and other residents living in San Marcos.

Migration. During 2016, more people moved into Hays County than moved out. The county gained about 8,500 individuals from other Texas counties and lost almost 2,100 individuals to other states. The majority of residents moving into Hays County came from Travis, Harris, and Bexar counties.

Figure I-2 examines annual in-migration into San Marcos by age for 2017. As shown, the vast majority of the city's annual in-migration is attributed to college-age adults—likely students enrolled at Texas State, followed by young adults.

Figure I-2.
Residents by Age Moving into San Marcos from Outside Hays County, 2017

Note:
This includes residents that moved from outside the county, state, or the U.S.

Source:
2017 ACS 5-year estimate.

Age Cohort	Percent of Total
Infants and toddlers (0 to 4)	3%
School aged children (5 to 17)	6%
College aged adults (18 to 24)	61%
Young adults (25 to 44)	20%
Baby boomers (45 to 64)	7%
Seniors (65 and olders)	3%
	100%

According to the 2018 United Van Lines Movers Study, the top reason people moved to and away from Texas was for a job, followed by family and retirement. Inbound movers were most likely to make over $150,000, as were outbound movers. Section III, Community Perspectives discusses survey respondents' reasons for moving and desire to move in more detail.

Age. While college-aged adults (18 to 24) comprise the largest cohort of residents in San Marcos, it is actually the slowest growing age cohort, likely attributed to university enrollment limitations. Figure I-3 compares the age distribution of San Marcos residents since 2000. All age cohorts increased between 2000 and 2017 and most age groups still account for roughly the same proportion of the population overall as they did in 2000. Notable exceptions are a slight decline in the proportion of residents aged 18 to 24 (42% of the population in 2000 and 39% in 2017) offset by an increase in the proportion of young adults aged 25 to 34 (16% in 2000 and 18% in 2017).

Figure I-3.
Age Trends, San Marcos, 2000, 2010, and 2017

	2000		2010		2017		Annual Growth Rate
	Num.	Pct.	Num.	Pct.	Num.	Pct.	2010-2017
Infants and toddlers (0 to 4)	1,718	5%	1,948	4%	2,742	5%	5.0%
School aged children (5 to 17)	3,627	10%	4,804	11%	6,101	10%	3.5%
College aged adults (18 to 24)	14,553	42%	19,131	44%	23,594	39%	3.0%
Young adults (25 to 34)	5,567	16%	6,406	15%	10,900	18%	7.9%
Middle adults (35 to 44)	3,040	9%	3,289	8%	4,807	8%	5.6%
Baby boomers (45 to 64)	3,721	11%	4,933	11%	7,490	12%	6.1%
Seniors (65 and olders)	2,507	7%	2,813	6%	4,301	7%	6.3%
Total	34,733	100%	43,324	100%	59,935	100%	4.7%

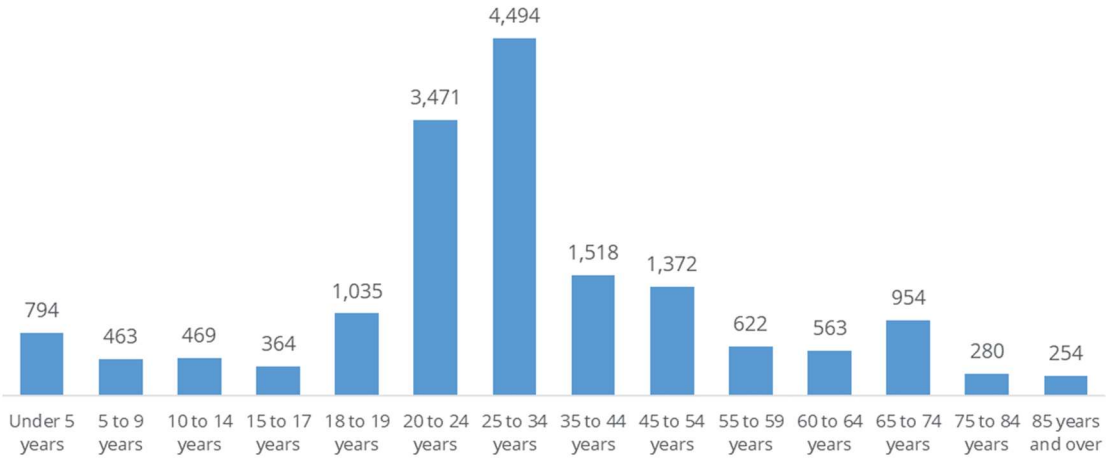
Source: 2010 U.S. Census, 2017 5-year ACS, and Root Policy Research.

Figure 1-4 presents the numerical change in residents by age group from 2010 to 2017. San Marcos experienced population growth across all age cohorts, indicating that the city attracts and retains individuals at all stages of life.

As shown, the largest numerical change in population occurred in residents aged 25 to 34 and 20 to 24, once again likely demonstrating the impact of Texas State University drawing in college-aged adults and San Marcos retaining a portion of graduates.

Growth is lower (though still positive) for residents aged 35 on older, indicating that fewer young and middle-aged adults remain in San Marcos as they enter the typical age range for household formation, career advancement, having children and purchasing homes. This trend could reflect young and middle-aged adults leaving the city for alternative housing and/or employment opportunities.

Figure I-4.
Change in Population by Age, San Marcos, 2010 to 2017

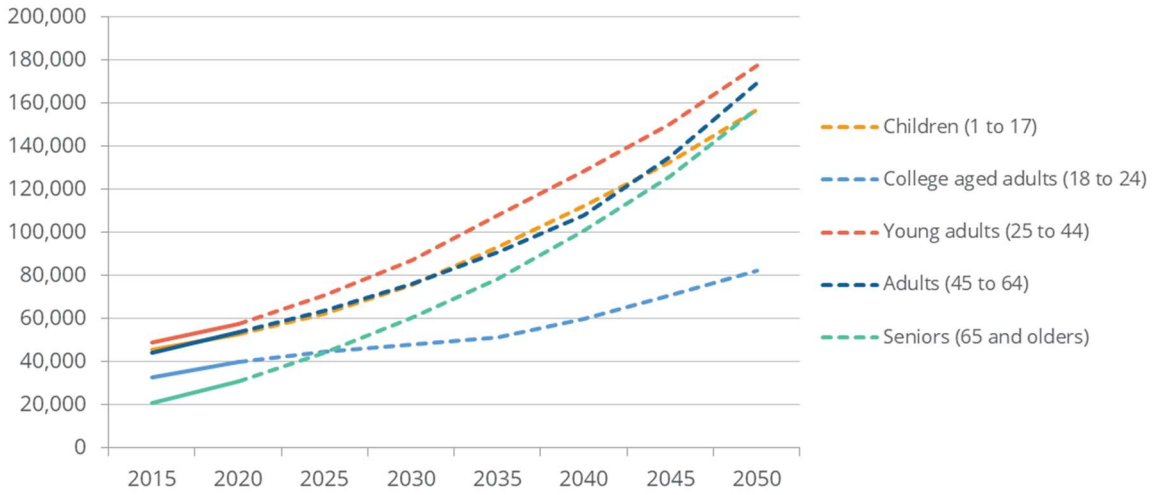


Source: 2010 U.S. Census, 2017 5-year ACS, and Root Policy Research.

Projections. The Texas Demographic Center provides population projections for Hays County over the next 30 years. In 2050, the county is projected to have over 740,000 residents—an average annual growth rate of 3.8 percent.

Figure I-5 depicts population projections by age. All age cohorts are projected to grow exponentially, except for college-aged adults, likely reflecting university enrollment limitations. Seniors aged 65 and older will experience the largest growth over the next 30 years but will still trail young adults and adults in cohort size in 2050.

Figure I-5.
Population Projection by Age, Hays County, 2015 to 2050



Source: Texas Demographic Center and Root Policy Research.

The forecasts indicate that the senior cohort will increase nearly seven-fold between 2015 and 2050. As the senior resident population grows, accessible housing demand and needs will increase as age and disability are correlated. Seniors often require assistance with home maintenance and transportation to ensure they maintain a high quality of life while aging in place.

Race and ethnicity. Just less than half (49%) of San Marcos residents are non-Hispanic white; another 42 percent identify as Hispanic and the remaining 9 percent belong to another racial minority group. Figure I-6 presents the racial and ethnic composition of city residents and how the composition has changed since 2000.

Trends, measured as a percentage point change in the population distribution indicate relative declines in the non-Hispanic white population (56% in 2000 compared to 49% in 2017) offset by an increase in Hispanic residents. All other groups remained fairly constant as a portion of the population.

Figure I-6.
Race and Ethnicity, San Marcos, 2000, 2010, and 2017

	2000		2017		2017		Trend
	Num.	Pct.	Num.	Pct.	Num.	Pct.	
Total Population	**34,005**	**100%**	**44,894**	**100%**	**59,935**	**100%**	
Non-Hispanic White	18,886	56%	24,098	54%	29,217	49%	↓
Hispanic	12,379	36%	16,967	38%	25,075	42%	↑
Black or African American	1,794	5%	2,465	5%	3,275	5%	=
Asian	353	1%	697	2%	1240	2%	≈
Native American	248	1%	383	1%	111	0%	≈
Other, non-Hispanic minority	608	2%	785	2%	1284	2%	=

Note: Black or African American, Asian, and Native American residents may include residents that also identified as Hispanic.

Source: 2000 and 2010 U.S. Census, 2017 5-year ACS, and Root Policy Research.

Household composition. San Marcos' household composition has remained relatively stable since 2000. As the population increased, the number of households in each category grew, with slight fluctuations of their total household share being observed. The share of non-family households (e.g. students) increased by 2 percentage points. The share of households with children remained flat (with slight fluctuations in households with children that are married couple households and those that are single parent households).

Figure I-7. Household Composition, San Marcos, 2000 and 2017

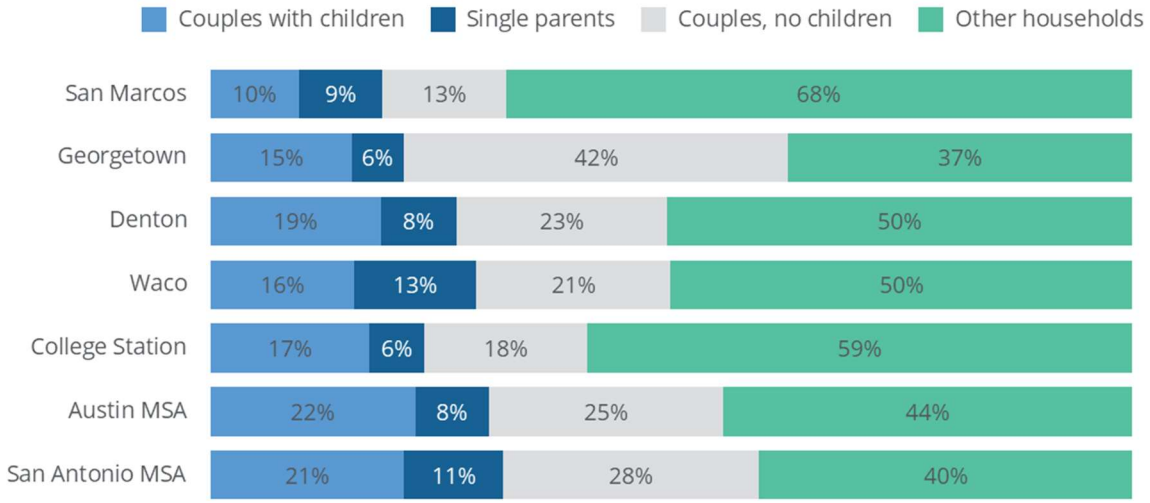
Source:
2000 U.S. Census, 2017 5-year ACS, and Root Policy Research.

	2000		2017	
	Number	% Total Households	Number	% Total Households
Family households	**5,385**	**43%**	**9,166**	**41%**
Husband and wife families	**3,534**	**28%**	**5,188**	**23%**
with children under 18	1,556	12%	2,170	10%
without children under 18	1,978	16%	3,018	13%
Male householder, no spouse	**573**	**5%**	**1,143**	**5%**
with children under 18	203	2%	416	2%
without children under 18	370	3%	727	3%
Female householder, no spouse	**1,278**	**10%**	**2,835**	**13%**
with children under 18	672	5%	1,601	7%
without children under 18	606	5%	1,234	5%
Non-family households	**7,275**	**57%**	**13,305**	**59%**
Total households	**12,660**		**22,471**	

San Marcos' overall household composition is similar to other towns hosting a major university. For example, 50 percent of Waco (Baylor University) households, 50 percent

of Denton (University of North Texas) households, and 59 percent of College Station (Texas A&M) households are non-family. Other comparison communities such as Georgetown, Austin MSA, and San Antonio MSA contain a larger proportion of family households than in San Marcos.

Figure I-8.
Household Composition by Place, 2017



Source: 2017 5-year ACS and Root Policy Research.

Household size. The average size of San Marcos' households has changed somewhat in the last 17 years. In 2000, the average household size was 2.31; in 2017, it was 2.38. Average family size decreased from 3.08 to 3.02 in the same time period.

Income and poverty. This section examines household and family income in San Marcos, as well as the prevalence of poverty among the city's residents.

In 2017, the median household income in San Marcos was $34,748 and the median income for families was $49,551. Married-couples with no children in the household had the highest median income ($80,741) while college-aged adults and single mothers had the lowest median incomes, both below $30,000.

Median household income has stagnated since 2000 when it was $25,809, as the 2017 median household income corresponds to $24,152 in 2000 dollars. Figure I-9 shows income trends since 2000 for both owners and renters.

Figure I-9. Income Trends for Owners and Renters, San Marcos, 2000 and 2017

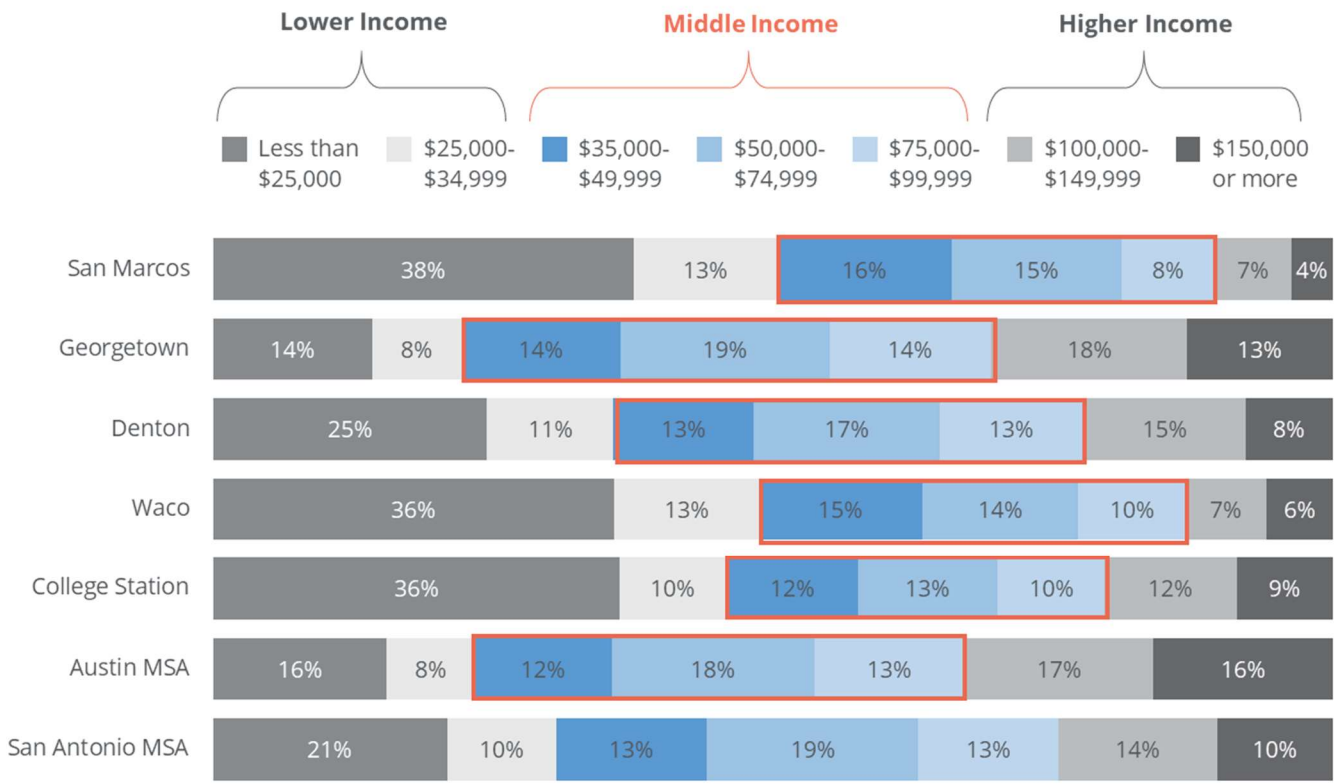
Source:
2000 U.S. Census, 2017 5-year ACS, Root Policy Research.

	2000	2017	Percentage Point Change	Numerical Change
Owners				
Less than $25,000	24%	15%	-9%	22
$25,000-$50,000	32%	22%	-10%	156
$50,000-$75,000	25%	23%	-2%	451
$75,000-$100,000	10%	15%	5%	533
$100,000+	9%	25%	17%	1,248
Total	**100%**	**100%**		**2,410**
Renters				
Less than $25,000	60%	46%	-14%	2,232
$25,000-$50,000	29%	31%	2%	2,455
$50,000-$75,000	8%	12%	4%	1,304
$75,000-$100,000	2%	6%	4%	755
$100,000+	1%	5%	4%	688
Total	**100%**	**100%**		**7,434**

San Marcos experienced an increase between 2000 and 2017 in the total number of owners and renters in each income group. However, as a percentage share, owners with incomes less than $75,000 decreased by 21 percentage points during this time period. Additionally, renters with incomes less than $25,000 decreased by 14 percentage points. The largest cohort increase was among owners with income greater than $100,000, increasing from 9 percent in 2000 to 25 percent in 2017.

Figure 1-10 shows the income distribution for all San Marcos residents and compares it to similar Texas towns.

Figure I-10. Income Distribution by Place, San Marcos and Similar Communities, 2017



Source:
2000 U.S. Census, 2017 5-year ACS, and Root Policy Research.

More than half of the city's households earn less than $35,000 annually (51%). This is not surprising, given that the figure includes the city's student population.

San Marcos' income distribution is similar to other Texas college towns like Waco and College Station—the largest income categories are residents making less than $25,000, followed by middle income residents (making between $35,000 and $100,000).

Poverty. San Marcos' poverty rate in 2017 was 19 percent after adjusting for the student population (college undergraduates and graduate/professional school students). The overall poverty rate including students was much higher at 35—more than a 15 percentage point difference. College students and graduate/professional school students are very likely to have income levels below the poverty level as the majority are not seeking full-time employment. Therefore, it is important to examine the poverty rate for all individuals and the non-student population to determine whether high poverty is caused by students or some other reason.

As demonstrated in Figure I-11, San Marcos' poverty rate is heavily linked to the student population, as are the other cities with universities, most notably College Station.

Figure I-11.
Poverty Rate and Adjusted Poverty Rate (excl. college and graduate students), San Marcos and Comparison Communities, 2017

	Total Population for Poverty Calculation	Poverty Rate (All People)	Poverty Rate Excluding College and Grad Students	Difference in Poverty Rate
San Marcos	51,831	35%	19%	-16%
Georgetown	59,675	8%	7%	-1%
Denton	115,874	19%	12%	-7%
Waco	117,937	26%	20%	-6%
College Station	92,454	32%	10%	-22%
Austin MSA	1,881,635	12%	10%	-2%
San Antonio MSA	2,236,001	15%	14%	-1%
Texas	25,642,744	16%	14%	-1%

Note: Students are included in the standard ACS poverty rates. College undergraduates and graduate/professional students are removed from

Source: 2017 ACS 5-year estimates and Root Policy Research.

While San Marcos' poverty level decreases dramatically after adjusting for students, its adjusted poverty rate remains substantially higher than those of Austin MSA (10%) and San Antonio MSA (14%), as well as the state of Texas (14%).

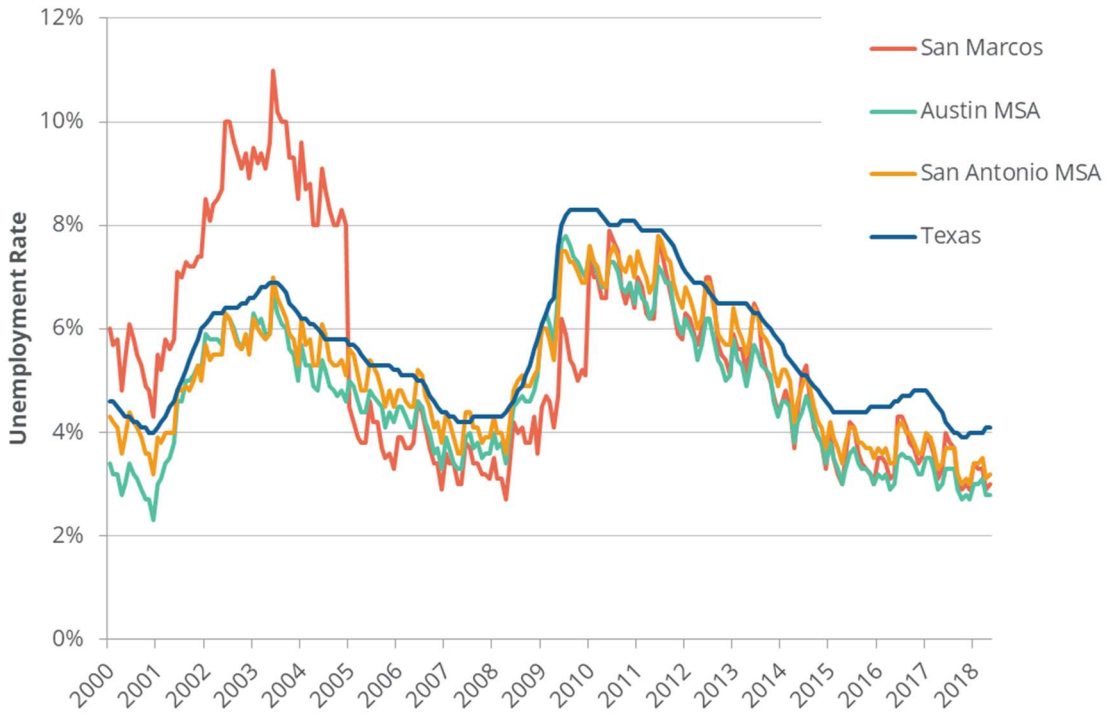
Economic Profile

This section discusses key components of the city's economy, which affect the demand for and price of housing.

Labor force and unemployment. Figure I-12 presents unemployment rates for San Marcos, Austin MSA, San Antonio MSA, and the state of Texas from 2000 to October 2018. Since San Marcos' pronounced period of high unemployment in the early 2000's, the city's unemployment rate has largely been lower than the state's

unemployment rate. Given San Marcos' inclusion in the Austin MSA and proximity to the San Antonio MSA (i.e., overlapping labor market), it is unsurprising the close mirroring of unemployment rates across the three. Following the economic downturn of 2008 and 2009, San Marcos' unemployment rate peaked at 7.9 percent in June 2010. Since June 2011 when the city's unemployment rate was 7.8 percent, a steady downward trend has been observed. In October 2018, San Marcos' unemployment rate was 3.0 percent and the state of Texas' unemployment rate was 3.7 percent.

Figure I-12.
Unemployment Rates, San Marcos, Austin MSA, San Antonio MSA, and Texas, 2000 to Oct. 2018



Source: Bureau of Labor Statistics.

Job and wages by industry. Figure I-13 compares Hays County's job composition by industry for 2008 and 2018—the Bureau of Labor Statistics (BLS) does not provide employment data by city.

Hays County continues to rely on service producing industries for the majority of its employment (65%) compared to goods producing industries (15%). Hays County experienced growth in all job categories, except natural resources and mining. The trade, transportation, and utilities industry gained the most jobs (5,510), followed by leisure and hospitality (4,103)—the two lowest paid industries.

Figure I-13. Average Employment, Hays County, 2008 and 2018

Note:

Federal, state, and local government employment data unavailable for Hays County.

Source:

Bureau of Labor Statistics and Root Policy Research.

	2008		2018	
	Num.	Pct.	Num.	Pct.
Goods Producing (Private)	**7,774**	**17%**	**10,291**	**15%**
Natural Resources and Mining	320	1%	290	0%
Construction	3,241	7%	5,289	8%
Manufacturing	4,214	9%	4,712	7%
Service Producing (Private)	**28,574**	**61%**	**45,507**	**65%**
Trade, Transportation, and Utilities	11,310	24%	16,820	24%
Information	648	1%	793	1%
Financial Activities	1,653	4%	2,631	4%
Professional and Business Services	2,872	6%	5,374	8%
Education and Health Services	4,630	10%	7,859	11%
Leisure and Hospitality	5,851	13%	9,954	14%
Other Services	1,610	3%	2,076	3%
Total Private Employment	**36,348**	**78%**	**55,798**	**80%**
Total Employment	**46,748**	**100%**	**69,746**	**100%**

Figure I-14 presents wage information by industry for jobs in Hays County in 2008 and 2018. Manufacturing jobs pay the highest annual average wages, followed by the information, natural resources and mining, and financial activities industries.

Figure I-14. Employment and Average Wages, Hays County, 2008 and 2018

Note:

Federal, state, and local government employment data unavailable for Hays County.

Source:

Bureau of Labor Statistics and Root Policy Research.

	2008		2018	
	Weekly Wages	Annual Total	Weekly Wages	Annual Total
Goods Producing (Private)	**$839**	**$43,637**	**$1,031**	**$53,612**
Natural Resources and Mining	$648	$33,688	$1,082	$56,264
Construction	$774	$40,223	$976	$50,752
Manufacturing	$904	$47,018	$1,090	$56,680
Service Producing (Private)	**$516**	**$26,832**	**$658**	**$34,216**
Trade, Transportation, and Utilities	$484	$25,189	$647	$33,644
Information	$889	$46,234	$1,085	$56,420
Financial Activities	$837	$43,508	$1,051	$54,652
Professional and Business Services	$721	$37,504	$903	$46,956
Education and Health Services	$637	$33,125	$745	$38,740
Leisure and Hospitality	$262	$13,636	$325	$16,900
Other Services	$467	$24,271	$684	$35,568
Total Private Employment	**$585**	**$30,427**	**$726**	**$37,752**
Total Employment	**$620**	**$32,238**	**$761**	**$39,572**

Occupations. According to the ACS, there are 31,934 employed civilian residents 16 years and older living in San Marcos. Most residents are employed in management,

business, science, and arts occupations (28.9%), followed closely by sales and office occupations (28.5%) and service occupations (24.3%). The least common occupations held by San Marcos residents include production, transportation and material moving (10.4%), as well as natural resources, construction and maintenance (7.9%).

Top employers. Texas State University has historically provided stable employment to San Marcos and the region. The university directly employees 3,300 individuals, making it the second largest employer in the area, and indirectly supports countless additional jobs via its students acting as consumers. The largest employer in the region is Hays Consolidated Independent School District with over 3,400 employees.

Figure I-15 shows the top employers in San Marcos and Hays County. Although education plays a strong role in the local economy, there is a diverse set of employers and industries that contribute to the region's stable economic activity.

Figure I-15. Top Employers, San Marcos and Hays County

Source:
Greater San Marcos Partnership and Root Policy Research.

Employer	Product/Service	Number of Employees
Hays CISD	Education	3,434
Texas State University	Education	3,300
Amazon Fulfillment	Distribution Center	3,000
Premium Outlets	Retail	1,600
Tanger Outlets	Retail	1,540
San Marcos CISD	Education	1,400
Dripping Springs ISD	Education	950
Hays County	Government	832
Lockhart ISD	Education	731
CFAN	Manufacturer	700
Central Texas Medical Center	Medical	700
HEB Distribution Center	Distribution Center	680
City of San Marcos	Government	664
Seton Family of Hospitals - Hays	Medical	610
TeleNetwork Partners	Professional Services	450
Philips	Manufacturer	369
Thermon, Inc.	Energy/Engineering	345

The state of Texas has a moderate tax burden on residents and businesses, which also contributes to its stable economy. According to WalletHub's latest Tax Burden by State study, Texas ranks number 33 compared to all other U.S. states for tax burden. Although very low state taxes may sound appealing initially, it does not promote long-term economic growth. On the other hand, excessively high state tax burden limits economic growth. Texas is unique because it provides adequate revenues for schools, infrastructure, and public services, while not burdening residents or businesses with high tax rates. If the state continues to have a balanced tax structure, it will foster more

economic growth. Even so, the lack of income tax in the state of Texas is generally offset by relatively high property taxes, which can impact housing costs and housing choice. The impact of property taxes on purchasing power for homeowners is discussed in Section II, Housing Profile.

Commuting patterns. The Census Longitudinal Employer Household Dynamics tracks commuting flows in/out of communities. There are 37,765 workers whose primary jobs are located in San Marcos. Those jobs are filled by 25,061 in-commuters (79% of primary jobs) and 6,704 San Marcos residents (21% of primary jobs).

Another 12,198 San Marcos residents commute to a primary job located outside the City of San Marcos. In other words, 64 percent of working San Marcos residents are out-commuters and 36 percent live AND work in San Marcos.

Figure I-16 displays the inflow and outflow of primary jobs/workers to and from San Marcos.

Figure I-16.
Inflow and Outflow of Primary Jobs, San Marcos, 2015

Source:
US Census Bureau's Longitudinal Employer-Household Dynamics Root Policy Research.

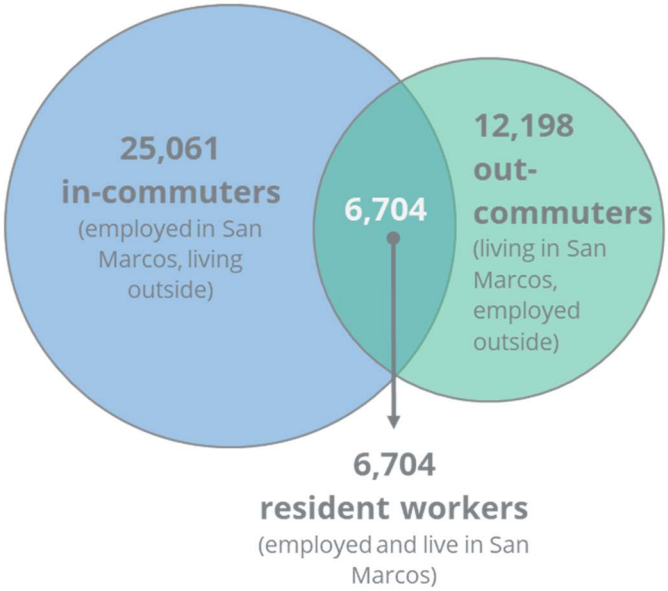


Figure I-17 displays the top daily destinations and origins of in-commuters and out-commuters to/from San Marcos. The City of Austin is the top place of residence for San Marcos in-commuters, accounting for 10% of all incommuters. Austin is followed by Kyle (7%), San Antonio (7%) and new Braunfels (6%). The high proportion of incommuters included in "All Other Locations" reflects a decentralized labor market, with many workers commuting from the surrounding areas, including unincorporated county locations.

For residents who live in San Marcos but work elsewhere (outcommuters), Austin is the top destination, accounting for 28 percent of all outcommuters. San Antonio and New Braunfels follow, each accounting for 8 percent of outcommuters.

Figure I-17.
In-Commuter and Out-Commuter Destinations, San Marcos, 2015

Total Incommuters:	25,061
Where incommuters live	**% of in-commuters**
1 Austin	10%
2 Kyle	7%
3 San Antonio	7%
4 New Braunfels	6%
5 Redwood	2%
6 Houston	2%
7 Canyon Lake	2%
8 Lockhart	2%
9 Seguin	1%
10 All Other Locations	62%

Total Outcommuters:	12,198
Where outcommuters work	**% of out-commuters**
1 Austin	28%
2 San Antonio	8%
3 New Braunfels	8%
4 Houston	6%
5 Dallas	3%
6 Kyle	2%
7 Seguin	2%
8 Round Rock	2%
9 Buda	2%
10 All Other Locations	40%

Source: US Census Bureau's Longitudinal Employer-Household Dynamics Root Policy Research.

SECTION II.

HOUSING PROFILE AND MARKET ANALYSIS

SECTION II.
Housing Profile and Market Analysis

This section provides an analysis of San Marcos' housing market. It examines housing supply and availability, development trends, affordability of rental and ownership housing, and housing demand. The analysis is tailored to San Marcos' unique market which is affected by the city's large presence of students enrolled at Texas State University and its proximity to two major metropolitan areas.

The section begins with a definition of affordability and how affordability is typically measured. This follows with a discussion of price trends and affordability in both the rental and ownership markets. The section concludes with a gaps analysis and a review of potential barriers to development based on a zoning review.

Defining and Measuring Housing Affordability

The most typical definition of affordability is linked to the idea that households should not be cost burdened by housing. A cost burdened household is one in which housing costs—the rent or mortgage payment, plus taxes and utilities—consumes more than 30 percent of monthly gross income.

The 30 percent proportion is derived from historically typical mortgage lending requirements. Thirty percent allows flexibility for households to manage other expenses (e.g., child care, health care).

Recently, the 30 percent threshold has been questioned as possibly being lower than what a household could reasonably bear. Indeed, the U.S. Department of Housing and Urban Development has considered raising the contribution expected of Housing Choice ("Section 8") Voucher holders to 35 percent of monthly income. However, most policymakers maintain that the 30 percent threshold is appropriate, especially after taking into account increases in other household expenses such as health care.

It is generally accepted that households should not pay more than 50 percent of their incomes in housing costs. This "severe" level of cost burden puts households at high risk of homelessness—and also restricts the extent to which households can contribute to the local economy.

Figure II-1.
Affordability Definitions

Federal definition of affordability:

1) Housing costs are "affordable" if they do not exceed 30% of household's gross monthly income
2) "Costs" include basic utilities, mortgage insurance, HOA fees and property taxes

Households paying >30% for housing are **"cost burdened"**

Households paying >50% for housing are **"severely cost burdened"**

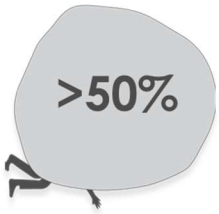
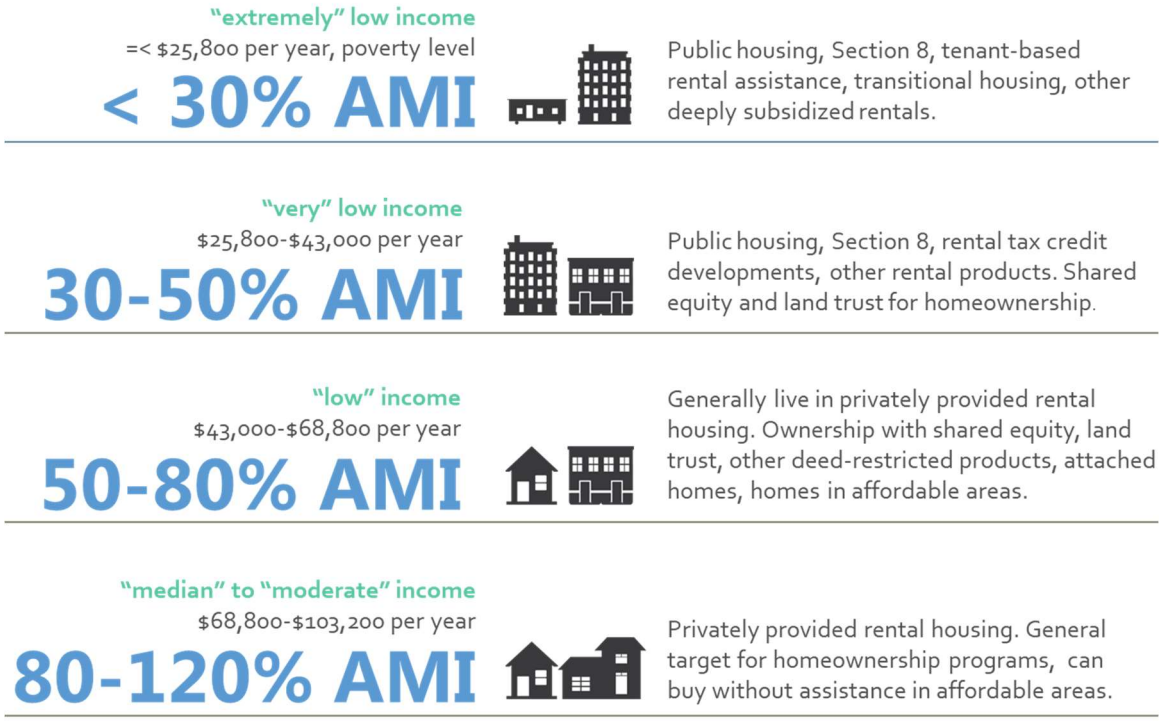


Figure II-2 shows the income thresholds typically used, based on San Marcos' area median income (AMI). AMI is defined annually based on HUD market studies and San Marcos is included in the Austin Region for the purposes of HUD AMI. The figure provides the maximum affordability for households at each AMI level, as well as the housing types that serve the households in the AMI range.

It is important to note that AMI is based on earned income or public assistance and does not factor in personal wealth and other forms of financial support. Students are often represented in the 0-30 percent AMI category yet have access to other sources of income (e.g., parental support) that reduce housing cost burden. Similarly, seniors living on fixed incomes fall in the 0-30 percent category yet have very low housing cost burden if they own their homes outright or have low outstanding mortgage balances. (They may, however, struggle to afford maintenance costs).

Figure II-2.
Income Thresholds and Target Housing



Note: MFI = HUD Median Family Income, 4-person household. San Marcos is part of the Austin MSA and as such shares HUD MFI designation with the broader metro area.

Source: Root Policy Research and HUD 2018 income limits.

Other common indicators of housing affordability include:

- **Housing costs v. income.** Many indices used to monitor affordability trends compare housing costs to income levels. At the most simplistic level, these compare median home prices to median incomes. Although such indices are useful in comparing markets, they fail to capture the uniqueness of some markets (e.g., how property taxes affect housing costs).

- **Housing gaps.** A housing gaps model compares the supply of housing at various price points to demand, using income as a proxy. This model allows an examination of housing affordability challenges by income range. The gaps approach is used in this report, in Section III. Housing Gaps and Barriers, to examine affordability in San Marcos.

Existing Housing Stock

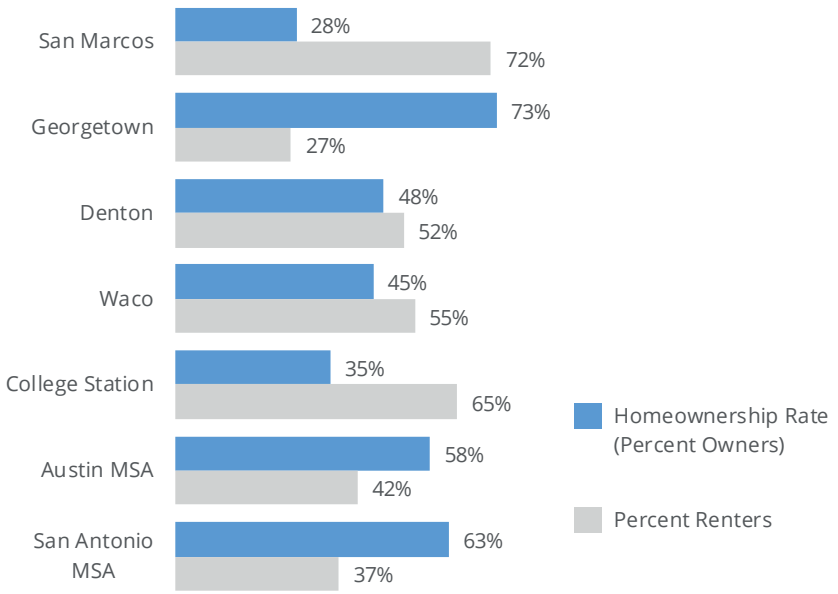
The U.S. Census counts approximately 22,500 housing units in San Marcos, with 72 percent of those renter-occupied and the balance, 28 percent, owner-occupied. This is relatively

unchanged from 2000, when 70 percent of units were renter-occupied and 30 percent were owner-occupied.

As shown below, San Marcos' homeownership rate of 28 percent is significantly lower than most of the Texas comparison communities' rates. The high percentage of renter-occupied units is consistent with a large student population; also observed in College Station's homeownership rate of 35 percent.

Figure II-3. Homeownership Rate, San Marcos and Comparison Cities, 2016

Source:
2017 5-year ACS.



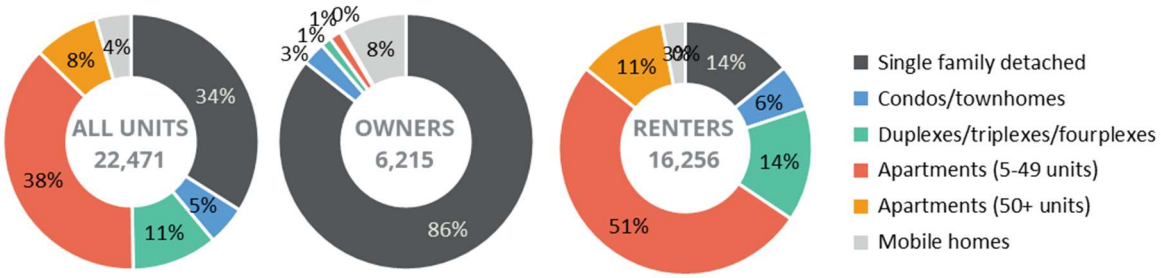
Housing type. San Marcos' housing stock is made up primarily of apartment buildings containing between 5 and 49 units (38%) and single family detached homes (34%). Eleven percent are duplexes/triplexes/fourplexes and eight percent are large apartment buildings. The balance, about 9 percent, are nearly split between condominiums/townhouses and mobile homes. Figure II-4 displays housing type overall and by "tenure" for San Marcos. (In the housing industry, tenure means the status of renter- or homeownership).

There is very little product diversity in the owner-occupied housing stock in San Marcos. The vast majority of San Marcos owners (86%) live in single family detached houses and another 8 percent live in mobile homes. Just 6 percent of owners live in other product types like townhomes, duplexes, triplexes, and condos—often referred to as "missing middle" products.[1]

[1] The term "Missing Middle" was crafted by Daniel Parolek of the planning and design firm Opticos. He uses the term to define a particular residential product type: "multi-unit or clustered housing types" that are compatible in scale with single family homes and which are targeted to help meet a growing demand for "walkable urban living." In many, but not all, markets, Missing Middle products are more affordable than detached single family products.

A majority of renters (83%) live in attached units, most of which are apartments with 5 to 49 units in the structure. About one-third of San Marcos renters live in smaller buildings, including single family detached, townhomes, and duplexes/triplexes/fourplexes.

Figure II-4.
Occupied Housing by Type and Tenure, San Marcos, 2017



Source: 2017 5-year ACS.

Compared to other Texas communities of similar characteristics, San Marcos has a smaller proportion of single family detached homes and more apartment complexes. This is in stark contrast to Georgetown where nearly 80 percent of the housing stock is single family detached. As expected, College Station more closely resembles San Marcos as the university presence impacts the housing market.

Figure II-5.
Comparative Housing Type, San Marcos and Comparison Cities, 2017

	San Marcos	Georgetown	Denton	Waco	College Station	Austin MSA	San Antonio MSA
Single family detached	34%	79%	57%	60%	46%	61%	69%
Condos/townhomes	5%	4%	2%	3%	6%	3%	2%
Duplexes/triplexes/fourplexes	11%	7%	9%	12%	18%	6%	5%
Apartments (5-49 units)	38%	6%	23%	19%	23%	17%	15%
Apartments (50+ units)	8%	3%	4%	4%	6%	7%	3%
Mobile homes	4%	1%	4%	1%	1%	5%	6%
Total	100%	100%	100%	100%	100%	100%	100%

Source: 2017 5-year ACS.

Household size and bedrooms. The average household size in San Marcos is 2.38 people per unit. Owner-occupied units have an average size of 2.51; renters, a lower 2.33.

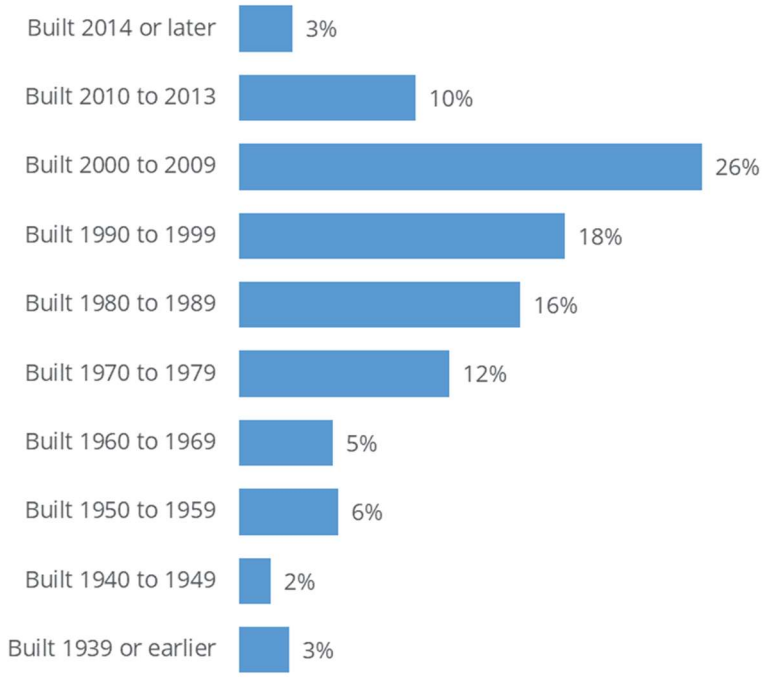
The median number of rooms per housing unit is 4.3 in San Marcos. One third of housing units have two bedrooms and another third have three bedrooms. Ten percent of units

have four or five bedrooms; 18 percent are one-bedroom units; and four percent of units are studios.

Age of housing stock. Figure II-6 shows the distribution of San Marcos' housing stock by age. While the majority of the city's housing stock was built between 1970 and 1999, San Marcos saw a great deal of housing construction between 2000 and 2009 with homes from this period accounting for 26 percent. Thirteen percent of homes have been built in the past decade.

Figure II-6.
Age of Housing Stock, San Marcos, 2017

Source:
2017 5-year ACS and Root Policy Research.



Nearly all of San Marcos's housing stock was built after 1940, therefore reducing the risk of lead-based paint.[2] Age of homes can be an important indicator of housing condition: older houses tend to have more condition problems and are more likely to contain materials such as lead based paint. Just 3 percent of the housing units in San Marcos were built before 1940 and nearly three-quarters were built after 1980.

Overcrowding and substandard conditions. Other key factors to examine when evaluating housing condition are overcrowding and substandard units. Overcrowding in housing can threaten public health, strain public infrastructure, and points to an increasing need of affordable housing. This study uses HUD's definition of having more

[2] Lead-based paint was banned from residential use in 1978. Housing built before 1978 is considered to have some risk, but housing built prior to 1940 is considered to have the highest risk. After 1940, paint manufacturers voluntarily began to reduce the amount of lead they added to their paint. As a result, painted surfaces in homes built before 1940 are likely to have higher levels of lead than homes built between 1940 and 1978.

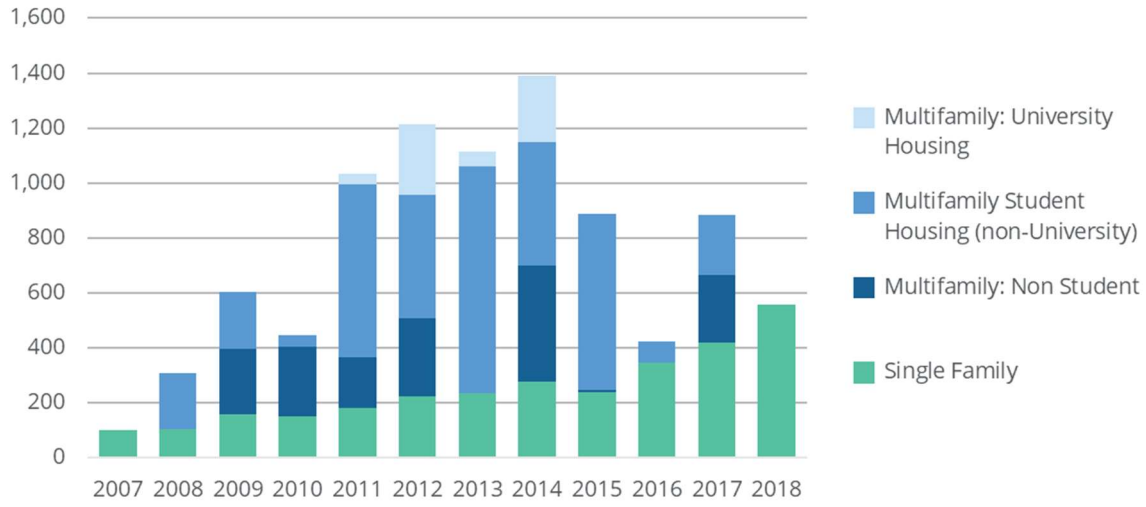
than one person per room to identify overcrowded units.[3] Approximately four percent of the city's households—or about 847 households—are overcrowded.

The 2017 5-year ACS reported that 103 occupied units in the city lacked complete plumbing facilities and 282 occupied housing units lacked complete kitchens. These 385 severely substandard units represent about 2 percent of the city's total occupied housing units.

Development activity. The City's Planning & Development Services Department tracks permit activity by unit type in San Marcos. Figure II-7 shows single family and multifamily permitting activity from 2007 through 2017. Multifamily permits are further identified as student housing (University or private) and non-student housing. Note that "non-student housing" means the units are not purpose-built student housing but they may still house University students.

Single family unit development has been steady but recently increasing with 557 units permitted in 2018. Multifamily development was highest in 2011 through 2014 and has dropped somewhat in the past three years, though it still exceeded single family development in most years examined. Private sector student housing has been the primary form of multifamily development over the past 10 years, accounting for 62 percent of all multifamily unit permits and 42% of all residential unit permits between 2007 and 2018.

Figure II-7.
Residential Building Permit Trends, San Marcos, 2008 – 2017



Source: City of San Marcos Planning Department.

[2] The HUD American Housing Survey defines a room as an enclosed space used for living purposes, such as a bedroom, living or dining room, kitchen, recreation room, or another finished room suitable for year-round use. Excluded are bathrooms, laundry rooms, utility rooms, pantries, and unfinished areas.

Altogether, permits issued between 2007 and 2018 totaled 3,002 single family homes, 4,327 student units (University and non-University), and 1,639 non-student multifamily units.

Assuming a household size of 2.38 (on average), development between 2007 and 2018 created capacity for approximately 10,700 new non-student residents. Actual population growth over the same period for residents outside the typical age bracket of 18 to 24 was about 12,200. In other words, development of non-student product did not keep up with demand for housing as measured by population growth.

Impact of the 2015 Floods on Housing Stock

In 2015, the City of San Marcos was impacted by two historic flood events that occurred within six months of each other—the first in May of 2015 and the second in October 2015. Collectively, these weather disasters damaged 1,558 homes and 35 businesses, causing tens of millions of dollars in damage.

To assist with recovery needs, HUD granted the City $25 million in Community Block Grant Disaster Recovery (CDBG-DR) funds. As part of the grant obligation and to prioritize recovery efforts, the City of San Marcos conducted a Needs Assessment, which identified unmet needs for housing, infrastructure, and economic development resulting from the floods. Key housing needs resulting from the floods are summarized below.

- The majority of the damage occurred near the banks of the Blanco and San Marcos Rivers, which the Blanco Gardens area receiving the most acute damage (and logging the most insurance claims after the storm. A majority of households in the area are low and moderate income households (incomes well below 50% of AMI).

- Homes that were damaged in the flood were nearly evenly split between owners (47%) and renters (53%). Overall the City estimated the total damage estimate to these homes to be approximately $42 million.

- While many of the households impacted by the floods were able to access resources for repair through insurance, FEMA, or other sources, 90 owner occupied units and 580 renter-occupied units required additional disaster recovery funding from the City.

- One hundred of the 675 rental units damaged in the floods were part of the San Marcos Housing Authority's affordable housing inventory. Although those 100 families were initially displaced following the floods, 53 families have now returned to their homes, 34 have chosen not to return, and 13 returned to other San Marcos Housing Authority properties.

- Following the floods, the city identified the most critical housing needs in San Marcos as a lack of affordable rental housing and a need to prevent continued damage from

future floods. The city also identified some need for minor to moderate housing rehabilitation unrelated to flood damaged homes.

The 2018-19 resident survey, conducted for the development of this report, was designed to assess ongoing housing needs and preferences in San Marcos and includes questions related to housing damage from the 2015 floods. Overall, one in 25 (4%) San Marcos residents who responded to the survey currently live in a home that was damaged in the 2015 Flood, and 2 percent lived in a home that was damaged in the Flood but have since moved. Among those homes damaged in the 2015 Flood, the most commonly reported damage included:

- Water damage (83%);
- Floor damage (52%);
- Wall damage (drywall/insulation) (48%);
- Damage to personal property/possessions (42%);
- Mold (38%);
- Erosion or landscape damage (29%);
- Structural damage (19%);
- Root damage (17%);
- Electrical damage (13%);
- Foundation damage (cracks or breaks) (10%); and
- Broken windows (8%).

Among those with homes damaged in the 2015 Flood, most (58%) did not apply for federal assistance. About three in 10 (29%) applied for FEMA and 13 percent applied for SBA. Nearly one in 10 (9%) said they still have repair needs related to damage from the floods.

Profile of Renters and Owners

San Marcos is home to more renters (72%) than owner (28%); however, many of those renters reflect the student population of the city. When considering only householders than are 25 years old or older (generally, the non-student population), the homeownership rate jumps to 40 percent.

Figure II-8 summarizes characteristics of renters and owners in San Marcos. The figure displays the number and distribution of renter and owner households by demographic characteristic and also provides the homeownership rate by income, age group, household type and race/ethnicity.

- Owners tend to be older and earn higher incomes than renters (median income for renters is 42% of the median income for owners).
- Owners are more likely than renters to have children living in the home—38 percent of owners and 17 percent of renters are households with children.

- Renters are more likely than owners to be living in non-family households (e.g., living alone, living with roommates, or unmarried partners).
- The racial and ethnic distribution of renters and owners is similar, with owners being slightly more likely to identify as non-Hispanic white.

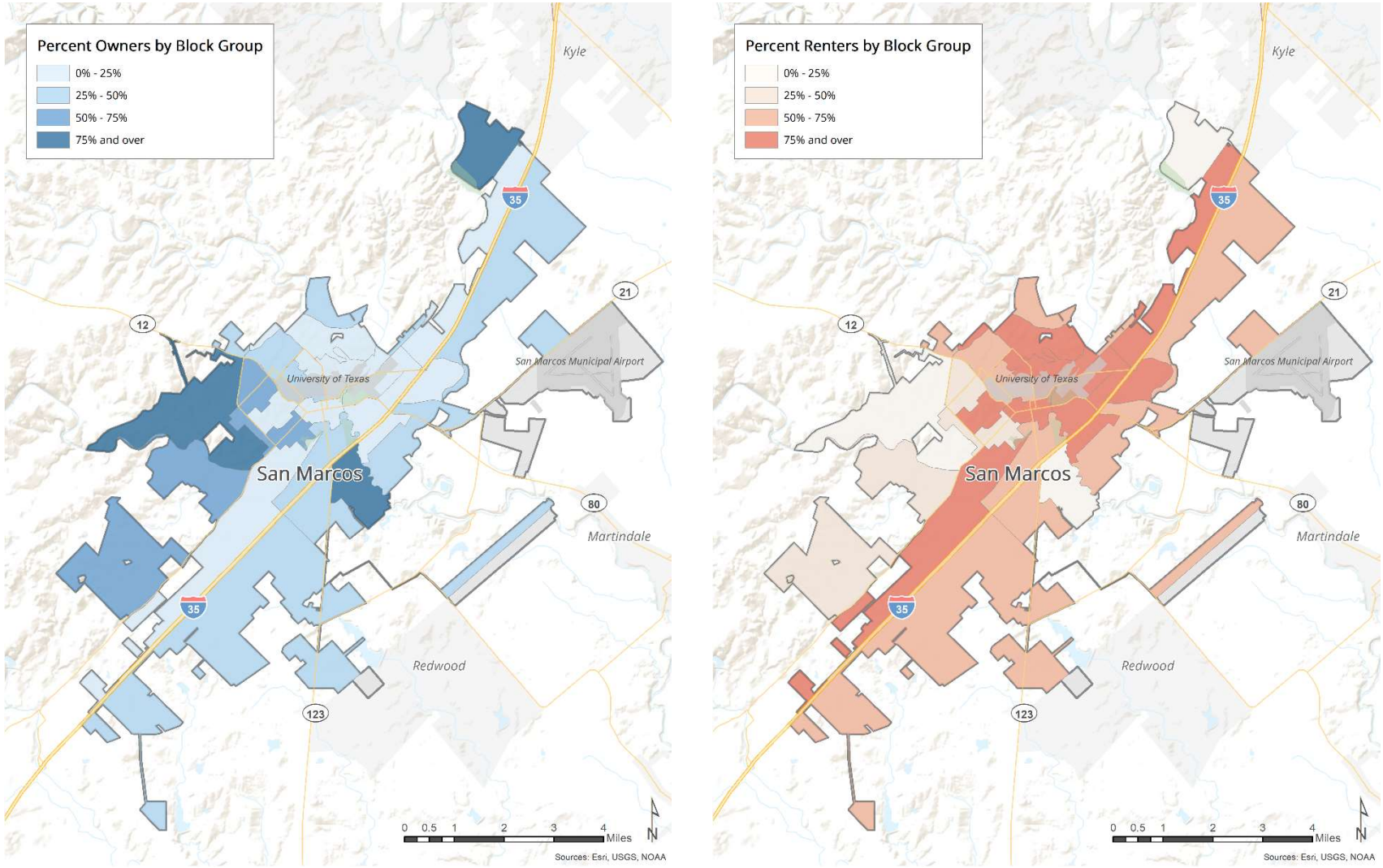
Following the characteristics figure, Figure II-9 shows the geographic distribution of renters and owners in San Marcos. Rental units are concentrated near the University and along the northwest side of the I-35 corridor.

Figure II-8.
Profile of Renters and Owners, San Marcos, 2017

	Renters		Owners		Ownership Rate	Ownership Rate Charted
	Number	*Percent*	*Number*	*Percent*		
Total Households	**16,256**	**100%**	**6,215**	**100%**	**28%**	28%
Median Income	$27,104		$64,333			
Income Distribution						
Less than $25,000	7,490	46%	944	15%	11%	11%
$25,000 - $50,000	5,000	31%	1,380	22%	22%	22%
$50,000 - $75,000	2,013	12%	1,407	23%	41%	41%
$75,000 - $100,000	944	6%	905	15%	49%	49%
$100,000+	809	5%	1,579	25%	66%	66%
Age of Householder						
Young millennials and students (15-24)	7,193	44%	133	2%	2%	2%
All householders 25 and over	9,063	56%	6,082	98%	40%	40%
Post-college millennials (25-34)	4,456	27%	1,058	17%	19%	19%
Ages 35-44	1,577	10%	1,128	18%	42%	42%
Ages 45-64	2,058	13%	2,312	37%	53%	53%
Seniors (65 and older)	972	6%	1,584	25%	62%	62%
Household Type						
Family household without children	2,063	13%	2,588	42%	56%	56%
Family household with children	2,794	17%	1,721	28%	38%	38%
Nonfamily household - living alone	5,848	36%	1,439	23%	20%	20%
Other nonfamily household	5,551	34%	467	8%	8%	8%
Race/Ethnicity of Householder						
Non-Hispanic white	8,802	54%	3,729	60%	30%	30%
Hispanic	6,002	37%	2,219	36%	27%	27%
Black or African American	771	5%	153	2%	17%	17%
Other minority	681	4%	114	2%	14%	14%

Source: 2017 Annual Report San Marcos Planning Department.

Figure II-9.
Proportion of Homeowners and Renters by Census Block Group, San Marcos, 2017



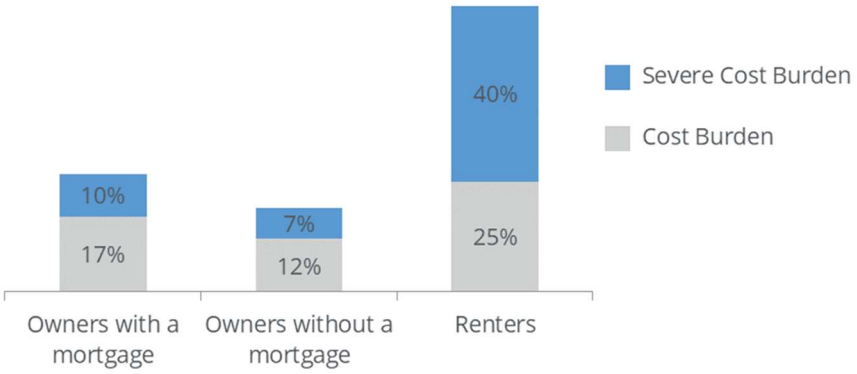
Source: 2017 5-year ACS.

Cost burden. Altogether, 65 percent of all San Marcos renters, more than 9,700 renter households, are cost burdened, spending 30 percent or more of their income on housing costs. Of these, most (nearly 6,000 households) are severely cost burdened, paying more than 50 percent of their income on housing costs.

Owners face lower rates of cost burden, with 27 percent of owners with a mortgage and 19 percent of owners without a mortgage facing cost burden. This suggests that maintenance of homes is as much of a burden on owners as is the mortgage payment.

Figure II-10. Cost Burdened Owners and Renters, San Marcos, 2017

Source: 2017 5-year ACS.



Ownership Market Trends

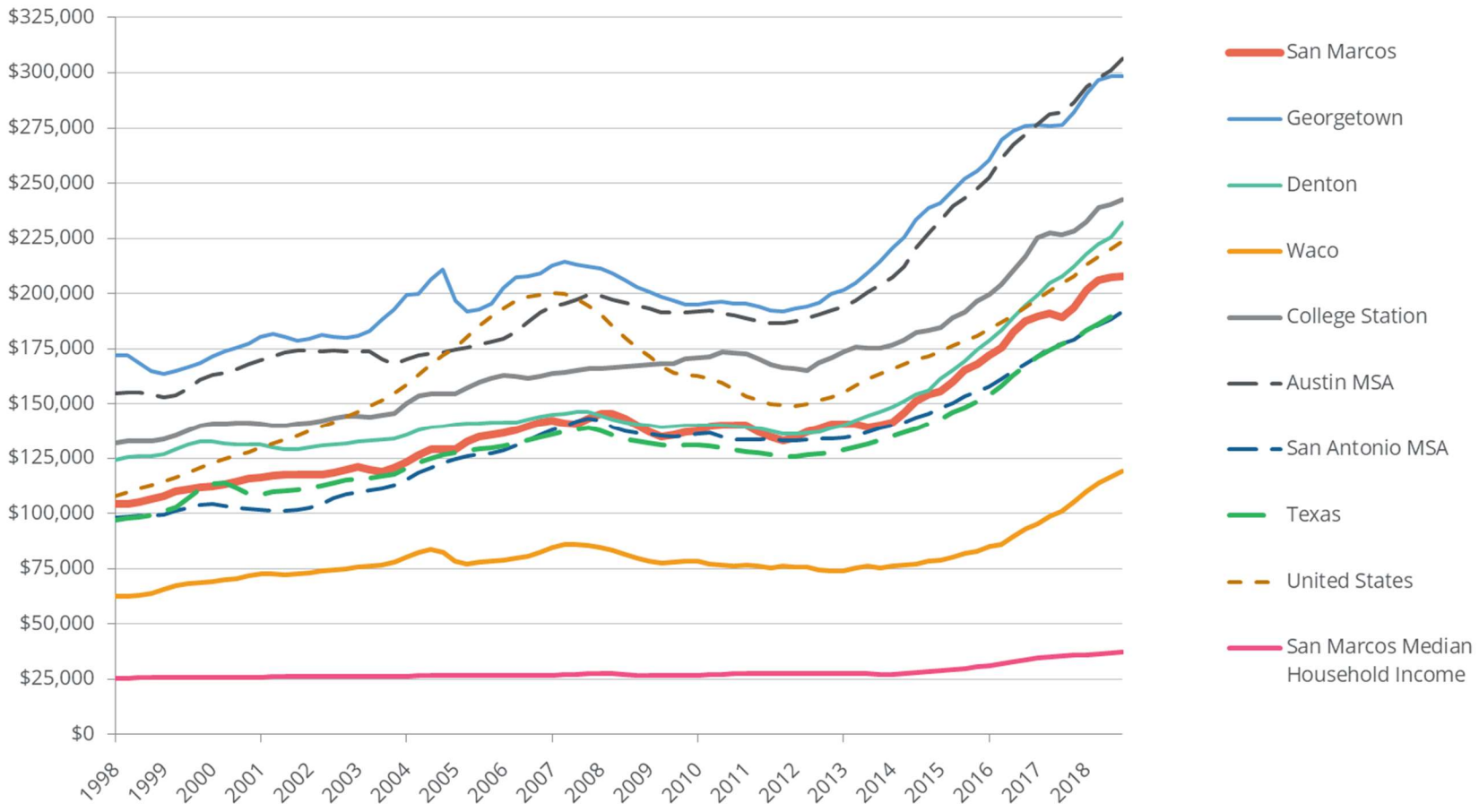
This section discusses ownership market trends and affordability in San Marcos. Gaps in the ownership market are discussed in more detail in Section III. Market Gaps and Barriers.

Price increases. Similar to most housing markets across the country, San Marcos has experienced substantial increase in home prices since 2000. Sharp increases in home prices are particularly notable in the last five years—in both San Marcos and comparative Texas communities. Median incomes, however, have not kept pace.

Figure II-11 shows San Marcos' median home price trends from 1998 through 2018 based on data from Zillow Analytics. Other communities, the State of Texas, and U.S. home values are included for comparison. Trends in San Marcos' median income are also presented in the graphic to compare home price shifts to income shifts.

As shown in the figure, San Marcos' price trends have closely mirrored those of the greater San Antonio area and Texas as a whole. San Marcos' price trend is also quite similar to Denton, which is likely partially explained by both being smaller cities just outside of larger metro areas (Denton is north of Dallas/Ft Worth). Austin and Georgetown values are significantly higher than other comparison communities across all time periods. The graphic also demonstrates how San Marcos and Texas communities avoided the severe housing bubble (2005-2008) experienced by the overall U.S. market.

Figure II-11.
Median Zillow Home Price Index of All Homes, Lawrence and Surrounding Communities, 1998 to 2017



Note: Includes both single family detached and condo units.

Source: Zillow Home Value Index and Root Policy Research.

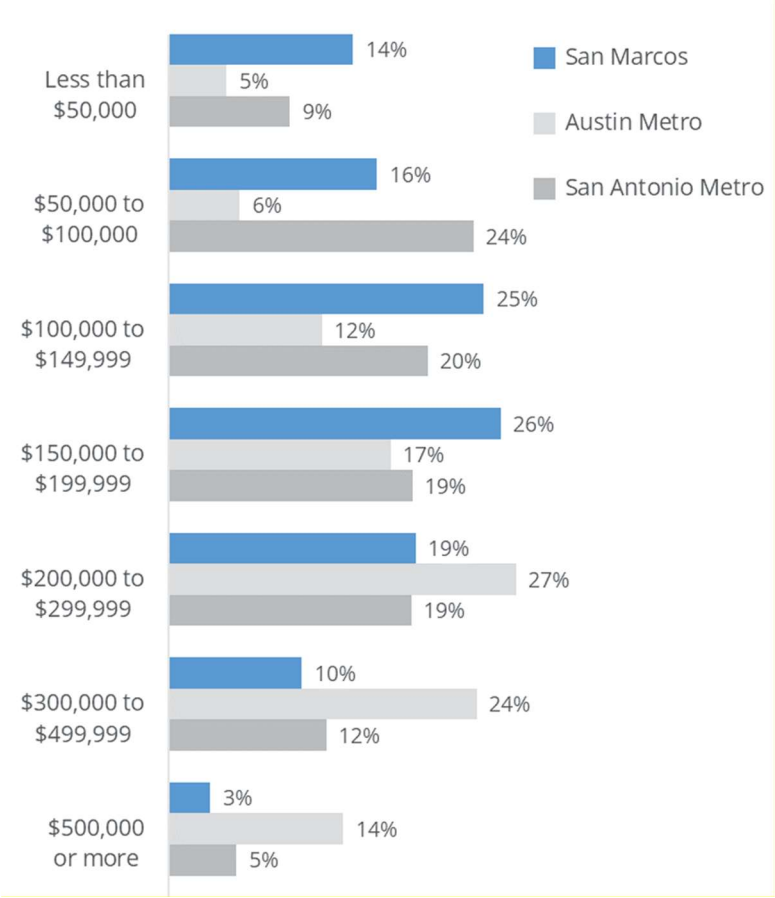
Home value. According to the 2017 ACS, which discloses self-reported home values by homeowners, indicate the median value of owner-occupied homes in San Marcos was $153,000, up from $77,800 in 1999 and $123,500 in 2010. (Median value reflects the self-reported value of all homes—not just those listed or sold; as such median value is typically below median sale price in any community).

Figure II-12 displays the distribution of home values in San Marcos, along with the San Antonio and Austin metro areas for context.

Just over half (51%) of San Marcos owners report their home value to be between $100,000 and $200,000. The home price distribution in San Marcos is fairly similar to the San Antonio metro but generally more affordable than the Austin metro as a whole. The relative affordability of San Macros compared to Austin positions the city as an attractive option for households that may not be able to buy a home in other parts of the Austin metro.

Figure II-12. Home Value Distribution, San Marcos and Neighboring Metros, 2017

Source:
2017 5-year ACS and Root Policy Research.



Home sales. Over a two-year period in 2017 and 2018, about 1,500 homes were listed for sale or sold in San Marcos for a median price of $256,600. Ninety-six percent of sales

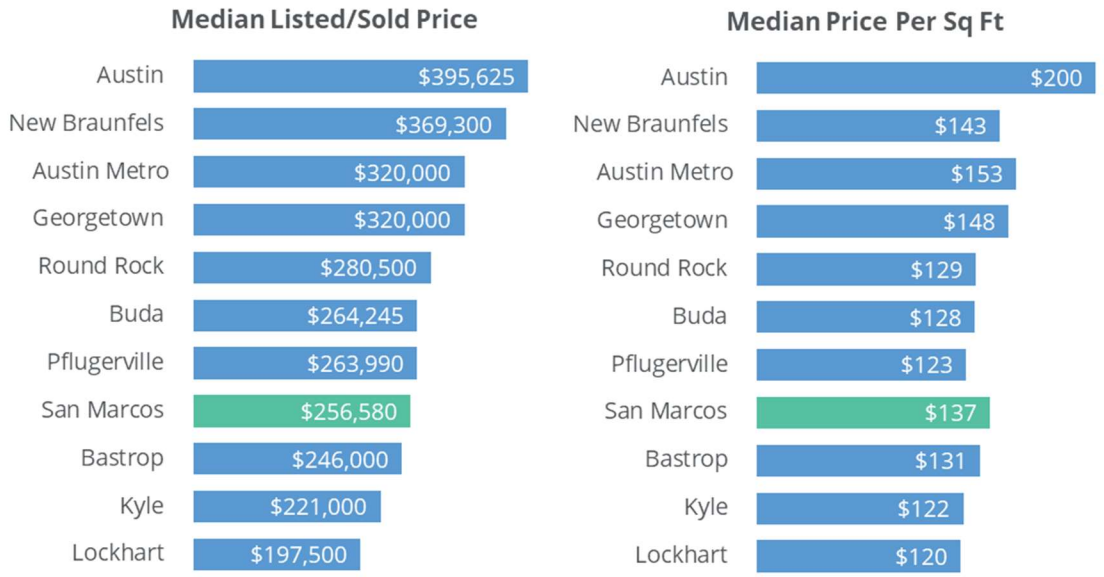
were single family detached homes, a proportion below the 86 percent of owner-occupied homes in the city that are single family detached.

Single family detached homes sold for a median sale price of $258,900, significantly higher than the median sale price for attached homes ($180,500).

Figure II-13 shows the median listed/sold price and the median price per square foot for San Marcos and surrounding communities. Data for the Austin Metro overall is also included for comparison.

San Marcos' median sale price of $256,600 was lower than the Austin metro overall ($320,000) and in the lower-middle range of surrounding communities. Median price per square foot in San Marcos was $137—higher than many surrounding communities but still lower than the Austin Metro overall ($153).

Figure II-13.
Median Price and Price per Square Foot, San Marcos and Surrounding Communities, 2017-2018



Source: ABOR MLS data and Root Policy Research.

Figure II-14 shows characteristics of the homes listed/sold in San Marcos during 2017 and 2018. About one-fifth of the city's home sales (21%) were priced below $200,000 and another fifth (20%) were priced over $350,000. The majority of homes listed/sold (59%) were priced between $250,000 and $350,000.

Though there were relatively few attached homes listed (condos, townhomes, du-/tri-/four-plexes), those homes were much more likely to be listed for less than $200,000.

On average, the homes listed or sold in San Marcos in 2017 and 2018 were 2,100 square feet with three bedrooms and two and a half baths. The average home listed was on the market for 72 days before being sold. Attached homes only stay on the market for 25 days on average indicating relatively high demand for these more affordable alternative unit types.

Figure II-14. Home Sales Characteristics, San Marcos, 2017-2018

	Attached Homes	Detached Homes	All Homes
Total Homes			
Number	38	1,481	1,547
Percent of All Homes	2%	96%	100%
Price Distribution			
Sale Price of < $200k	61%	19%	21%
Sale Price of $200k - $350k	18%	61%	59%
Sale Price of > $350k	21%	20%	20%
Average Characteristics			
Square Feet	2,244	2,089	2,089
Number of Bedrooms	2.2	3.4	3.4
Number of Bathrooms	2.1	2.6	2.6
Year Built	1993	2005	2004
Market Demand Indicators (sold homes only)			
Average Days on Market	25	74	72
Median $ over/under asking price	-$2,400	-$3,000	-$2,900
Median % over/under asking price	98%	99%	99%

Note:

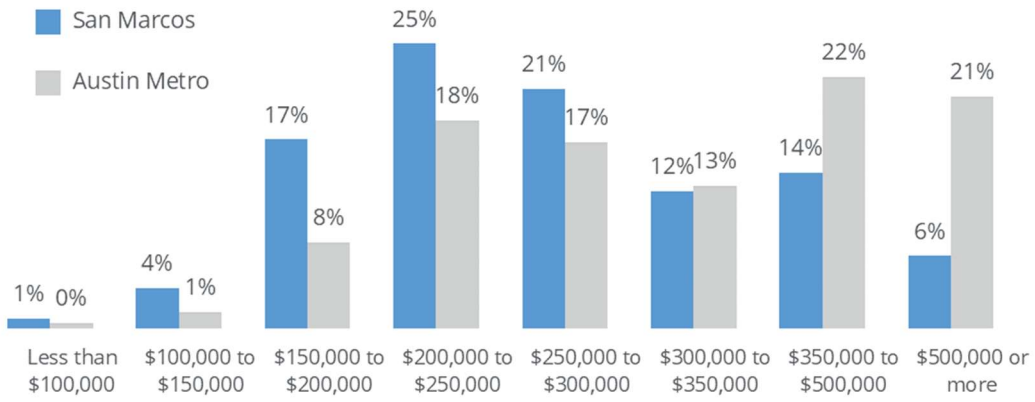
"All homes" includes attached, detached, manufactured, mobile, and other "unknown" types. There were two few listings/sales to report on manufactured and mobile homes as an individual category.

Source:

ABOR MLS data and Root Policy Research.

Price distribution. Figure II-15, on the following page, displays the distribution of home listed/sold prices in San Marcos compared to the Austin Metro overall. Compared to the Austin Metro, San Marcos has more homes priced below $200,000 but still relatively few hoes priced below $150,000 (5%). The Austin metro has a much higher proportion of homes priced over $350,000 (43%) than San Marcos (20%).

Figure II-15.
Price Distribution of Homes Listed/Sold, San Marcos, 2017-2018



Source: Austin Board of Realtors MLS data and Root Policy Research.

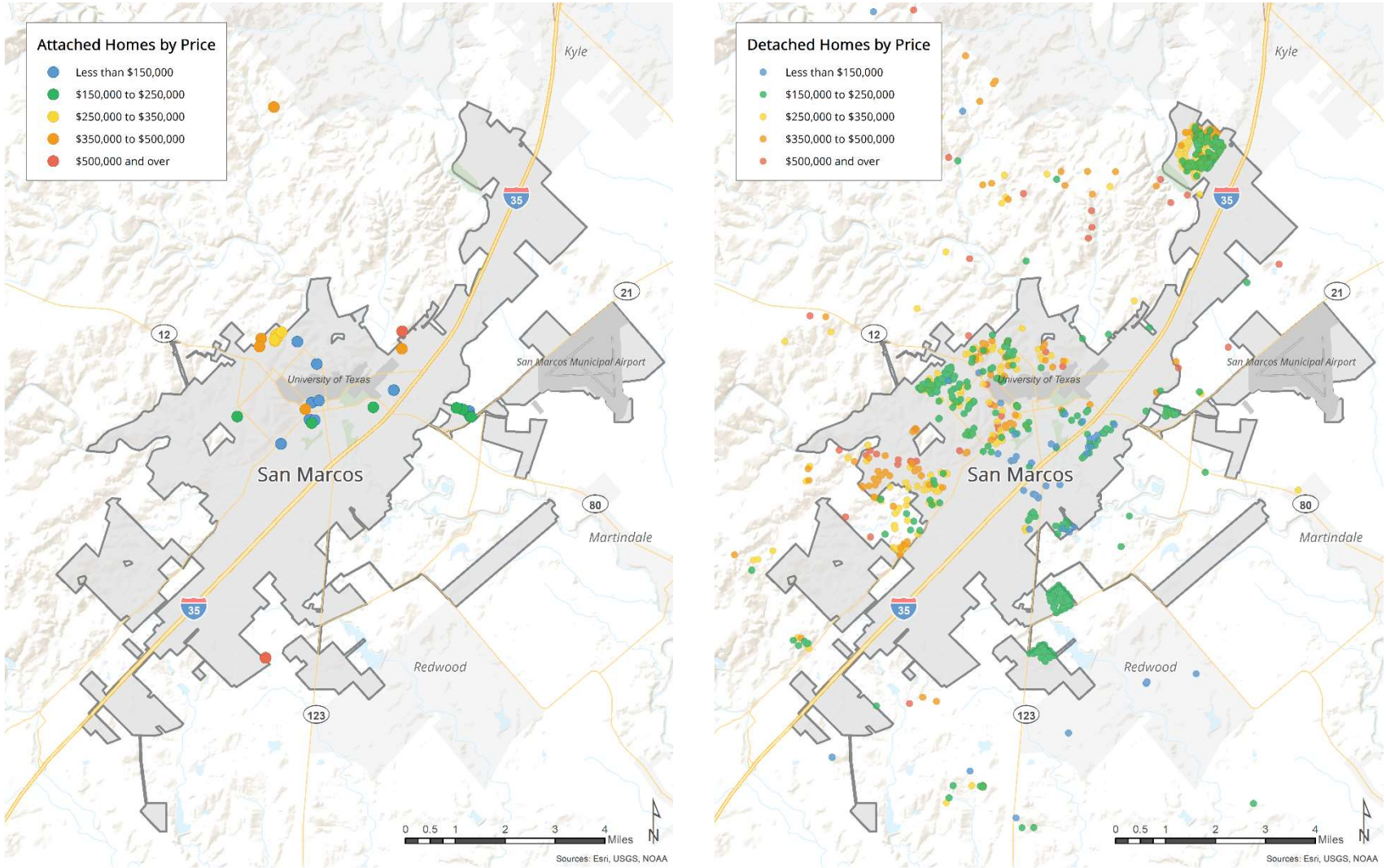
Figure II-16 (on the following page) displays the geographic distribution of homes listed/sold in 2017-2018 by price point in San Marcos; attached and detached home are shown separately. As illustrated by the maps, very few homes were sold for less than $150,000 and those that did sell at that price point were primarily located in central San Marcos, east of the University. Homes priced between $150,000 and $250,000 were available in multiple neighborhoods of the city and higher priced homes were primarily concentrated in west of downtown. The relatively few attached home sales in the past two years were concentrated near the University.

Other ownership costs. In addition to the price of housing, owners (and renters who would like to buy a home) grapple with utilities, property taxes and Home Owner Association (HOA) fees. Property taxes are generally the second highest monthly ownership cost after mortgage. According to the Tax Foundation, the median property taxes paid in Hays County were $3,633 in FY 2014, or $303 per month. That amount was above neighboring Caldwell and Guadalupe counites (medians of $2,019 and $2,738) but below Travis County ($4,534).[4]

In the Austin metro overall about 4 percent of all homeowners pay an HOA fee and the average fee among those who pay one is $262 per month (this includes condo fees). The proportion of owners paying an HOA in the San Antonio metro area is lower (1%) but the average fee is higher ($340). Respondents to the housing survey for this study report an average HOA fee (among those who do pay one) much lower than regional averages: $80 on average in San Marcos. This likely reflects the low proportion of HOAs in San Marcos that are for condos as opposed to single family detached neighborhood HOAs.

[4] https://taxfoundation.org/median-property-taxes-county-2011-2015/

Figure II-16.
Homes Listed/Sold in San Marcos by Price, 2017-2018



Source: ABOR MLS data and Root Policy Research.

Rental Market Trends

Median rent in San Marcos was $966 per month in 2017, according to ACS data. San Marcos' median rent was similar to median rents in Denton, College Station, and the greater San Antonio area. Median rent in the greater Austin area was nearly $200 higher per month.

Figure II-17. Median Rent, 2017

Source: 2017 5-year ACS.

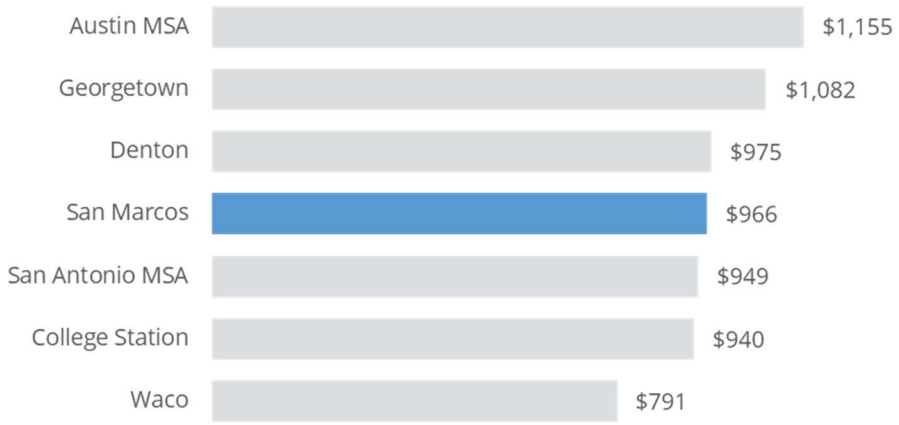
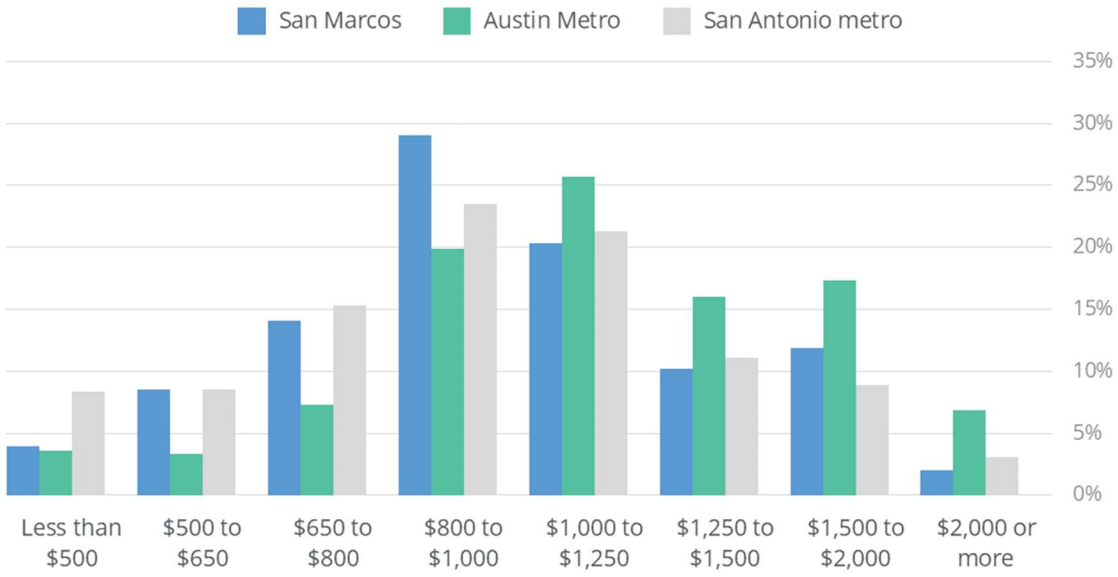


Figure II-18 displays the distribution of rents in San Marcos and the surrounding metro areas. One-quarter of San Marcos renters pay over $1,200 per month, 20 percent pay between $1,000 and $1,250. Twenty-nine percent pay between $800 and $1,000 per month and 27 percent pay less than $800 per month.

Figure II-18. Gross Rent Distribution, San Marcos, 2017

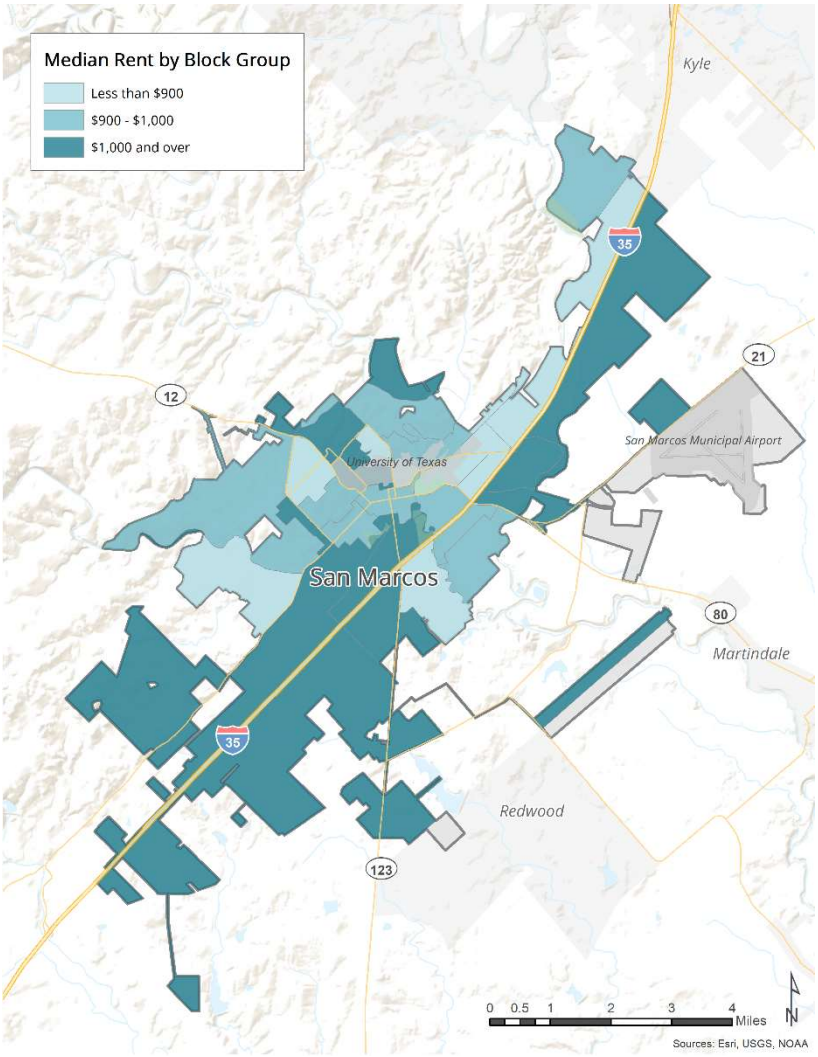


Source: 2013-2017 5-year ACS and Root Policy Research.

Figure II-19 displays the median gross rent (from the ACS) by neighborhood in San Marcos. The lowest rents tend to be located near the University and in downtown San Marcos.

Figure II-19. Median Rent, by Block Group, 2017

Source:
2017 5-year ACS.



Purpose-built student housing. As discussed earlier in this section, non-University student housing has been the primary form of multifamily development over the past 10 years, accounting for 62 percent of all multifamily unit permits and 42% of all residential unit permits between 2007 and 2018. According to data from Apartment Trends by Austin Investor Interests, which tracks multifamily property trends, student-specific rentals account for just over half (53%) of all market-rate apartments in the city.

Their data, which focus only on developments with at least 5o units, also indicate that student housing developments have higher average rents ($1,827 per unit) than conventional developments ($1,043 per unit). Figure II-20 compares prices and characteristics of conventional and student-specific apartments in the San Marcos area.

In addition to being more expensive, student apartments also tend to be larger and have more bedrooms than conventional apartments.

The relatively low proportion of conventional apartments with three or more bedrooms indicates it may be difficult for families with children to find available rentals in the area.

Figure II-20. Conventional and Student Apartments, San Marcos, 2019

Source:
ApartmentTrends.com by Austin Investor Interests and Root Policy Research..

	Conventional Apartments	Student Apartments
Number of Units	5,300	5,900
Average Rent per Unit	$1,043	$1,827
Average Rent per Sq Ft	$1.27	$1.48
Average Size of Units (Sq Ft)	824	1,237
% of units that are 3+ bedrooms	7%	58%
% change in rent 2010 to 2018	36%	39%

Renter affordability. Since 2000, rents have increased by nearly $350 per month, or by $4,100 per year. This compares with an increase in median income of a renter of $7,300. Over half of the increase in renter median income is now going toward rent.

This reflects a decline in purchasing power for renters in San Marcos as rents increased faster than incomes. Median rent increased by 55 percent (from $622 in 1999 to $966 in 2017) compared to a median renter income increase of 37 percent (from $19,721 to $27,104).

In order to afford the increase in rent, renters' annual incomes would have needed to increase by $13,760 between 1999 and 2017; however actual increase in renter median income was $7,383.

Figure II-21 displays the income required to afford the median rent of San Marcos rentals by size (number of bedrooms). The median two-bedroom rental unit in San Marcos is affordable to households earning $38,920 or more per year—substantially higher than the median renter income of $27104.

Figure II-21. Rental Affordability, San Marcos, 2017

Source:
2017 5-year ACS and Root Policy Research.

Rental Size	Median Rent	Income Required
Studio	$845	$33,800
1 bedroom	$898	$35,920
2 bedrooms	$973	$38,920
3 bedrooms	$1,297	$51,880
4 bedrooms	$1,423	$56,920

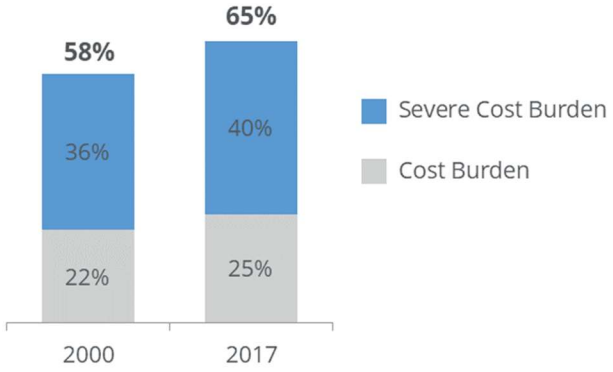
Nearly two-thirds of San Marcos renters (65%), 9,702 households, are cost burdened, spending 30 percent or more of their income on housing costs. More than one-third of

renters (5,953 households) are severely cost burdened, spending at least half of their income on housing costs.

The increase in cost burdened renters between 1999 and 2017 (demonstrated in Figure II-22) is consistent with the decline in purchasing power among renters over the same period.

Figure II-22.
Cost Burdened Renters, San Marcos, 2017

Source:
2017 5-year ACS and Root Policy Research.

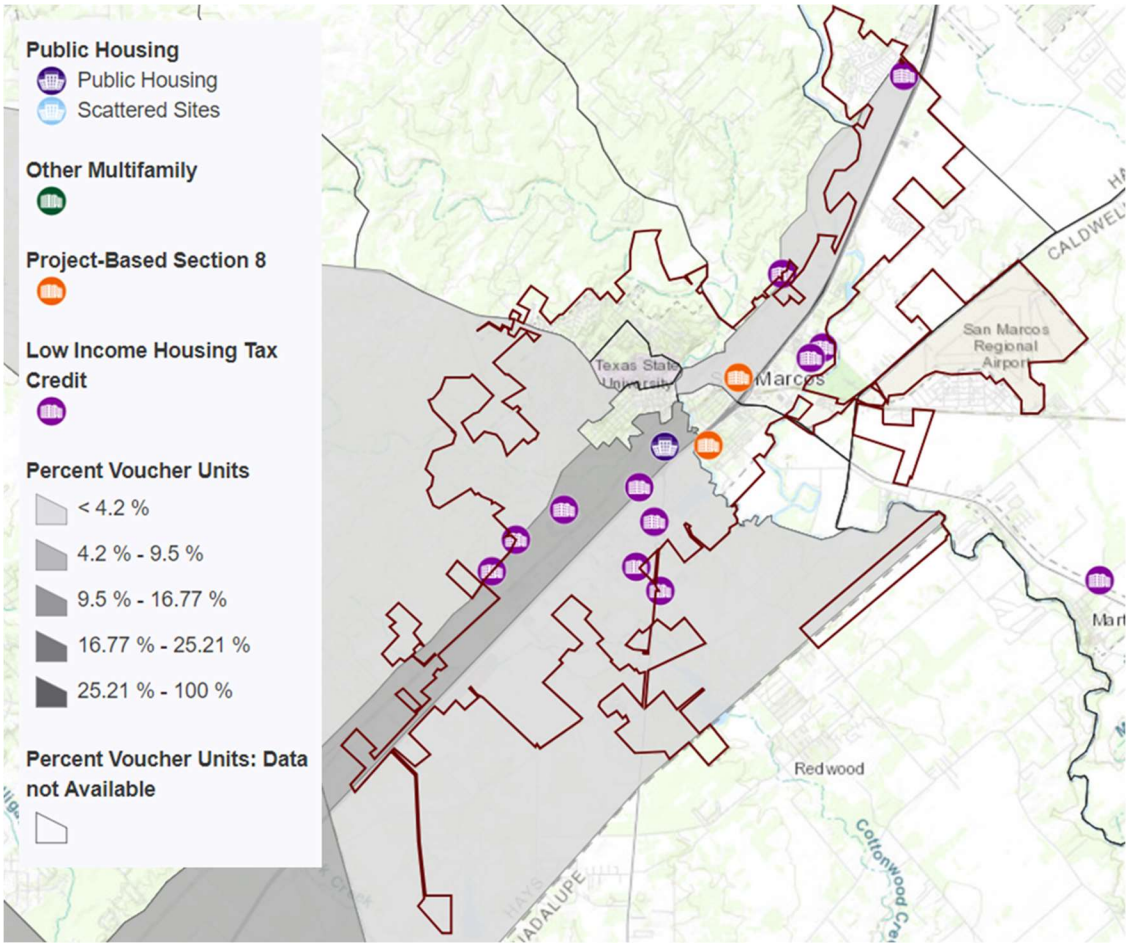


Publicly assisted rental units. According to data from HUD's Affirmatively Furthering Fair Housing Tool (AFFHT), there are 548 households in San Marcos that benefit from HUD programs that help subsidize housing costs—including 161 households using Housing Choice Vouchers (HCV).

In addition to HUD programs, there are 1,498 Low Income Housing Tax Credit (LIHTC) units in the city that make rentals affordable to low and moderate income households.

Figure II-23 maps the location of publicly assisted units in the city.

Figure II-23.
Publicly Assisted Housing Units, San Marcos, 2018



Source: HUD AFFH-T.

Housing Needs Among Special Populations

In addition to general affordability challenges, there are specific population groups that have unique housing and/or supportive service needs. Figure II-24 displays existing housing needs for such populations in San Marcos. These categories of special populations align with "non-homeless special needs populations" in HUD's Consolidated Plan requirements. Existing needs are based on HUD's "CHAS" data (Comprehensive Housing Affordability Strategy) which identifies housing problems of the population overall and of special populations.

Figure II-24.
Housing Needs Among Special Populations, San Marcos, 2015

Household Type	Total House-holds	Current Housing Need		Housing needs description
		Num.	Pct.	
Extremely low income families	6,555	5,505	84%	*<30% AMI households with a housing problem*
Low income families	4,085	3,570	87%	*30-50% AMI households with a housing problem*
Moderate income families	4,020	2,080	52%	*50-80% AMI households with a housing problem*
Middle income families	1,540	390	25%	*80-100% AMI households with a housing problem*
Renters	14,600	9,840	67%	*Renters with 1 or more housing problems*
Owners	5,555	1,885	34%	*Owners with 1 or more housing problems*
Elderly Households	3,060	1,600	52%	*Elderly households (member 62+) that are cost burdened*
Single person households	7,281	2,353	32%	*Single person households living in poverty*
Large families (5+ people)	1,165	430	37%	*Large families that are cost burdened*
Small families (2-4 people)	5,320	2,250	42%	*Small families that are cost burdened*
LEP households	876	306	35%	*Limited English proficient households living in poverty*
Households containing persons with a disability	4,815	2,983	62%	*Households with at least one member with a disability and 1 or more housing problems*
Hearing or vision impairment	2,110	1,320	63%	*Hearing or vision impairment and 1 or more housing problems*
Ambulatory limitation	2,300	1,385	60%	*Ambulatory limitation and 1 or more housing problems*
Cognitive limitation	2,180	1,390	64%	*Cognitive limitation and 1 or more housing problems*
Self-care or independent living limitation	1,755	1,075	61%	*Self-care or independent living limitation and 1 or more housing problems*
Victims of domestic violence	2,792	68	2%	*Applies CDC estimate of % of victims annually with housing needs*

Note: Needs are not additive as a single household may appear in more than one category.

Source: 2011-2015 HUD Comprehensive Housing Affordability Strategy data Root Policy Research.

Gaps Analysis

To examine how well San Marcos' current housing market meets the needs of its residents Root Policy Research conducted a modeling effort called a "gaps analysis." The analysis compares the supply of housing at various price points to the number of households who can afford such housing. If there are more housing units than households, the market is "oversupplying" housing at that price range. Conversely, if there are too few units, the market is "undersupplying" housing. The gaps analysis conducted for renters in San Marcos addresses both rental affordability and ownership opportunities for renters who want to buy.

Gaps in the rental market. Figure II-25 compares the number of renter households in San Marcos in 2017, their income levels, the maximum monthly rent they could afford without being cost burdened, and the number of units in the market that were affordable to them. The "Rental Gap" column shows the difference between the number of renter households and the number of affordable rental units. Negative

numbers (in parentheses) indicate a shortage of units at the specific income level; positive units indicate an excess of units.

Figure II-25.
Gaps in Rental Market, City of San Marcos, 2017

Renter Incomes	Maximum Rent + Utilities per Month	Renter Households		Rental Units		Gap
		Number	*Percent*	*Number*	*Percent*	
Less than $5,000	$125	2,045	13%	49	0%	(1,996)
$5,000-$9,999	$250	1,187	7%	68	0%	(1,119)
$10,000-$14,999	$375	1,496	9%	212	1%	(1,285)
$15,000-$19,999	$500	1,264	8%	297	2%	(968)
$20,000-$24,999	$625	1,498	9%	916	6%	(583)
$25,000-$34,999	$875	2,445	15%	4,163	26%	1,718
$35,000-$49,999	$1,250	2,555	16%	6,354	40%	3,799
$50,000-$74,999	$1,875	2,013	12%	2,660	17%	647
$75,000-$99,999	$2,500	944	6%	1,123	7%	179
$100,000+	$2,500+	809	5%	44	0%	(765)
Total/Low Income Gap		**16,256**	**100%**	**15,884**	**100%**	**(5,950)**

Source: 2017 5-year ACS and Root Policy Research.

The gaps analysis in Figure II-25 shows that:

- Twenty-nine percent of renters (about 4,700 households) living in San Marcos earn less than $15,000 per year. These renters need units that cost less than $375 per month to avoid being cost burdened. Just two percent of rental units (329 units) in the city rent for less than $375/month (including subsidized rental units). This leaves a "gap," or shortage, of 4,400 units for these extremely low income households.
- About 1,250 renters earn between $15,000 and $20,000 per year. There are 297 rental units priced at their affordability range (between $375 and $500/month), leaving a shortage of about 968 units.
- Another 1,500 renters earn between $20,000 and $25,000 per year. There are 916 units priced in their affordability range—a shortage of 583 units.
- Altogether, the city has a shortage of about 5,950 rental units priced affordably for renters earning less than $25,000 per year. [5]

[5] The "shortage" shown in for high income renters (earning more than $100,000 per year) suggests those renters are spending less than 30 percent of their income on housing—perhaps in order to save for a down payment on a home

The private rental market in San Marcos largely serves renters earning between $25,000 and $50,000 per year—66 percent of rental units are priced within that group's affordability range, with rents between $625 and $1,250 per month.

Student effect. In fall 2018, Texas State University enrolled nearly 39,000 students. Of these, the vast majority—32,000 students—live off campus—according to the university's Facts and Data webpage.[6] Some of these off-campus students are in-commuters and some are San Marcos residents.

The ACS indicates there are 19,425 San Marcos residents currently enrolled in undergraduate college and another 1,964 graduate students. Students, therefore, make up a significant proportion of the renters in San Marcos. And 58 percent of the students surveyed reported that they are renters with incomes of less than $25,000 per year, meaning that many are represented in the rental gaps analysis. (Note that students not counted in the ACS are also not included in the gaps analysis above).

Applying this proportion of low income students to the gaps, assuming a household size of 2.87 students per unit (based on the student survey), and removing the students who receive parental assistance for housing, an estimated 2,760 of the 5,950 renters in the gaps with needs are students. Conversely, about 3,190 of the renters with needs represented by the gaps are not students.

[6] https://www.umarketing.txstate.edu/resources/facts.html

Figure II-26.
Student Impact on Rental Gaps, City of San Marcos, 2017

Renters earning <$25,000		7,490
Rentals affordable to them<$25,000		1,541
Rental Gap (unit shortage)		5,950
Rental gap by population type	Non-Students:	3,190
	Students:	2,760

Source: 2017 5-year ACS, 2019 San Marcos Resident Survey, and Root Policy Research.

Students affect the rental market in many ways, other than creating demand. They also influence unit pricing in unique ways:

- Students more commonly have additional (parent or guardian) support to pay rent. Indeed, according to the survey conducted for this study, 40 percent of students receive help from their parents for rent—either through parents purchasing homes for their children or through parents paying all/portion of rent.
- Students may be perceived as higher-risk renters, which the private sector factors into rental pricing. Students do pay more in rent than non-students, according to the survey.
- Students are frequent movers, which allow property owners to more frequently raise rental prices in response to the wear and tear and transactional costs of tenant moves. The survey found that 73 percent of students living in San Marcos moved in the past year.

Change in the rental gaps. Figure II-27 shows rental gaps in both 2000 and 2010 to evaluate changes in market trends and needs. The comparison of the rental gaps in 2000 shows a significant shift in the past 17 years: overall the low income rental gap increased from a 2,903-unit shortage to a 5,950-unit shortage.

Figure II-27.
Gaps in Rental Market, City of San Marcos, 200 and 2017

Renter Incomes	Max Rent + Utilities per Month	2000					2017					2000-2017 Change		
		Renters		Renal Units		Gap	Renters		Renal Units		Gap	Renter Households	Rental Units	Change in Need/Gap
		Num.	*Pct.*	*Num.*	*Pct.*		*Num.*	*Pct.*	*Num.*	*Pct.*				
Less than $5,000	$125	1,135	13%	89	1%	(1,046)	2,045	13%	49	0%	(1,996)	910	-40	↑ 950 units
$5,000-$9,999	$250	1,250	14%	228	3%	(1,022)	1,187	7%	68	0%	(1,119)	(63)	-160	↑ 97 units
$10,000-$14,999	$375	1,207	14%	373	4%	(835)	1,496	9%	212	1%	(1,285)	289	-161	↑ 450 units
$15,000-$19,999	$500	865	10%	1,260	15%	395	1,264	8%	297	2%	(968)	399	-963	↑ 1,362 units
$20,000-$24,999	$625	801	9%	2,399	28%	1,598	1,498	9%	916	6%	(583)	697	-1,484	↑ 2,181 units
$25,000-$34,999	$875	1,381	16%	3,014	35%	1,633	2,445	15%	4,163	26%	1,718	1,064	1,149	*n/a no low income gap*
$35,000-$49,999	$1,250	1,164	13%	861	10%	(303)	2,555	16%	6,354	40%	3,799	1,391	5,493	*n/a no low income gap*
$50,000-$74,999	$1,875	709	8%	298	3%	(411)	2,013	12%	2,660	17%	647	1,304	2,362	*n/a no low income gap*
$75,000-$99,999	$2,500	189	2%	56	1%	(133)	944	6%	1,123	7%	179	755	1,067	*n/a no low income gap*
$100,000+	$2,500+	121	1%	3	0%	(118)	809	5%	44	0%	(765)	688	41	*n/a no low income gap*
Total/Low Income Gap		**8,822**	**100%**	**8,580**	**100%**	**(2,903)**	**16,256**	**100%**	**15,884**	**100%**	**(5,950)**	**7,434**	**7,304**	

Source: 2000 Census, 2017 5-year ACS and Root Policy Research.

Why did the gaps increase? This shift is due to a combination of losses in affordable rentals and an increase of about 1,500 households earning less than $20,000 per year. The sizeable increase in low income households is likely partially explained by the growing student population over the past two decades. In 2000, 39 percent of rentals were priced to accommodate households earning $20,000 per year. By 2017, this was just 8 percent.

Renters who want to buy. According to the survey conducted for this study, 74 percent of non-student renters are planning to buy homes or want to buy homes in the next five years. On average, those non-student renters who want to buy:

- Earn between $35,000 and $75,000 per year;
- Can afford homes priced between $110,000 and $240,000;
- On average, renters who wish to buy are between ages 25 to 34 (though many are also aged 35 to 44), and are more likely to have children under 18 than those who are not interested in purchasing a home.

Other residents in the market to buy would be those who want to move. The resident survey asked about the desire to move. About one quarter of San Marcos homeowners want to move in the next five years and about one-third of in-commuting homeowners want to move in the next five years.

Gaps in the For-Sale Market. This gap between interest in buying and available product is demonstrated by the owners gaps analysis shown in Figure II-28 (on the following page). The owner gaps analysis was conducted to evaluate the market options affordable to renters who may wish to purchase a home in San Marcos. Similar to the rental gaps analysis, the model compares renters, renter income levels, the maximum monthly housing payment they could afford, and the proportion of units in the market that were affordable to them.

The maximum affordable home prices shown in Figure II-24 assume a 30-year mortgage with a 10 percent down payment and an interest rate of 4.49 percent. The estimates also incorporate property taxes, insurance, HOA payments and utilities (assumed to collectively account for 41% of the monthly payment).

The "Renter Purchase Gap" column shows the difference between the proportion of renter households and the proportion of homes listed or sold in 2017-2018 that were affordable to them. Negative numbers indicate a shortage of units at the specific income level; positive units indicate an excess of units. It is important to note that the gaps column accounts only for units that fall precisely within the affordability range of the household. The "cumulative gap"—which is a better measure of need—allows buyers to purchase homes that are priced at less than their affordability range. The cumulative gap calculation excludes households earning less than $25,000 per year as they are not likely to purchase homes without subsidy.

The for sale gaps analysis shows the San Marcos market to be relatively affordable for renters earning more than $75,000 per year and manageable for renters earning between $50,000 and $75,000, assuming a willingness to consider attached housing options. Renters earning less than $50,000 per year can afford a max home price of

about $160,000. Only 94 homes were listed or sold in San Marcos in 2017/2018 in that price range (6% of all listed/sold homes); 24 percent of those were attached homes.

It is important to note that home size, condition and housing preferences are not considered in the affordability model. The model also assumes that renters are able to save for a 10 percent down payment (up to $24,000 for a household earning less than $75,000 annually).

Figure II-28.
Market Options for Renters Wanting to Buy, City of San Marcos, 2017

Income Range	Max Affordable Home Price	Renters		Listed/Sold (2017-2018)		Renter Purchase Gap	Cumulative Gap excluding <$25,000	Pct of Homes that are Attached
		Num.	Pct.	Num.	Pct.			
Less than $25,000	$ 80,192	7,490	46%	4	0%	-46%	n/a	0%
$25,000 to $34,999	$ 112,271	2,445	15%	16	1%	-14%	-14%	33%
$35,000 to $49,999	$ 160,388	2,555	16%	74	5%	-11%	-25%	23%
$50,000 to $74,999	$ 240,584	2,013	12%	524	34%	21%	-3%	1%
$75,000 to $99,999	$ 320,779	944	6%	521	34%	28%	24%	1%
$100,000 to $149,999	$ 481,171	654	4%	287	19%	15%	39%	2%
$150,000 or more	$481,172+	155	1%	121	8%	7%	46%	3%
Total/Gap Below $50,000		**16,256**	**100%**	**1,547**	**100%**	**-71%**		

Note: Maximum affordable home price is based on a 30 year mortgage with a 10 percent down payment and an interest rate of 4.49%. Property taxes, insurance, HOA and utilities are assumed to collectively account for 41% of the monthly payment.

Source: 2017 5-year ACS, ABOR MLS data, and Root Policy Research.

What can Workers Afford? Figure II-29 displays affordable rental and ownership options for workers earning the average wage by industry.

Most industries have wages high enough to afford the median rent (including utilities) of $966 per month. However, two of the area's largest industries—Trade, Transportation and Utilities (24% of all workers) and Leisure and Hospitality (14% of all workers)—cannot afford the median rent based on average wages. These sectors significantly influence the average wages for Service Producing industries and total private employment overall, which also have average wages too low to afford median rent.

There are no industries with average wages high enough to afford the median home price of $256,580 on a single income. This means that households require more than one worker per household in order to afford the median price.

If there are 1.5 earners per household (with both earners in the same industry), four individual industries workers will be able to afford the median price: Natural Resources and Mining, Manufacturing, Information, and Financial Activities. These industries collectively account for 12 percent of Hays County jobs.

Figure II-29.
Affordability for Workers by Industry, City of San Marcos, 2017

Industry	Average Annual Wage	Max Affordable Rent	Can Afford Median Rent?	Max Affordable Home Price	Can Afford Median Home Price?	Can Afford Median Home Price with 1.5 earners per household?
Goods Producing (Private)	**$53,612**	**$1,340**	**yes**	**$171,978**	**no**	**yes**
Natural Resources and Mining	$56,264	$1,407	yes	$180,485	no	yes
Construction	$50,752	$1,269	yes	$162,804	no	no
Manufacturing	$56,680	$1,417	yes	$181,820	no	yes
Service Producing (Private)	**$34,216**	**$855**	**no**	**$109,759**	**no**	**no**
Trade, Transportation, and Utilities	$33,644	$841	no	$107,924	no	no
Information	$56,420	$1,411	yes	$180,985	no	yes
Financial Activities	$54,652	$1,366	yes	$175,314	no	yes
Professional and Business Services	$46,956	$1,174	yes	$150,627	no	no
Education and Health Services	$38,740	$969	yes	$124,271	no	no
Leisure and Hospitality	$16,900	$423	no	$54,212	no	no
Other Services	$35,568	$889	no	$114,096	no	no
Total Private Employment	**$37,752**	**$944**	**no**	**$121,102**	**no**	**no**
Total Employment	**$39,572**	**$989**	**yes**	**$126,940**	**no**	**no**

Note: Wage data for Hays County overall; all other data specific to San Marcos. Maximum affordable home price is based on a 30-year mortgage with a 10 percent down payment and an interest rate of 4.49%. Property taxes, insurance, HOA and utilities are assumed to collectively account for 41% of the monthly payment.

Source: Bureau of Labor Statistics, 2017 5-year ACS, ABOR MLS data, and Root Policy Research.

Future Housing Need

Over the past 15 years, rents and home prices in San Marcos rose faster than incomes. If that trend continues an increasing proportion of households may be priced out of the market. Figure II-30 models affordability changes over the next 15 years, using trends from the past 15 years to forecast changes in income and housing costs. The forecast model presents income a as percent of the HUD Area Median Income and for the sake of simplicity, lending conditions are assumed to remain constant. Income and housing costs in the model are based on the following historical trends and conditions:

- HUD Area Median Family Income (HAMFI) for the Austin metro area (the HUD standard for San Marcos) increased by 46 percent between 2000 and 2018 (2.13% CAGR). We applied the same CAGR to model income growth through 2032. We used HAMFI for a 3-person household to forecast owner affordability and HAMFI for a 2-person household to forecast renter affordability based on median household size by tenure for San Marcos.

- Median gross rent in San Marcos increased from $622 in 1999 to $966 in 2017—an increase of 55 percent, or 2.5 percent CAGR. We applied the same CAGR to model rent growth through 2033.

- Median Zillow Home Value Index for homes in San Marcos increased by 80 percent between 2000 and 2018 (from about $113,000 to about $204,000). BBC applied the same CAGR (3.3%) to model increases in home prices through 2032.

Figure II-30. Affordability Forecasts, San Marcos 2018 - 2033

Note:
2017 HUD AMI is $67,200 for a 2-person household and $75,600 for a 3-person household.

Source:
BBC Research & Consulting.

Renter affordability forecasts

Income Range (2-person hh)	Max Affordable Rent		Percent of Rentals Affordable			
	2018	2033	2018	2023	2028	2033
30% HAMFI	$516	$708	4%	4%	4%	3%
50% HAMFI	$860	$1,179	34%	30%	28%	26%
80% HAMFI	$1,376	$1,887	81%	79%	78%	78%

Owner affordability forecasts

Income Range (3-person hh)	Price		Percent of Homes Affordable			
	2018	2033	2018	2023	2028	2033
50% HAMFI	$124,143	$170,180	2%	2%	1%	1%
80% HAMFI	$198,725	$272,419	20%	14%	9%	7%
100% HAMFI	$248,286	$340,359	45%	37%	30%	24%
120% HAMFI	$297,943	$408,431	66%	61%	54%	47%

As demonstrated in the figure, affordability of both rentals and for-sale homes declines over the forecast period. In 2018, a household 120 percent of the median income could afford two-thirds of the homes listed/sold in San Marcos. In 2033 that household could afford just half of all homes listed/sold. At the median, affordability drops from 45 percent of homes listed/sold to 24 percent.

Rental affordability declines as well, though not as quickly. In 2018, a household 50 percent of the median income could afford one-third of rental units in San Marcos; by 2033 that drops to one quarter.

Zoning and Land Use Analysis

The private sector plays a critical role in meeting housing needs. The private sector creates and maintains a significant portion of the housing stock, an estimated 90 percent of the rental units and nearly all for-sale homes. Cities typically use land use planning, zoning and development incentives to encourage private sector development of housing that supports community needs and values.

One of the most common local governmental constraints to the private production of affordable housing is zoning, subdivision, and land development regulations. In some cases, land use regulations that intentionally or unintentionally cause barriers to affordable development can offset the impact of affordable housing subsidies or increase the need for subsidies as a vehicle for meeting affordable housing goals.

A number of studies, including a 2006 book by Jonathan Levine (Zoned Out), have documented the impact of zoning regulations on the supply of affordable housing.[7, 8] Common zoning regulations negatively impacting affordable development include:

- Minimum house size, lot size, or yard size requirements;
- Prohibitions on accessory dwelling units;
- Restrictions on land zoned and available for multifamily and manufactured housing; and
- Excessive subdivision improvement standards.

Code SMTX. In April of 2018, City Council approved a new zoning code in San Marcos, called Code SMTX. The Code was reviewed to determine if any of these could be creating barriers to affordable housing development.

Lot size. Conventional residential districts in San Marcos have lost size requirements of 4,500 to 6,000 square feet. Other residential forms allow for "small" and "medium" lots. The specified lot sizes are fairly typical for similar communities and do not appear to impose significant constraints on housing construction. Minimum house sizes are not apparent in Code SMTX.

Accessory dwelling units. As part of Code SMTX, the city expanded the ability for owner occupied, single family properties to construct accessory dwelling units (ADUs). The City also published a guide to ADUs to help assist those interested. ADUs are allowed in all single family districts and can be used for occupancy and/or as long-term or short-term rental units (as long as they are registered and compliant with the City's Short Term Rental Ordinance). These efforts by the city are a great step toward improving access to affordable product options.

Multifamily and manufactured housing. Code SMTX creates a number of districts (Neighborhood Density Districts and Character Districts) that allow for a diversity of housing types included "missing middle" products such as cottage courts, two-family, single family attached, and small multifamily structures. However, very little land has actually been zoned into these districts. These alternative single family attached and small multifamily products are not allowed in conventional residential districts, which are limited dot single family detached dwellings.

As such, we recommend expanding where cottage courts, duplexes and attached dwellings (townhomes, rowhomes) are allowed by right. Duplexes and attached homes are a natural product to address the need for more affordable ownership housing,

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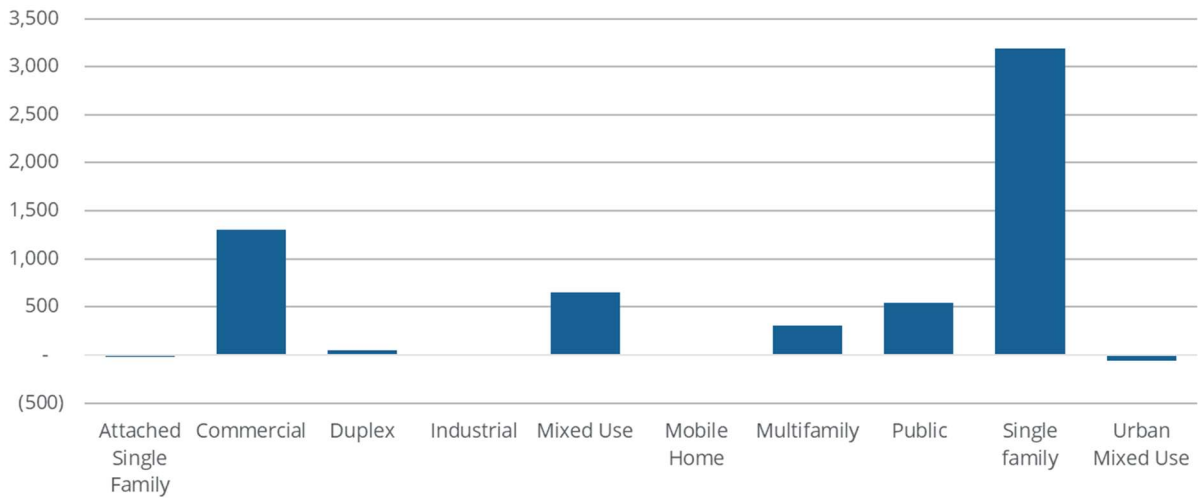
[7] Levine, Jonathan, Zoned Out (RFF Press, Washington, D.C., 2006).

[8] Colorado Deportment of Local Affairs, *Reducing Housing Costs through Regulatory Reform* (Denver: Colorado Department of Local Affairs, 1998).

which is needed to accommodate San Marco's workforce and renters who wish buy homes. The market for these products is growing with increased preferences for low maintenance living. Duplexes and attached dwellings could be incorporated in an aesthetically pleasing manner into nearly all residential districts.

Figure II-31 shows the types of developments resulting from rezones in the city over the past 17 years. The results further indicate the challenges to developing attached single family and missing middle products. Stakeholders provided anecdotal evidence that efforts to rezone single family parcels to duplexes, townhome, or other missing middle products have not been approved.

Figure II-31.
Land Uses Added by Zoning, San Marcos, 2001 to Current



Source: City of San Marcos.

Occupancy standards. Code SMTX limits residential occupancy of a dwelling unit to a "family and up to one other person who is not related to any of the other family members by blood, legal adoption, marriage, or conservatorship." Unrelated occupant limits are quite common in university towns where overcrowded student housing can disrupt neighborhoods. However, the low limit on unrelated resident occupancy may create barriers to people living together in cooperative environments, including adults renting/buying a home together, coop or other intentional living models of housing, intergenerational living, and artist/DYI space housing.

Nationwide, demographics and household economics are shifting in ways that have shifted living arrangements as well: people marry later and delay childbirth; population growth is driven by international immigration and nontraditional household arrangements (multigenerational settings); and flexible living arrangements are increasingly used to make up for lack of housing subsidies and assistance (e.g., lower use of public subsidies by Hispanic households yet higher rates of overcrowding).

A typical standard for occupancy limits is between four and six unrelated residents but many communities are relaxing household/family definitions and/or relying only on building and fire codes to address overcrowding. Ins come cases, communities grant waivers and/or exemptions for special occupancy purposes. For example, Boulder Colorado (another University city) has an occupancy limit of three unrelated but has an exemption to that standard for seniors who wish to live in a cooperative environment.

SECTION III.

COMMUNITY INPUT

SECTION III.
Community Input

This section describes the findings from the public participation component of the housing study. The public input process was designed to understand the housing choices and preferences of people who live, work, or go to school in the City of San Marcos.

Community Participation Opportunities

The City of San Marcos housing study surveys and focus groups provided opportunities for community participation and collected data about the housing market and resident housing preferences. A total of 2,000 regional residents participated in the survey. Survey participants included three important segments:

- Non-student residents of San Marcos (sample size n=817);
- Student residents of San Marcos (n=616); and
- In-commuters—residents of surrounding communities who work in San Marcos (n=451) or go to school in San Marcos (n=101).

Note that throughout this section, the survey results for both San Marcos residents and in-commuters represent non-students; data from students are analyzed separately and are explicitly referenced as "student".

In addition to the surveys, the study team moderated three focus groups with key stakeholder segments—social service providers, the business community, and the university community. Participating organizations included housing developers, construction firms, housing providers and management companies, organizations providing social services to low income residents, families, seniors, and representatives of the university.

Survey. The survey was available in English and Spanish, online and in a postage-paid mail format. City of San Marcos staff reviewed the draft survey instrument. The survey gathered information about residents' housing choices and experiences, future housing choice, opinions about San Marcos's housing spectrum, and demographic and socioeconomic characteristics.

Sampling note. Responses to the survey derived from convenience sampling and snowball sampling methods. Convenience sampling refers to promoting the survey to known individuals or organizations through direct contact (e.g., email invitation) or public relations and social media. Snowball sampling is when a respondent to the survey

promotes the survey to their peers or social networks (e.g., sharing the survey link by email or social media). While not drawn from a random sampling strategy, the demographic and socioeconomic profile of survey respondents aligns with that of the City of San Marcos overall.

Figure III-1 presents selected characteristics of the survey respondents by segment—non-student and student residents of the City of San Marcos, and non-student and student in-commuters.

Figure III-1.
Survey Respondent Characteristics

	San Marcos Residents		In-Commuters	
	Non-Students	Students	Non-Students	Students
Housing Situation				
Homeowners	50%	2%	78%	22%
Renters	46%	76%	19%	39%
Precariously housed	2%	6%	3%	33%
Student housing	1%	17%	0%	6%
Employment				
Employed full time	70%	4%	97%	26%
Employed part time	16%	45%	5%	48%
Retired	7%	2%	0%	0%
Median household size	2	3	2	3
Children under age 18	23%	3%	39%	30%
Disability	16%	13%	15%	29%
Race/ethnicity				
Hispanic	21%	24%	21%	25%
African American	3%	6%	2%	13%
Other Non-White	8%	11%	7%	19%
White	68%	59%	70%	44%
Age				
18 to 24	13%	79%	0%	40%
25 to 44	45%	20%	37%	52%
45 to 64	33%	1%	55%	7%
65+	10%	0%	8%	2%
Household Income				
Less than $25,000	19%	70%	2%	35%
$25,000 up to $50,000	22%	14%	11%	21%
$50,000 up to $100,000	33%	10%	40%	28%
$100,000 or more	26%	7%	48%	16%

Note: n=817 residents, n=616 student residents, 451 in-commuters, and 101 student in-commuters. Precariously housed respondents are those living with others but not paying rent, not on a lease or deed, "couch surfing", or homeless. Many of the students in this category are living with their parents. Numbers may not add to 100 percent due to rounding or multiple response.

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

Homes damaged in the 2015 Flood. Overall, one in 25 (4%) San Marcos residents who responded to the survey currently live in a home that was damaged in the 2015 Flood, and 2 percent lived in a home that was damaged in the Flood but have since moved. Among those homes damaged in the 2015 Flood, the most commonly reported damage included:

- Water damage (83%);
- Floor damage (52%);
- Wall damage (drywall and/or insulation) (48%);
- Damage to personal property/possessions (42%);
- Mold (38%);
- Erosion and/or landscape damage (29%);
- Structural damage (19%);
- Root damage (17%);
- Electrical damage (13%);
- Foundation damage (cracks or breaks) (10%); and
- Broken windows (8%).

Among those with homes damaged in the 2015 Flood, most (58%) did not apply for federal assistance. About three in 10 (29%) applied for FEMA and 13 percent applied for SBA. Nearly one in 10 (9%) said they still have repair needs related to damage from the floods.

Current Housing Choice

Determining where to live within a community is a complex function of personal and household preferences, income, cost of housing, credit history, market availability of desired housing types across neighborhoods, and more.

Note that unless otherwise specified, the survey data for both San Marcos residents and in-commuters represent non-students; data from students are explicitly referenced as "student".

Most important factor in choosing current home. When asked to identify the factors most important in choosing their current home, San Marcos renters and homeowners prized their neighborhood and type of home, affordability, proximity to work and/or the university. As shown in Figure III-2, the five factors most important to choosing

their current home for the greatest proportion of San Marcos homeowners and renters differ from the top five factors among in-commuter homeowners and renters.

- Not surprisingly, San Marcos homeowners are more likely than in-commuter homeowners to value living close to work/job opportunities. In-commuters are more likely to place importance on living in a quiet area and low crime/safety.

- San Marcos non-student renters are more likely than in-commuter renters to place importance on proximity to the university and employment opportunities. While affordability, the ability to have pets, and the number of bedrooms are important to both, in-commuter renters are more likely to consider living in a quiet area and low crime/safety to be important.

- Being close to school is the #1 most important factor for the greatest proportion of San Marcos student residents. In addition to other factors similar to non-student renters, students prize proximity to transit. The preferences of student renters who commute to San Marcos are similar to non-student in-commuters.

Figure III-2.
Top 3 Most Important Factors in Choosing Current Home, Residents and In-Commuters, Students, by Tenure

SAN MARCOS HOMEOWNERS	IN-COMMUTER HOMEOWNERS
1 Liked the neighborhood	1 Large yard/size of yard
2 Cost/I could afford it	2 Cost/I could afford it
3 Type of home/layout of home	3 Quiet area
4 Close to work/job opportunities	4 Liked the neighborhood
5 Large yard/size of yard	5 Low crime rate/safe

SAN MARCOS RENTERS	IN-COMMUTER RENTERS
1 Cost/I could afford it	1 Cost/I could afford it
2 Close to college/university	2 Allow pets/dogs
3 Close to work/job opportunities	3 Number of bedrooms
4 Allow pets/dogs	4 Quiet area
5 Number of bedrooms	5 Type of home/layout of home

SAN MARCOS STUDENT RENTERS	IN-COMMUTER STUDENT RENTERS
1 Close to college/university	1 Cost/I could afford it
2 Cost/I could afford it	2 Number of bedrooms
3 Number of bedrooms	3 Allow pets/dogs
4 Close to bus/transit	4 Close to work/job opportunities
5 Liked the type of home/apartment	5 (tie) Low crime rate/type of home/close to college/university

Note: Data for San Marcos Renters do not include students. Student renters are those renting in the private market, not living in dorms or other campus housing.

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

Figure III-3 examines housing preferences for different segments of San Marcos non-student residents, including families with children, seniors, households that include a member with a disability, Hispanic residents, non-white, non-Hispanic residents, and households with incomes less than $25,000. In general, preferences among these resident segments are similar to homeowners and renters overall, with a few differences:

- For all but seniors, cost is the most important factor identified by the greatest proportion of residents in each segment;

- A greater proportion of seniors place importance on living in a quiet area than other residents; and
- Households with incomes less than $25,000 are the only cohort (except student renters) to have proximity to transit in the top five responses.

Figure III-3.
Top 3 Most Important Factors in Choosing Current Home, Selected Characteristics of Non-Student San Marcos Residents

FAMILIES WITH CHILDREN

1. Cost/I could afford it
2. Liked the neighborhood
3. Close to work/job opportunities
4. Large yard/size of yard
5. Type of home/layout of home

SENIOR RESIDENTS

1. Liked the neighborhood
2. Cost/I could afford it
3. Quiet area
4. Type of home/layout of home
5. (tie) Close to college/university, Large yard/size of yard

DISABILITY HOUSEHOLDS

1. Cost/I could afford it
2. Close to work/job opportunities
3. Close to college/university
4. Liked the neighborhood
5. Number of bedrooms

HISPANIC RESIDENTS

1. Cost/I could afford it
2. Close to work/job opportunities
3. Number of bedrooms
4. Liked the neighborhood
5. Type of home/layout of home

NON-WHITE NON-HISPANIC RESIDENTS

1. Cost/I could afford it
2. Close to work/job opportunities
3. Close to college/university
4. Liked the neighborhood
5. Type of home/layout of home

HOUSEHOLD INCOME <$25,000

1. Cost/I could afford it
2. Close to college/university
3. Close to bus/transit
4. Allow pets/dogs
5. Number of bedrooms

Note: Data exclude students and are limited to San Marcos residents.

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

Housing preferences—stakeholder perspectives. In focus groups, stakeholders shared their perspectives on the demand for rental and ownership housing in San Marcos.

- Housing suitable for small families, young couples, and non-student single individuals is in high demand.
- Attached housing is still relatively affordable, but there is such a low supply, that these units sell very quickly.
- Single family homes priced below $200,000 are in high demand, but many homes on the market in this price range are fixer uppers.
- Both Millennials and seniors want similar products, and "don't want big yards."
- Graduate student programs are growing, and these students have housing preferences similar to non-student renters; dorm-style products that rent by the room are not desirable.

Housing condition. Survey respondents rated their current home's condition as poor, fair, good, or excellent. Figure III-4 presents the proportion of residents who consider their home to be in *fair* or *poor* condition. As shown, this assessment ranges widely, and much of the difference is between renters and homeowners.

- San Marcos families with children under the age of 18 who rent (49%) and renters whose household includes a member with a disability (44%) are more likely to assess their housing as in fair or poor condition.
- In-commuter homeowners (3%) are least likely to rate their home in fair or poor condition.
- Among San Marcos residents, homeowners with children, seniors, and homeowners overall are most least likely to identify their home's condition as fair or poor.
- Student renters (40%) are about as likely as renters overall (37%) to assess the condition as fair or poor, and slightly less likely than students living in student housing/dorms (43%).

Figure III-4. Percent Rating Their Home in *Fair* or *Poor* Condition

Note:

Low income renters are non-student renters with household incomes less than $25,000. Too few low income homeowners to report.

Student renters are those who rent in the greater housing market and excludes those living in student housing/dorms.

Source:

Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

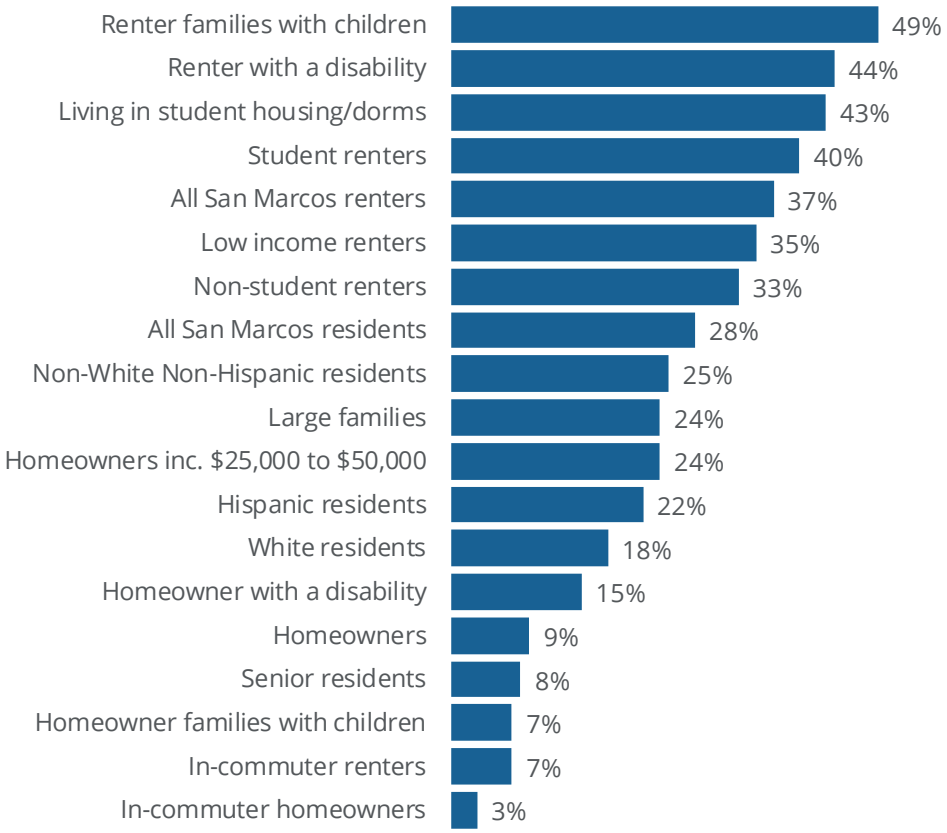


Figure III-5 provides a more detailed look at how San Marcos residents perceive their housing condition. As noted above, much of the difference is between renters and homeowners. Low and moderate income households are also more likely than higher income households to consider their home to be in fair or poor condition.

Figure III-5.
Housing Condition by Selected Household Characteristics, San Marcos Residents

	Housing Condition			
	Excellent	Good	Poor	Fair
All San Marcos residents	26%	46%	24%	4%
Non-student residents	33%	46%	17%	4%
Student residents*	16%	45%	34%	5%
Senior homeowners**	45%	47%	6%	2%
Non-student renters	17%	50%	28%	5%
Student renters	14%	47%	35%	5%
Homeowner families with children	45%	48%	7%	0%
Renter families with children	11%	40%	40%	9%
Homeowners with a disability	50%	35%	8%	6%
Renters with a disability	18%	38%	35%	9%
Hispanic residents	31%	47%	18%	4%
Non-White Non-Hispanic residents	29%	47%	18%	7%
White residents	36%	46%	15%	3%
Household income				
Less than $25,000	12%	52%	31%	5%
$25,000 up to $50,000	18%	52%	23%	6%
$50,000 up to $100,000	35%	49%	13%	2%
$100,000 or more	60%	36%	3%	1%

Note: * These student residents include all students living in San Marcos, including those living in on-campus student housing/dorms. Student renters include only those students renting non-student/non-campus housing. ** Too few seniors who rent responded to report data for senior renters.

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

Figure III-6 considers housing condition by tenure and the type of housing unit. While residents of single family homes are more likely than residents of attached housing, multifamily apartments, or mobile homes to rate their home's condition as excellent, there is a pronounced difference between owner-occupied and renter-occupied single family home condition. For example, 30 percent of single family home renters assess their home's condition as fair or poor, compared to 7 percent of owner-occupied units.

Figure III-6. Housing Condition by Tenure and Type of Unit

Note:

Condition assessments by unit type include student renters. Among the attached product types, nearly all respondents are renters.

Source:

Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

	Housing Condition			
	Excellent	Good	Poor	Fair
All San Marcos residents	26%	46%	24%	4%
Homeowners	49%	42%	7%	2%
Renters	15%	48%	32%	5%
Detached single family home	46%	43%	10%	2%
Owner detached single family home	51%	41%	6%	1%
Renter detached single family home	24%	48%	24%	5%
Attached single family home	22%	37%	36%	5%
Multifamily apartments	13%	49%	32%	5%
Mobile home/trailer	16%	47%	32%	5%
On campus student housing/dorms	15%	44%	36%	5%
Off campus housing designed for and occupied primarily by students	13%	54%	29%	5%

Repair needs. Nearly all (94%) homeowners and 71 percent of renters who rated their home's condition fair or poor, said their home needs repairs. The majority of repairs are needed due to the age of the home or appliances. Only 2 percent of respondents needing repairs require them to address damage from the 2015 Flood.

When asked to identify the **most important repair** needed for their home, most common needs of **homeowners** are:

- Roof repair/replacement;
- Weatherization;
- Electrical wiring; and
- Interior walls/cracks.

The most common **repair needs of renters** are:

- Interior walls or ceilings (e.g., fix cracks, holes, water leak damage);
- Cooling systems (e.g., air conditioning unit);
- Kitchen appliances;
- Bathroom plumbing; and
- Weatherization.

When asked why these important repairs have not yet been made:

- Nearly three in four (73%) homeowners cannot afford to make the repair; and
- Half (52%) of renters say their landlord refuses to make repairs.

Accessible housing. Overall, 16 percent of San Marcos non-student resident respondents and 13 percent of resident student respondents have a disability or a member of their household has a disability. Not all residents with disabilities also have accessibility needs in the home; about one in three non-student households that include a member with a disability also have accessibility needs in the home (24% for student respondents). **Two in five San Marcos residents with disabilities and in-home accessibility needs (43%) live in housing that does not meet their accessibility needs**, or 18 percent of all household that include a member with a disability. Among the residents whose homes need accessibility modifications, the three most common modifications needed are:

- Ramps;
- Grab bars in bathroom; and
- Wider doorways.

When asked if they thought they would be able to find a home in San Marcos that meets the household's accessibility needs if they were to move, only 13 percent responded "yes."

Housing costs. Figure III-7 presents median monthly housing costs for San Marcos student and non-student renters and homeowners and compares them to in-commuters. With respect to homeowners, the median monthly mortgage of $1,400 is the same as that paid by in-commuters. Median rent for non-students is similar to that paid by students and their monthly utility costs are also comparable.

Figure III-7.
Median Monthly Rent, Mortgage and Utility Costs by Tenure, San Marcos Residents and In-Commuters

Household Type	Renter Households		Homeowners	
	Median Rent	Median Utilities	Median Mortgage	Median Utilities
San Marcos residents				
Non-students	$ 1,000	$ 130	$ 1,400	$ 250
Student	$ 1,060	$ 100	-	-
In-commuters				
Non-students	$ 1,150	$ 155	$ 1,400	$ 200
Students	$ 1,200	$ 150	$ 1,400	$ 200

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

The median HOA fee paid by both San Marcos and in-commuter homeowners is $33/month.

Figure III-8 examines monthly housing cost data based on the number of years that a resident has lived in the home. The median mortgage of San Marcos and in-commuter homeowners who bought their home in the past year is $200 or 17 percent higher than homeowners who purchased 10 or more years ago. Long-time renters in San Marcos pay less than tenants who moved into a unit in the past year, about $66 at the median or 6 percent less. The median monthly rent of students who leased in the past year ($1,050) is $300 or 40 percent higher than those who signed a lease at least one year ago.

Figure III-8.
Median Monthly Rent and Mortgage Costs by Tenure and Number of Years in the Home, San Marcos Residents and In-Commuters

Number of Years in Current Home	Renter Households		Homeowners	
	San Marcos	In-Commuters	San Marcos	In-Commuters
Non-Students				
Less than 1 year (2018-present)	$ 1,050	$ 1,200	$ 1,400	$ 1,550
1 year up to 5 years (2013-2018)	$ 1,000	$ 1,100	$ 1,500	$ 1,540
5 years up to 10 years (2008-2013)	$ 982	$ 825	$ 1,300	$ 1,400
10 years or more (Prior to 2008)	$ 994	-	$ 1,200	$ 1,200
Students				
Less than 1 year (2018-present)	$ 1,050	$ 1,200		
1 year up to 5 years (2013-2018)	$ 750	-		
5 years up to 10 years (2008-2013)	-	-		
10 years or more (Prior to 2008)	-	-		

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

Figure III-9 presents monthly housing costs for non-student San Marcos residents by resident segment. It's not surprising that the median housing payment of families with children under age 18 are higher than seniors who still have a mortgage payment; it reflects the typical homeownership lifecycle.

Figure III-9.
Median Monthly Rent and Mortgage Costs by Tenure and Selected Household Characteristics, San Marcos Non-Student Residents

San Marcos Residents	Housing Costs	
	Median Rent	Median Mortgage
Seniors*	$ 1,000	$ 1,200
Families with children	$ 1,091	$ 1,424
Household member with a disability	$ 1,000	$ 1,350
Hispanic residents	$ 1,000	$ 1,300
Non-White Non-Hispanic residents	$ 875	$ 1,500
White residents	$ 1,050	$ 1,400
Household income		
Less than $25,000	$ 964	$ 750
$25,000 up to $50,000	$ 980	$ 900
$50,000 up to $100,000	$ 1,100	$ 1,300
$100,000 or more	$ 1,440	$ 1,750

Note: * Based on the number of senior homeowners reporting cost data, we estimate that 48 percent of seniors who participated in the survey do not carry a mortgage on their home.

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

Strategies to afford housing costs. When housing costs rise or incomes fall, residents respond by cutting costs or seeking additional income. Across the board, the greatest proportion of households who made changes in order to be able to afford housing costs (e.g., rent, mortgage, property taxes, heating bills, major home repairs), did so by cutting back on or eliminating eating out and entertainment. In the last year, 40 percent of homeowners and 71 percent of non-student renters cut back on discretionary spending in order to afford housing costs. Other strategies to meet housing costs in the past year used by non-student San Marcos homeowners and renters include:

- Two in five (41%) renters and one in 10 (11%) homeowners received financial support from friends or family;
- One in three (33%) renters and 13 percent of homeowners sought additional employment;
- Nearly three in 10 (28%) renters and 12 percent of homeowners avoided needed medical treatment;

- More than one in four (26%) renters and 14 percent of homeowners used credit card or other debt to pay for housing costs;
- One in 10 renters and 1 in 25 homeowners cut back on or stopped taking prescriptions or medicine; and
- One in 25 renters and 1 in 100 homeowners were at risk of eviction or foreclosure in the past year.

San Marcos residents most vulnerable to housing insecurity employed a number of strategies to be able to afford housing costs. Unless otherwise specified the populations described are non-student San Marcos residents.

- **Households with incomes less than $25,000**
    - More than half (54%) received financial support from family or friends;
    - Two in five (41%) sought additional employment;
    - One in three (32%) used credit card or other debt to pay for housing costs;
    - Three in 10 (30%) avoided needed medical treatment;
    - 15% got food at a food bank;
    - 12% applied for public assistance; and
    - 8% were at risk of eviction or foreclosure.
- **Households that include a member with a disability**
    - Two in five (40%) avoided needed medical treatment;
    - Nearly two in five (38%) received financial support from family or friends;
    - One in three (33%) had to find additional employment;
    - 26% credit card or other debt to pay for housing costs;
    - 18% cut back on or stopped taking prescription medications;
    - 14% got food at a food bank; and
    - 11% applied for public assistance.
- **Households with children under age 18**
    - 26% received financial support from family or friends;
    - One in five (19%) households with children under age 18 cut back on kids' education or activities (e.g., stopped preschool, stopped sports);
    - 23% avoided needed medical treatment;

- 23% used a credit card or other form of debt to pay housing costs;
- 10% applied for public assistance; and
- 10% got food from a food pantry.

- **Large families** (five or more members)
  - Three in 10 (29%) sought additional employment;
  - More than one in four (26%) cut back on kids' education or activities (e.g., stopped preschool, stopped sports);
  - More than one in four (26%) avoided needed medical treatment;
  - One in four (24%) received financial support from family or friends;
  - One in four (24%) used a credit card or other form of debt to pay housing costs;
  - 14% applied for public assistance;
  - 14% got food from a food pantry; and
  - 7% were at risk of eviction or foreclosure.
- **Seniors** Compared to other resident cohorts, seniors were less likely to have made changes or sought help for managing housing costs.
  - One in 10 (10%) avoided needed medical treatment;
  - One in 20 (5%) sought additional employment;
  - One in 20 used a credit card or other debt to pay housing costs;
  - One in 40 (3%) applied for public assistance;
  - One in 40 cut back on or stopped taking needed medication;
  - One in 40 received financial support from family or friends; and
  - None reported being at risk of eviction or foreclosure.
- **Students**
  - Nearly half (49%) received support from family or friends;
  - One in four (25%) sought additional employment;
  - Nearly two in five (17%) used credit card or other debt to pay housing costs;
  - 15% avoided needed medical treatment; and
  - 3% were at risk of eviction.
- **Residents who are precariously housed**
  - One in three avoided needed medical treatment (33%);

- Nearly three in 10 (28%) had to find additional employment;
- More than two in five (22%) received financial support from family or friends; and
- 17 percent had to get food from a food pantry.

Living with others due to lack of housing. Overall, 11 percent of San Marcos residents—12 percent of homeowners and 10 percent of renters—who participated in the survey have a friend or family member living with them due to a lack of housing. When asked why, nearly every person responded that they "Cannot afford the monthly rent of the places that are available to rent in San Marcos." Only one respondent said that they could not find a place available to rent, regardless of price.

- Three in five (60%) of residents who are precariously housed live with friends or family due to lack of housing.
- Households that include a member with a disability are nearly twice as likely as the typical San Marcos resident to have friends or family living with them due to a lack of housing (21% vs. 11%).
- One in 20 seniors (5%) seniors live with friends or family; and 11% have friends or family living with them, similar to the typical San Marcos household.
- About one in ten households with incomes less than $25,000, households with incomes $25,000 up to $50,000, and households with incomes of $50,000 up to $100,000 have friends of family living with them because their friends or family members cannot afford the monthly rent in San Marcos.

Managing housing costs—stakeholder perspectives. In focus groups, stakeholders identified families with household incomes of $60,000 to $80,000 to have the greatest unmet affordable housing need, for both rental and ownership products. After the 2015 Flood, stakeholders began to see a growing need for rental assistance as rents increased dramatically. A lack of affordable rental housing for the San Marcos retail and restaurant workforce results in these households driving to affordability and commuting in to the city. In addition to a lack of affordable housing to rent or buy, stakeholders believe that back credit and criminal history are barriers to securing housing. As shown in the resident survey, it is not unusual for residents to form large households or to live in multigenerational arrangements to manage housing costs or due to lack of available units; occupancy limits make it difficult for these households to meet the need of their family and comply with this regulation.

Displacement vulnerabilities. In the past five years, nearly one in five (18%) San Marcos renters experienced displacement—having to move from a home when they did not want to move. Figure III-10 presents the proportion of San Marcos renters who experienced displacement in the past three years due to four of the most common factors:

rent increases, flood damage—including damage from the 2015 Flood—cost of utilities, and landlord selling the home. In addition to these factors, personal reasons (e.g., divorce, relationship changes, conflict with roommates), are another common reason for displacement, impacting about 17 percent of San Marcos residents who experienced displacement.

- Nearly half of non-student renters who experienced displacement did so because the rent increased more than their ability to pay.
- Slightly more than one in 10 (13%) non-student renters and six percent of student renters experienced displacement as a result of the 2015 Flood. Hispanic respondents were nearly twice as likely as the average respondent to have been displaced due to the 2015 Flood. Similarly, in focus groups with stakeholders, participants identified Hispanic households as having been disproportionately displaced/impacted by the 2015 Flood.
- Hispanic renters, households with children under 18, and households with incomes of $25,000 up to $50,000 were more likely than the typical renter to experience displacement.
- Hispanic respondents and non-Hispanic non-White respondents are more likely than the typical renter to have been displaced when their landlord sold the rental home.
- Stakeholder focus group participants voiced concern over gentrification causing displacement of residents from the Blanco Gardens and Victory Gardens neighborhoods.

Figure III-10.
Households Experiencing Displacement in the Past Five Years

	Percent Displaced	Reason for Displacement			
		Rent Increased More than I Could Pay	Flooding or 2015 Flood Damage	Could Not Afford Cost of Utilities	Landlord Selling Home
Non-Student Residents					
Homeowners	4%	-	-	-	-
Non-student renters	18%	47%	13%	15%	17%
Resident Students	11%	37%	6%	9%	11%
Race/Ethnicity					
Hispanic	14%	39%	22%	6%	28%
Non-Hispanic Non-White	19%	55%	9%	18%	27%
White	8%	47%	9%	13%	6%
Disability	17%	53%	12%	18%	0%
Large family	8%	-	-	-	-
Children under 18	9%	57%	21%	7%	14%
Seniors	5%	-	-	-	-
Household Income					
Less than $25,000	15%	33%	7%	0%	13%
$25,000 up to $50,000	19%	58%	17%	21%	17%
$50,000 up to $100,000	9%	40%	10%	10%	20%
$100,000 or more	1%	-	-	-	-

Note: - number of respondents experiencing displacement sample size too small to report reasons for displacement.

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

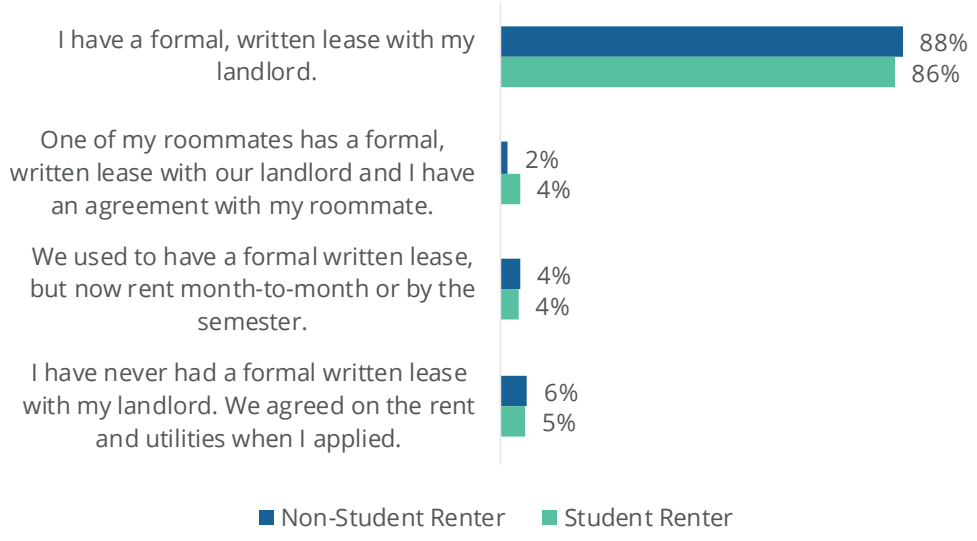
While not the most typical reasons for displacement, changes in household size, eviction, and conversion of rental unit to short-term rentals disparately impacted some populations.

- About one in 15 (7%) San Marcos residents named **changes in household size** (e.g., having children, gaining or losing a roommate) as a reason for displacement, lower than:
  - Households with incomes less than $25,000 (27%);
  - Students (21%);
  - Families with children (21%); and
  - Hispanic residents (11%).

- Overall, 4 percent of San Marcos non-student renters who experienced displacement identified **eviction** as a reason for displacement, much lower rates than other displaced cohorts:
    - Families with children (14%);
    - Hispanic residents (11%);
    - Student renters (9%); and
    - Households with incomes less than $25,000 (7%).
- Overall, one in 20 (6%) of San Marcos non-student residents who experienced displacement said that their landlord **converted their rental unit into a short term or vacation rental unit**. Lower than:
    - Households with incomes from $50,000 up to $100,000 (20%);
    - Households that include a member with a disability (12%); and
    - Students (9%).

Leases and tenant rights. As shown in Figure III-11, student renters are as likely as non-student renters to have a formal, written lease with their landlord. Similarly, about one in 10 renters, regardless of student status, lives in an informal arrangement either with a roommate or the landlord. About one in 20 renters never had a formal lease with their landlord, abiding by a verbal arrangement made at the time of application.

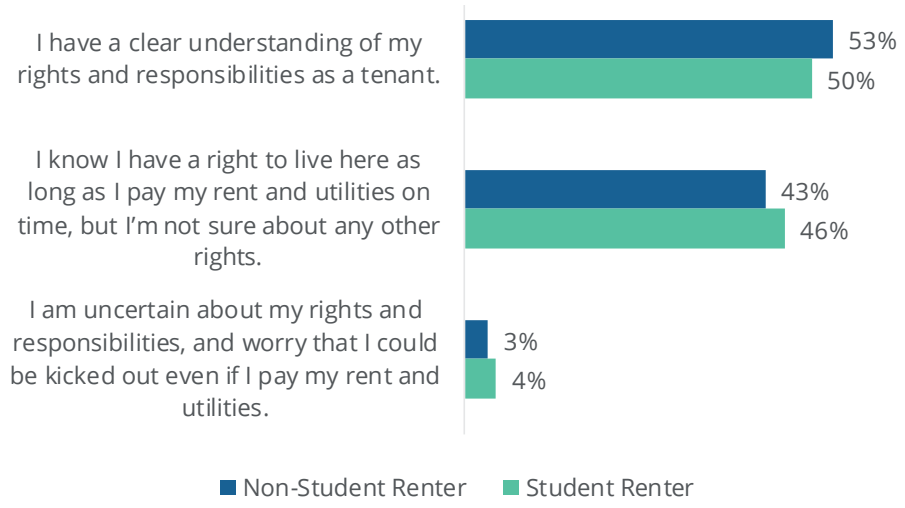
Figure III-11.
Formality of Leasing Arrangement



Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

As shown in Figure III-12, a sizable proportion of both student (47%) and non-student renters (50%) are unclear on some or all of their rights and responsibilities as a tenant.

Figure III-12.
Understanding of Rights as a Tenant

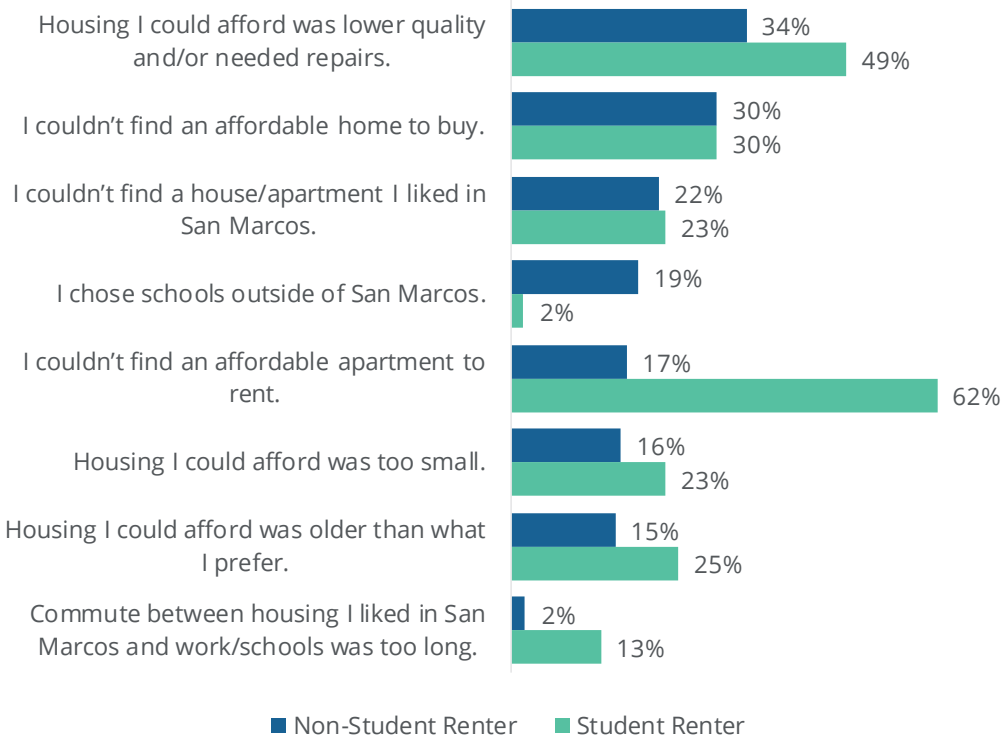


Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

In-commuter preferences. Most of the non-student in-commuters who participated in the survey have worked in San Marcos for at least five years, and two in five have worked in San Marcos for 10 or more years.

Half of non-student in-commuters (53%) and student in-commuters (55%) considered living in San Marcos when they were in the process of choosing their current housing. Among non-student in-commuters who considered San Marcos, one in three chose to live elsewhere because the "housing I could afford was lower quality and/or needed repairs/improvements." Not finding an affordable apartment to rent was the reason the greatest proportion of student in-commuters chose to live elsewhere. In addition to the options shown in Figure III-13, a number of in-commuters shared that they chose to live elsewhere because their spouse works in Austin or San Antonio, and living elsewhere helped to "split the difference" between their commutes.

Figure III-13.
Reasons Why In-Commuters who Considered San Marcos Did Not Choose San Marcos



Note: n=235 non-student in-commuters and n=53 student in-commuters.

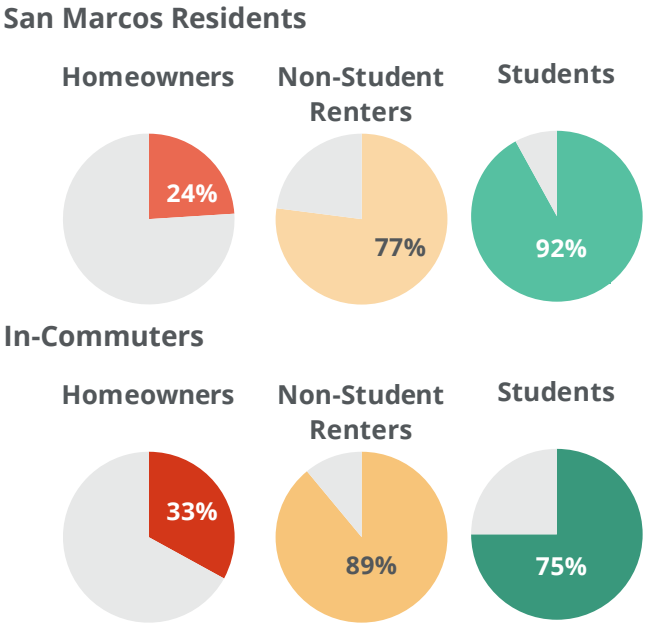
Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

Future Housing Plans

The resident survey included a section asking respondents about their future housing plans.

Want to move. Not surprisingly, both San Marcos and in-commuter renters are more likely than homeowners to plan to move in the next five years, and nearly all student respondents plan to move. Both homeowner and renter in-commuters are more likely than their San Marcos counterparts to plan to move in the next five years.

Figure III-14.
% of Respondents Planning to Move in the Next Five Years



Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

Reasons for wanting to move. Figure III-15 presents the top five reasons why residents who plan to move want to move. The greatest proportion of Both San Marcos and in-commuter homeowners who plan to move want to move to a home with a larger lot or more property. The top reason why renters want to move it to become homeowners. Moving to more affordable housing, whether through buying or renting, is also important to a sizeable share of renters. While a segment of both San Marcos homeowners and non-student renters want to move to another town, in-commuters want to move closer to work. Students are graduating and anticipating a move home or to a new community. Most prospective movers (79%) believe San Marcos offers the type of housing they desire.

Figure III-15.
What is the primary reason you plan to move in the future? Top Five Responses

RESIDENT HOMEOWNERS

1. Want a larger lot/more property
2. I want to move to a different town
3. Want a smaller home/downsize
4. I want to turn my home into an income property and live elsewhere.
5. Want a larger home

IN-COMMUTER HOMEOWNERS

1. Want a larger lot/more property
2. Live closer to place of work
3. Want a larger home
4. Want to retire
5. Family reasons

RESIDENT NON-STUDENT RENTERS

1. I rent and want to own
2. Want a more affordable home to rent
3. Want a more affordable home to buy
4. I want to move to a different town
5. Want a larger home

IN-COMMUTER RENTERS

1. I rent and want to own
2. Want a more affordable home to buy
3. Want a more affordable home to rent
4. Live closer to place of work
5. I want to move to a different town

RESIDENT STUDENTS

1. Graduating and moving home or to a new community
2. Want more affordable home to rent
3. I want to move to a different town
4. Want a larger home
5. I rent and want to own

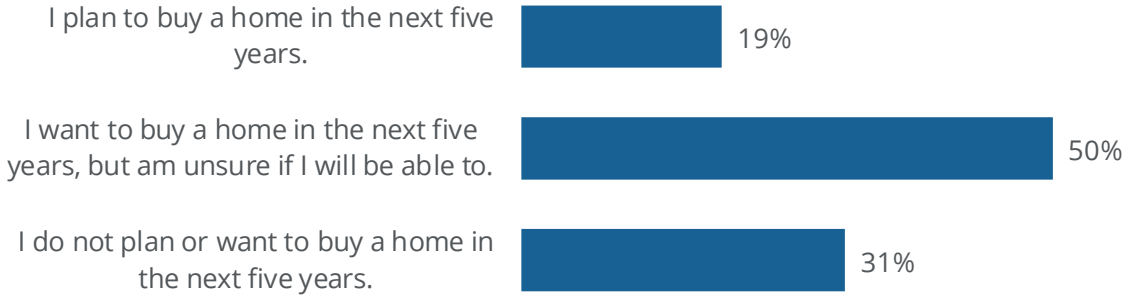
IN-COMMUTER STUDENTS

1. Graduating and moving home or to a new community
2. Want a more affordable home to rent
3. I rent and want to own
4. Family reasons
5. I want to move to a different town

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

Want to buy—resident renters. Among San Marcos non-student renters, one in five plan to buy a home in the next five years, and half would like to buy a home but are unsure they will be able to.

Figure III-16.
Which of the following is most true for you?
San Marcos Non-Student Renters



Note: n=316 San Marcos non-student renters.

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

Reasons prospective buyers continue to rent. When asked why they continue to rent when they want to buy, housing not being affordable where they want to live and lack of a down payment are the top reasons identified by one in five renters respectively. Bad credit or no credit is a factor for about 10 percent of renters who want to buy.

Characteristics of prospective buyers. Figure III-17 presents the demographic and socioeconomic characteristics of San Marcos renters who would like to buy a home in the next five years. It's not surprising that those planning to buy in the next five years tend to be older, have a slightly higher income, and are more likely to live with a spouse/partner than those who want to buy but are unsure they will be able to.

Figure III-17. Characteristics of Prospective Homebuyers (Planning to Buy or Want to Buy)

Note:

n=60 non-student renters who plan to buy and n=159 non-student renters who want to buy, but are unsure they will be able to.

Source:

Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

Prospective Buyer Characteristics	Plan to Buy	Want to Buy
Age		
18 to 24	17%	25%
25 to 34	53%	37%
35 to 44	25%	23%
45 to 54	6%	9%
55 to 64	0%	4%
65 to 74	0%	2%
Income		
Less than $25,000	19%	36%
$25,000 up to $50,000	23%	36%
$50,000 up to $100,000	49%	26%
$100,000 or more	9%	1%
Race/ethnicity		
Hispanic	26%	28%
Non-Hispanic Non-White	12%	14%
White	62%	58%
Children under age 18	13%	16%
Household composition		
Live alone	25%	34%
Live with roommates	19%	39%
Live with spouse/partner	37%	13%
Live with spouse/partner and children	12%	1%

Desire to move to San Marcos—in-commuters. Overall, 58 percent of in-commuters participating in the survey would consider moving to San Marcos in the future. In-commuters who would consider moving to San Marcos are more likely than other in-commuters to be younger renters who recently began working in San Marcos. More specifically, potential new residents are more likely to:

- Rent—78 percent of in-commuter renters would consider San Marcos compared to 52 percent of in-commuter homeowners;
- Be between the ages of 25 to 44;
- Have worked in San Marcos for less than five years; and
- Not have children under age 18.

Those willing to consider moving to San Marcos have the same income profile as in-commuters who would not consider San Marcos.

San Marcos's Housing Spectrum

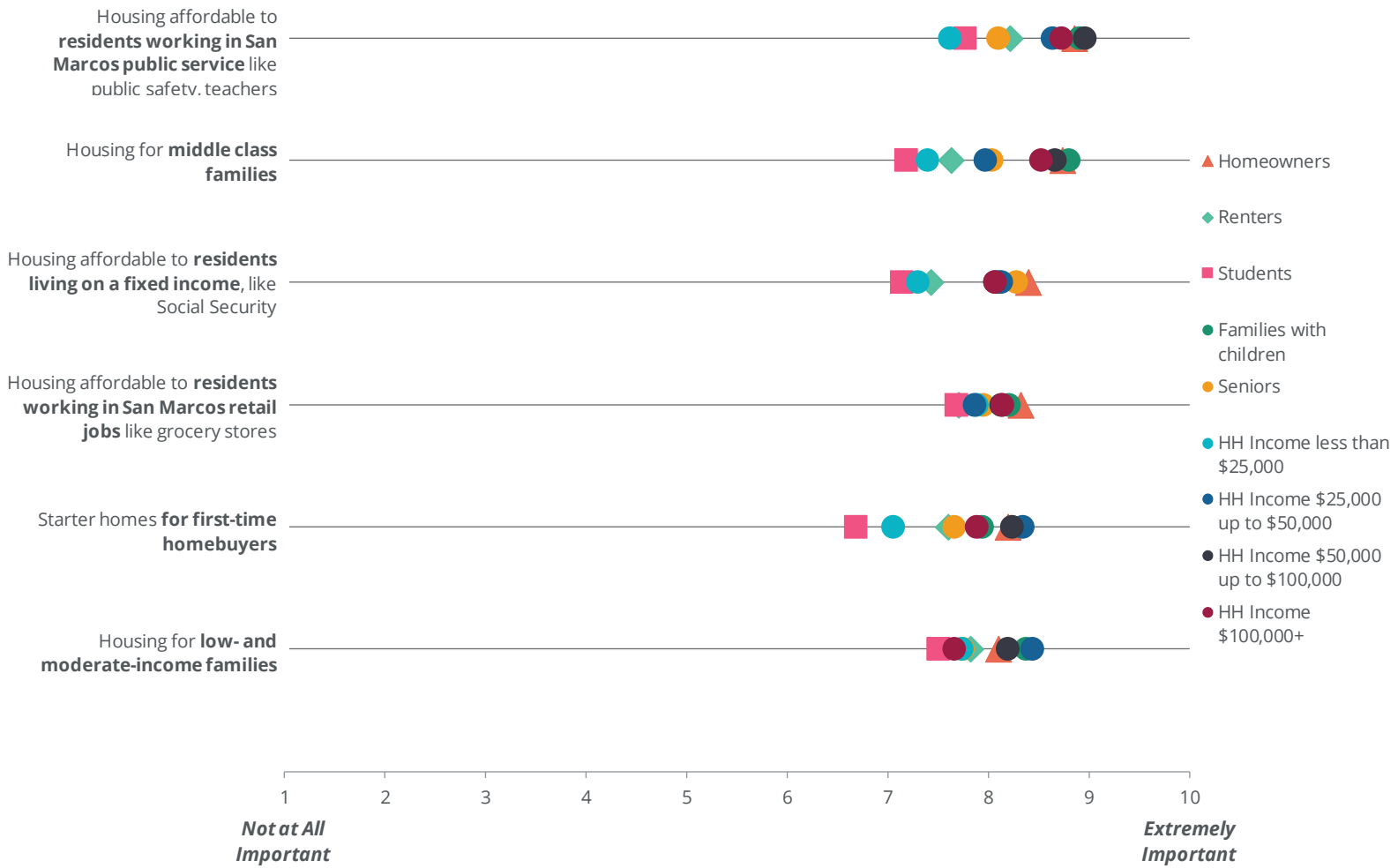
To understand residents' preferences for the composition of San Marcos's housing supply across housing types as well as housing products and affordability for different types of households, the survey posed two key questions. The first asked residents to rate the importance to them personally that the housing supply included housing for different types of residents. The second asked where different types of housing products would be appropriate in San Marcos (if at all).

Composition of San Marcos's housing supply. Residents rated the importance to them that San Marcos's housing supply included housing that would appeal to or be suitable for a number of different types of households. Figures III-18 through III-20 presents those ratings; higher values indicate higher average importance.

The ratings reflect the importance to residents that the San Marcos housing stock be a true mix of housing types accommodating the preferences and incomes of a diversity of residents and households. As shown, San Marcos residents believe it is very important that there is a place for middle class families, public servants, residents living on fixed incomes, the retail workforce, first-time homebuyers, and low and moderate income families, in San Marcos. In general, the ratings are remarkably consistent across different segments of the San Marcos community, especially among the six most highly rated housing types, with minor differences based on tenure and lifestage.

The figures, and housing types, are ordered from the average highest importance rating to the lowest. So, the first housing type on Figure III-18, "housing affordable to residents working in San Marcos public service like public safety teachers," had the highest average importance rating, followed by "housing for middle class families." "Apartments or condos that appeal to college students" and "executive level housing", shown at the bottom of Figure III-20, received the lowest average importance ratings.

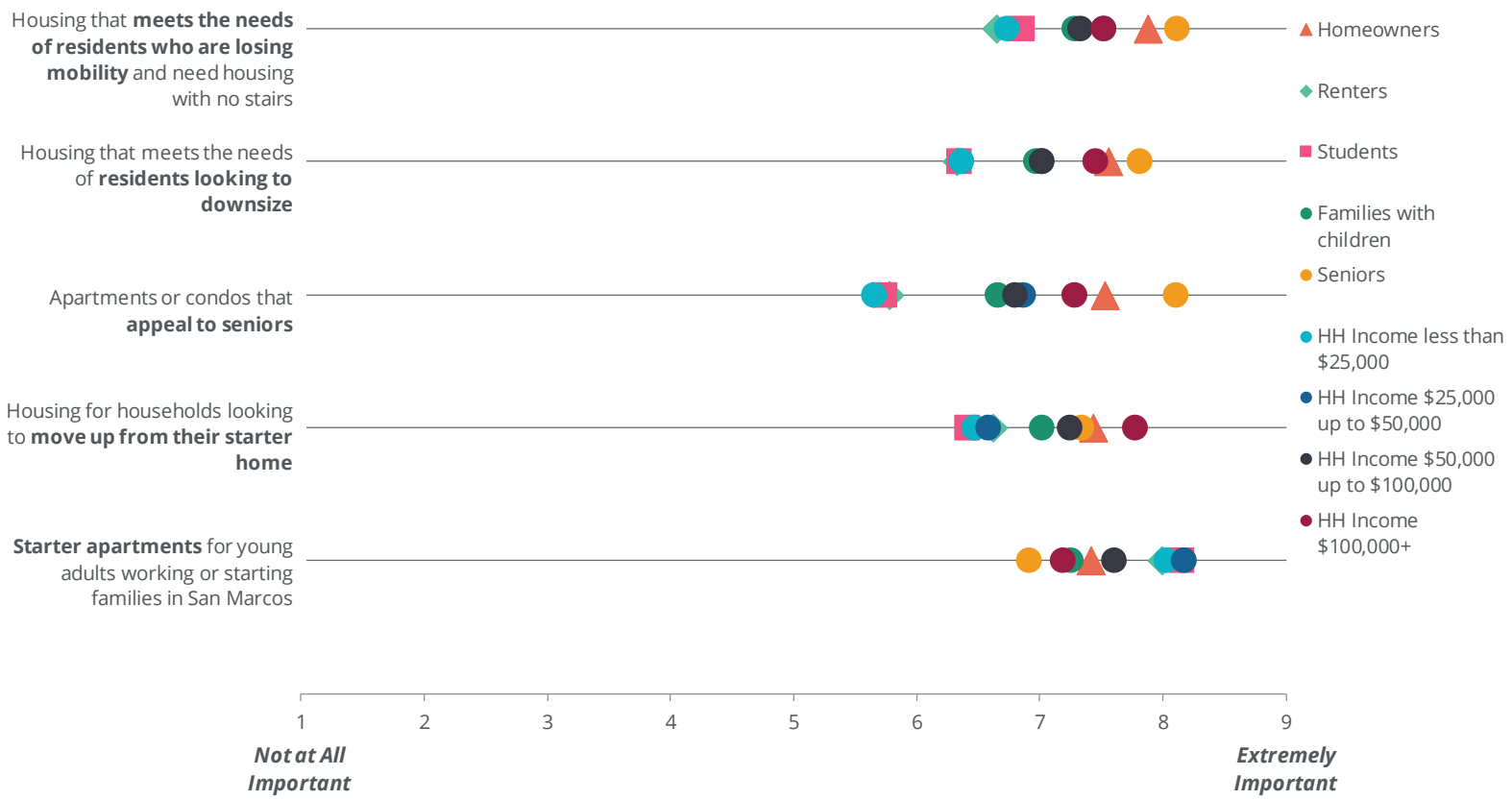
Figure III-18.
On a scale of 1 to 10, where 10 means extremely important and 1 is not at all important, how important to you is it that San Marcos's housing supply includes the following types of homes? Average Importance Ratings



Note: Data for San Marcos residents only. Students are represented in the "Student" category; all other data points are non-students.

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

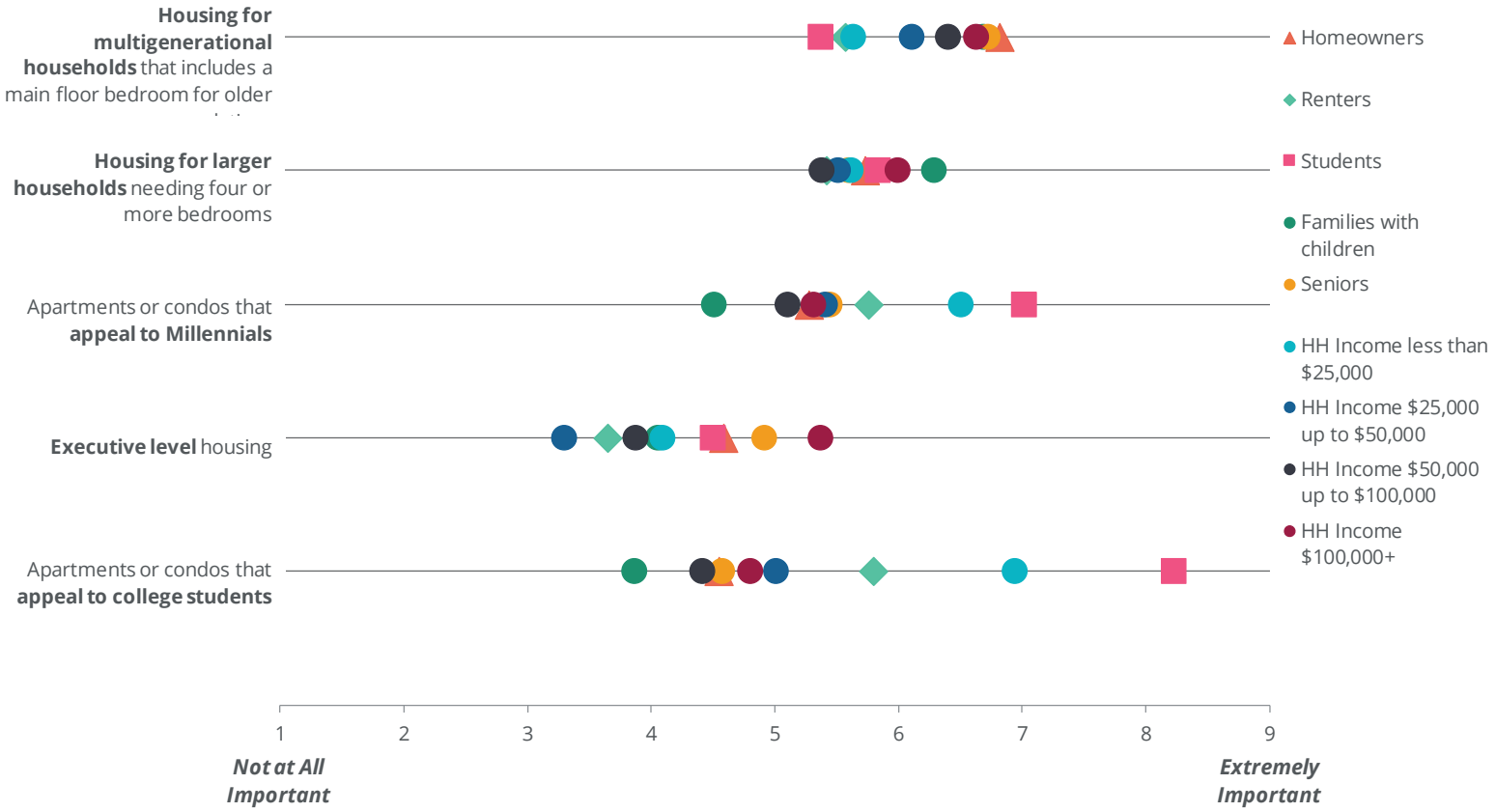
Figure III-19.
On a scale of 1 to 10, where 10 means extremely important and 1 is not at all important, how important to you is it that San Marcos's housing supply includes the following types of homes? Average Ratings



Note: Data for San Marcos residents only. Students are represented in the "Student" category; all other data points are non-students.

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

Figure III-20.
On a scale of 1 to 10, where 10 means extremely important and 1 is not at all important, how important to you is it that San Marcos's housing supply includes the following types of homes? Average Ratings



Note: Data for San Marcos residents only. Students are represented in the "Student" category; all other data points are non-students.

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

Appropriate locations for different housing product types. Residents were asked to consider whether or not different housing types were appropriate in their neighborhood, other San Marcos neighborhoods, or not appropriate in San Marcos. Figure III-21 presents these results; the shaded housing types are the top five rate by the greatest proportion of residents as being appropriate "in my neighborhood".

Housing types/uses "appropriate in my neighborhood":

- Medium-sized single family homes between 1,500 and 3,000 square feet (67%);
- Small homes with less than 1,500 square feet (60%);
- Housing for college students with families (47%); and
- Small lots (5,000 square feet or less) (47%).

Residents are more mixed in their perception of whether or not low density attached products are appropriate in their neighborhood or elsewhere in San Marcos.

Housing types/uses "appropriate in other San Marcos neighborhoods":

- Co-housing or shared communities for seniors (74%);
- Housing for college students who are single or living with roommates (62%);
- Small apartment buildings with nine or fewer units (61%); and
- Apartment buildings up to five stores close to bus stops or major roads.

Housing types/uses "not appropriate in San Marcos. Among all the housing types and uses considered, the two types that generated the greatest proportion of respondents identifying the type as not appropriate in San Marcos were the lowest density and the highest density uses—large single family homes more than 5,000 square feet (27%) and apartment buildings with five or more stories close to bus stops or major roads (36%).

Figure III-21.
Appropriate Locations for Housing Types, San Marcos Non-Student Residents

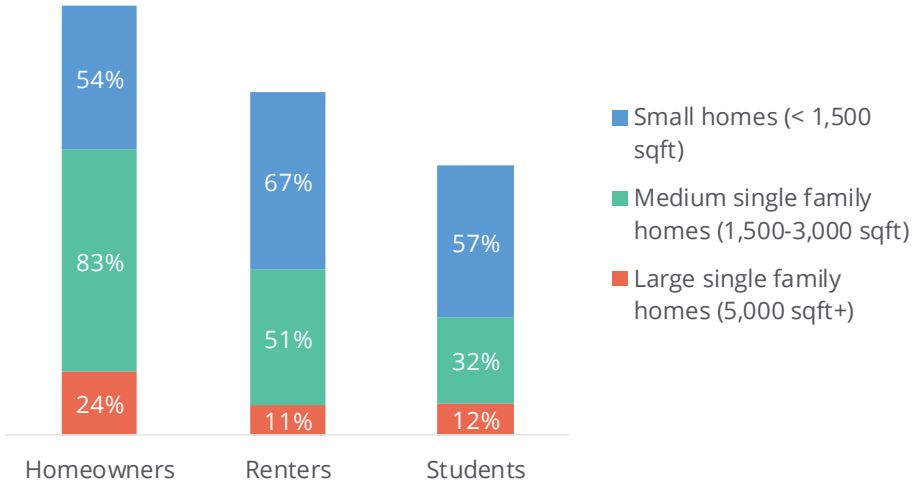
Housing Type	Appropriate in *my* neighborhood	Appropriate in *other* San Marcos neighborhoods	*Not* appropriate in San Marcos
Medium-sized single-family homes between 1,500 and 3,000 square feet.	67%	31%	1%
Small homes with less than 1,500 square feet.	60%	37%	3%
Housing for college students with families	47%	49%	4%
Small lots (5,000 square feet or less)	47%	46%	6%
Medium lots (6,000 to 10,000 square feet)	38%	54%	8%
Accessory dwelling units/granny flats if occupied by family members	38%	54%	8%
Townhomes with the same setback and height as neighboring homes	36%	57%	7%
Duplex homes on the same lot size as neighboring single-family homes	33%	55%	12%
Accessory dwelling units/granny flats if occupied by workers	31%	57%	12%
Tiny Homes (less than 500 sq. ft)	31%	51%	18%
Housing for college students who are single or living with roommates	30%	62%	8%
Accessory dwelling units/granny flats if occupied by students	29%	56%	15%
Large lots a quarter acre or more	28%	58%	14%
Small apartment buildings with 9 or fewer units	28%	61%	11%
Apartment buildings up to 5 stories close to bus stops or major roads	20%	60%	20%
Large single-family homes with more than 5,000 square feet.	18%	55%	27%
Co-housing or shared communities for seniors	18%	74%	8%
Apartment buildings with 5 or more stories close to bus stops or major roads	15%	49%	36%

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

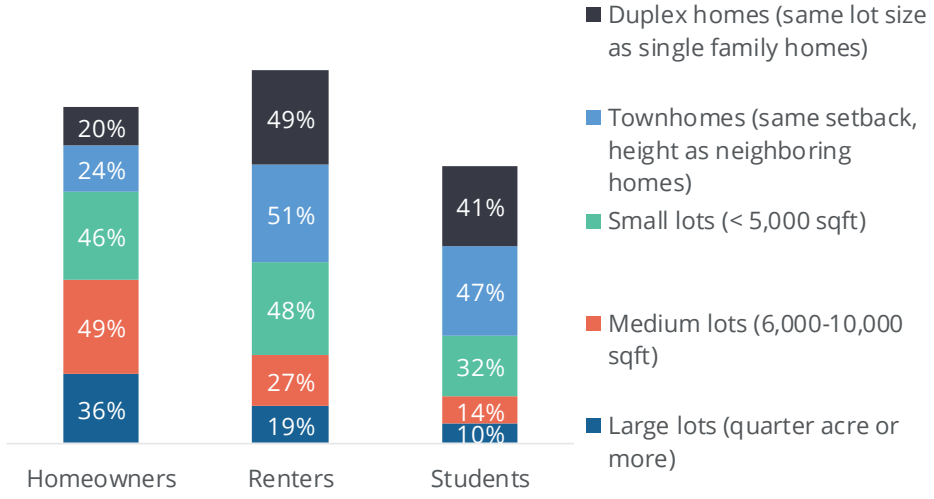
Appetite for density. Figures III-23 and III-24 look at housing types residents considered appropriate in their neighborhood for San Marcos homeowners, non-student renters, and students, and in categories of housing types—single family home size, lot flexibility, apartment buildings, and emerging products. The types of housing deemed appropriate ("my neighborhood") vary. For example, homeowners are twice as likely as renters to think large homes are appropriate in their neighborhood. Renters and students are more apt than homeowners to consider low density products like duplex and townhomes in scale with neighboring homes to be appropriate.

Figure III-23.
Appetite for Density—San Marcos Homeowners, Non-Student Renters, and Renters

Single Family Home Size



Lot Flexibility

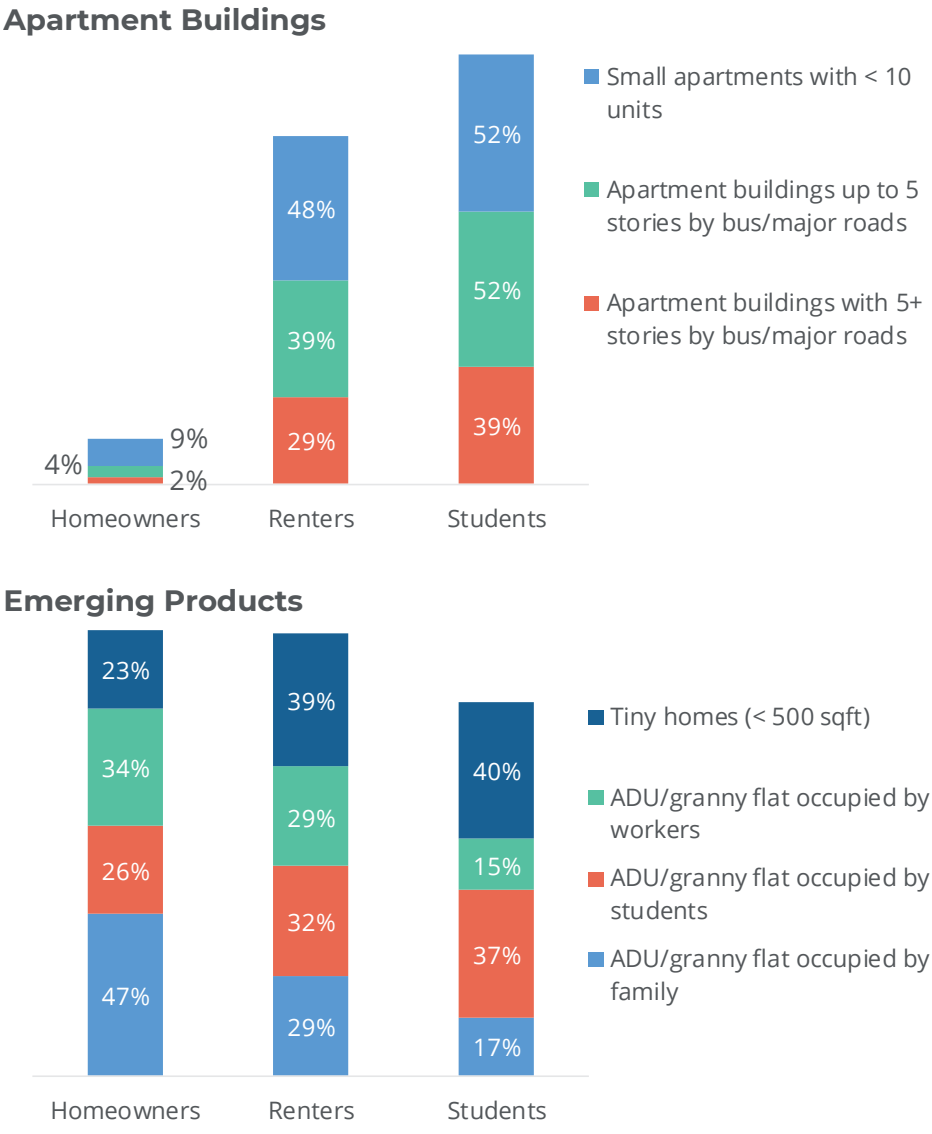


Note: Percent responding yes, the housing type is appropriate in their neighborhood.

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

Not surprisingly, renters and students are significantly more likely than homeowners to think apartment buildings of any scale are appropriate in their neighborhood. Homeowners are most likely to support accessory dwelling units (ADUs) if occupied by family or members of the local workforce than if the units were occupied by students.

Figure III-24.
Appetite for Density—San Marcos Homeowners, Non-Student Renters, and Renters



Note: Percent responding yes, the housing type is appropriate in their neighborhood.

Source: Root Policy Research from the 2019 San Marcos Housing Market Study Survey.

Appetite for density—stakeholder perspectives. As illustrated by resident survey respondents, San Marcos residents, especially homeowners, are not inclined to agree that housing types other than single family homes are appropriate in their neighborhoods. Stakeholders believe that much of the resistance among single family homeowners against more dense development is as a hedge against large student housing developments. Stakeholders note that it is often more feasible to finance student housing than other types

of development; the San Marcos market is becoming saturated with student-oriented products.

Stakeholders' recommendations for producing more naturally occurring affordable homeownership and rental units is to educate residents about land use and to change the narrative around affordable housing. Stakeholder recommendations include:

- **Education** around land use for both city and residents—densities in code are incredibly low;
- Developers want to **partner with the city. "**Let the builders build—the city shouldn't be in the game of development, not their expertise, which is why this partnership is essential."
- **Don't elevate homeownership over rentership** (currently happening because of the students). Also, not everyone should own a home, mortgages can be a burden.
- **Create a different narrative**—what's quality housing in San Marcos? Affordable housing should be an explicit focus of the City.
- Keep lines of **communication open** with developers to inform them of changes in zoning (this will also help streamline the process)
- **Incentives** such as impact fee waivers for workforce, mid-range housing could help maintain affordability. Consider a systemic change for workforce and affordable housing incentives, rather than negotiating on a case by case basis.

Stakeholder Perspectives on Development in San Marcos

In addition to the stakeholder feedback incorporated above, focus group participants offered additional insight into the cost of developing housing in San Marcos and the development process in the city.

Participants discussed the importance of maintaining affordability for both rental and ownership products and discussed how local labor markets and public policies impact the cost of development and incentivize the types of units built.

- **Labor shortage—**Construction costs have "skyrocketed" in San Marcos and the greater region, in part because of a shortage of skilled tradespeople. "Local labor is hard to come by" and many skilled laborers left for opportunities in Houston post-Harvey. Labor constraints delay production from a three to four month timeline to a year.

- **Local policies** like "Neighborhood Density Districts", parking requirements, and code barriers associated with rehabilitation and new construction, "steep" fee structure and high land costs make "development very hard right now" and incentivize construction of high-end, luxury products.

- With respect to **fees**, focus group participants believe there is a mismatch in the fee structure. Both small and large projects have the same fees (broad stroke), making it difficult to build small unit developments. Single family developers are exempt from these fees, which developers feel is not fair.
- **Hydrology studies**—engineers to conduct these are expensive and study costs the same whether its 3 units or 100 units, which discourages smaller developments or makes it financially infeasible. Cost of mitigation based on the results of the study can cost even more than the study itself and be a large barrier. It's not that developers don't care about this type of study. They don't want to build in flood plains, but the costs are overwhelming.
- Although San Marcos is better to work with (from the developer's view) than Austin, the **building permit process is too long** in San Marcos. It is hard for developers to be flexible/nimble with changes in the market because process is so long—pushes timeline out because of changes in zoning. There have been changes in the process over the last three years—developers feel like there has been a change in mentality from a one-stop shop, cooperate process to more of an authoritarian focus. To build anything in San Marcos, "everyone" at the city must sign-off on the process and it makes it long and difficult. Developers believe there are some missed opportunities here because many are turned off by the process.
- **Submission process can be difficult—**must submit to two different people in San Marcos. Developers wish this was more streamlined.
- Issues around **approval process**—developers are afraid of getting blacklisted by the city and city staff doesn't feel comfortable going against city leaders.
- Stakeholders perceive a need for a **public financing vehicle**—something to get innovative projects started (hard to get financing for new concepts like live/work/play developments because there's no proof of concept, yet these would likely thrive in San Marcos).

SECTION IV.

KEY FINDINGS AND ACTION PLAN

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Key Findings and Action Plan

This section summarizes the top housing needs in San Marcos and provides an action plan to address those needs.

Why Work to Address Housing Needs?

A balanced housing stock accommodates a full "life cycle community"—where there are housing options for each stage of life from career starters through centenarians—which in turn supports the local economy and contributes to San Marcos' community culture. Actions that help mitigate price increases, preserve both market-rate and publicly assisted housing affordability, and generate diverse and affordable housing options will also help preserve the culture and identity of the community itself.

As part of the survey conducted for this study, San Marcos residents rated the importance to them that San Marcos's housing supply included housing that would appeal to or be suitable for a number of different types of households. The ratings reflect the importance to residents that the San Marcos housing stock be a true mix of housing types accommodating the preferences and incomes of a diversity of residents and households.

San Marcos residents believe it is very important that there is a place for middle class families, public servants, residents living on fixed incomes, the retail workforce, first-time homebuyers, and low and moderate income families, in San Marcos. In general, the ratings are remarkably consistent across different segments of the San Marcos community.

Top Needs

Primary findings indicate the following core housing needs in San Marcos:

- **Additional affordable rentals for residents earning less than $25,000.** Between 2000 and 2017, the city lost 2,800 private market rentals affordable to households earning less than $25,000 per year due to price increases. At the same time, the city gained 2,230 more residents earning less than $25,000. The loss of affordable rentals and increase in low income households increased the gap between demand and supply of affordable rentals.

  Currently, San Marcos has a shortage of 5,950 rental units priced affordably for renters earning less than $25,000 per year. Those households reflect about 3,190

non-student renter households and 2,760 student renters that do not receive financial assistance from parents to help cover housing costs.

Market indicators suggest that families with children and large households may have a particularly difficult time finding affordable rentals that meet their needs. Only 7 percent of non-student apartments have three or more bedrooms and median rent for three and four bedroom rentals is between $1,300 and $1,450.

- **Displacement prevention.** According to survey results, in the past five years, nearly one in five (18%) San Marcos renters experienced displacement—having to move from a home when they did not want to move. The most common factors were rent increases, flood damage—including damage from the 2015 Flood—cost of utilities, and landlord selling the home.

  Overall, 11 percent of San Marcos residents—12 percent of homeowners and 10 percent of renters—who participated in the survey have a friend or family member living with them due to a lack of affordable rental housing.

  In addition to a lack of affordable housing to rent or buy, stakeholders believe that bad credit and criminal history are barriers to securing housing. As shown in the resident survey, it is not unusual for residents to form large households or to live in multigenerational arrangements to manage housing costs or due to lack of available units; occupancy limits make it difficult for these households to meet the need of their family and comply with this regulation.

- **Starter homes and family homes priced near or below $200,000 and increased ownership product diversity.** San Marcos has experienced substantial increase in home prices since 2000, with particularly sharp increases in the last five years. Median incomes, however, have not kept pace. In 2017-2018, San Marcos' median sale price was $256,600—lower than the Austin metro and some surrounding communities but still out of reach for many San Marcos residents. Stakeholders identified families with household incomes of $60,000 to $80,000 to have the greatest unmet affordable housing need, for both rental and ownership products. The ownership gaps analysis supports this indicated a shortage of homes affordable to households earning $75,000 or less.

  Increasing the variety of product types in San Marcos (smaller single family homes and single family attached products) may help meet this need. Attached homes in San Marcos sell for lower price points and they sell faster than detached homes on average indicating relatively high demand for these more affordable alternative unit types. Median price for attached homes was $180,500 in 2017-2018, compared to $259,000 for detached homes and attached homes averaged 25 days on market before sale compared to 74 days for detached.

San Marcos has a shortage of “missing middle” products, which often serve as a gateway to homeownership for residents. Contributing to this shortage is the difficulty in developing such units in residential neighborhoods in San Marcos due to zoning code barriers.

As illustrated by survey results, San Marcos residents, especially homeowners, are not inclined to agree that housing types other than single family homes are appropriate in their neighborhoods. Stakeholders believe that much of the resistance among single family homeowners against more dense development is as a hedge against large student housing developments. As the City considers efforts to increase ownership product diversity and affordability, it will be essential to help convey the benefits of these products and mitigate existing neighborhood concerns.

- **Improve condition and accessibility of existing housing stock.** Overall about one-third of all renters and 9 percent of owners in the city said their home was in fair or poor condition. Though most residents do live in housing that is in good condition, the need for improvements has a disproportionate impact on vulnerable populations. For example, San Marcos families with children under the age of 18 who rent (49%) and renters whose household includes a member with a disability (44%) are more likely to assess their housing as in fair or poor condition than other groups.

  Two in five San Marcos residents with disabilities and in-home accessibility needs (43%) live in housing that does not meet their accessibility needs. The most common accessibility improvements needed were ramps, grab bars in bathroom, and wider doorways.

  Working to improve condition and accessibility will help serve existing residents but also attract new residents to the city. Among non-student in-commuters who considered San Marcos, one in three chose to live elsewhere because the “housing I could afford was lower quality and/or needed repairs/improvements.”

Addressing Needs

<placeholder for final goals/strategies as developed by the task force>