

The San Marcos Housing Task Force was formed in September of 2018 with the purpose of assisting the City Council in developing a strategic action plan aimed at addressing the continuum of housing needs in San Marcos. Through its work over the past several months, the Task Force has identified a number of potential Development Code Amendments to address the housing need in San Marcos. This report describes both interim and comprehensive development code amendments. Interim amendments are being proposed as part of the 2019 annual update. Comprehensive amendments will be further explored by the community and task force prior to inclusion in the Strategic Housing Action Plan and includes a recommended public process for vetting these proposals.

Housing Task Force Development Code Report

May 1, 2019



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LETTER FROM THE HOUSING TASK FORCE

Overview

The San Marcos Housing Task Force was formed in September of 2018 with the purpose of assisting the City Council's Workforce Housing Committee develop a strategic action plan to address the housing needs in San Marcos. As a first step, a Housing Needs Assessment and community survey were conducted by Root Policy Research. The Needs Assessment and community survey, including over 2,000 respondents, identified four key findings. To address these needs the San Marcos Housing Task Force has identified four overarching goals and a working draft of strategies and actions. The four goals include:

1. **Expand opportunities for housing,**
2. **Preserve and enhance existing housing stock,**
3. **Leverage community and regional partners, and**
4. **Quantify and meet the housing needs of current and future residents.**

The Task Force will be working closely with the community over the next several months through a series of public input and feedback sessions to improve and refine the working draft of strategies and actions into a strategic housing action plan for the City of San Marcos. Prior to completion of this action plan, the Task Force is proposing a limited list of interim development code amendments to help address the most immediate barriers and help meet the needs identified in the City's Needs Assessment.

Needs Assessment Findings:

The Needs Assessment included the following primary findings:

- **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. As a result, San Marcos has a shortage of 5,950 rental units priced affordably for renters earning less than \$25,000 per year.
- **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.
- **Homes priced near or below \$200,000 and increased ownership product diversity** - San Marcos has experienced a 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. 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. 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 the lack of appropriately zoned properties.
- **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. Working to improve condition and accessibility will help serve existing residents but also attract new residents to the city. Among non-student 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.”

Annual Development Code Update

The current San Marcos Development Code was adopted in April of 2018. The City committed to annual updates to the development code in order to “eliminate vague, or unclear language and ensure that the code remains current with the needs and desires of the community.” Recommendations for updates are due by the end of April which is well before the strategic housing action plan will be finalized. Therefore, the Task Force is proposing two sets of proposed amendments Interim and Comprehensive.

- **Interim Amendments** include simple steps and small modifications in development processes and ordinances that can remove barriers and encourage more affordability in San Marcos with limited disruption to current development processes and regulations.
- **Comprehensive Amendments** include those that need more time for community input and vetting. These will be introduced further on in this report and may be included as part of the Strategic Housing Action Plan process.

PROPOSED INTERIM AMENDMENTS

POLICY LEVEL RECOMMENDATIONS	CODE SECTION
<ul style="list-style-type: none"> • Analyze the impact of all proposed development code amendments on the key findings from the San Marcos Housing Needs Assessment. Amendments that may exacerbate the identified housing needs should be discouraged. 	N/A
<ul style="list-style-type: none"> • Include whether the proposed development is addressing affordability as defined in the needs assessment as one of the criteria to be considered during a zoning change request. 	Sec. 2.5.1.4
ADMINISTRATIVE / PROCESS RECOMMENDATIONS	
<ul style="list-style-type: none"> • Promote the existing affordability incentives introduced in 2018 with the adoption of the new San Marcos Development Code through the development and promotion of a user’s guide. 	N/A
<ul style="list-style-type: none"> • Develop a “Clear Path” permitting process as an incentive for projects that include affordability. 	Sec. 4.3.1.3
<ul style="list-style-type: none"> • Include a waiver of permitting fees as an incentive for projects that include affordability. 	Sec. 4.3.1.3
TECHNICAL RECOMMENDATIONS (Represent barriers to diverse housing types)	
<ul style="list-style-type: none"> • Exempt smaller lot and infill development from the Lot Width to Depth requirements. 	Sec. 3.6.3.1
<ul style="list-style-type: none"> • Modify the parking requirements for Accessory Dwelling Units so that the additional required parking space is allowed in the second layer in addition to the third layer of the lot. 	Sec. 4.4.6.1
<ul style="list-style-type: none"> • Modify the definition of RV and Manufactured Home Parks to include Tiny Homes and adopt Appendix Q of the 2018 International Residential Building Code to facilitate the construction of Tiny Homes on residential lots. 	Sec. 5.1.5.7 & Sec. 7.6.1.1 & Building Code

COMPREHENSIVE CODE AMENDMENTS TO ADDRESS THE KEY FINDINGS FROM THE NEEDS ANALYSIS

The following comprehensive amendments have been discussed by the task force for potential inclusion in the strategic housing action plan. These amendments have been designed to address the key findings from the needs assessment and will be reviewed, revised and vetted over the next several months. This is also not an exhaustive list as additional solutions and strategies may emerge during the process.

ADDITIONAL AFFORDABLE RENTALS FOR RESIDENTS EARNING LESS THAN \$25,000

- Create Opt-In Zoning District Overlays that allow a property owner to opt-in to a more intense zoning district in exchange for a certain percentage of affordable units.
- Develop a Voluntary Inclusionary Zoning Program that provides incentives such as increased density, reduced parking, fee waivers, additional height and clear path permitting processed in exchange for a certain percentage of affordable units.

DISPLACEMENT PREVENTION

- Modify the Occupancy Restrictions to mitigate the effects of the ordinance on nontraditional or flexible living arrangements such as unmarried adults buying a home together, coop or other intentional living models of housing, intergenerational living, and artist/DYI space housing.

HOMES PRICED NEAR OR BELOW \$200,000 AND INCREASED OWNERSHIP PRODUCT DIVERSITY

- Create Opt-In Zoning District Overlays that allow a property owner to opt-in to an equivalent Neighborhood Density zoning district to provide diverse forms of ownership opportunities in Infill Neighborhoods in exchange for a certain percentage of affordable units.
- Remove barriers within conventional residential zoning districts such as SF-6 to encourage diverse housing types within existing neighborhoods. Barriers to be addressed include minimum lot sizes, parking requirements, allowable building types, and density.
- Remove barriers in the development process for small scale residential development within existing neighborhoods such as watershed protection plans and complete site permits. Process these projects similarly to a single family home or duplex on an infill lot.
- Require all new larger scale residential communities to use character districts in order to deliver more diverse housing options and improved development standards.
- Modify or waive the watershed and site planning requirements and processes for small residential projects of less than 6 to 9 units to better reflect the environmental impact of smaller scale projects, minimize cost, and encourage missing middle housing types.

IMPROVE THE CONDITION AND ACCESSIBILITY OF EXISTING HOUSING STOCK

- Modify the Rental Registration program to focus the program on the condition of rental units while balancing continued affordability.

CURRENT INCENTIVES FOR AFFORDABILITY

Background

The San Marcos Development Code was adopted in April of 2018. During the re-write process encouraging affordable housing was brought up as an important element of the development code. As a result of this feedback an affordable housing section was added as part of the third draft of the code. Following is a description of the code elements.

Available Incentives

Under the code, incentives are available for developments that elect to incorporate affordable or workforce housing into the development. The three incentives include:

- **Bonus Density** – A Bonus Density is allowed for developments where at least ten percent of the units are affordable. The Bonus is an increase to the maximum density for the site based on the percentage of affordable units being provided within the development.
- **Additional Stories** – Incorporating affordable or workforce housing into a residential development is one of the criteria that is considered when the City Council considers a request by a developer to increase the number of stories allowed.
- **Reduced Parking** – Residential developments that elect to incorporate affordable or workforce housing are eligible for a reduction in the number of parking spaces to 1 per unit.

MAXIMUM DENSITY = 100 UNITS
AFFORDABLE HOUSING UNITS = 12 UNITS (12 PERCENT)
DENSITY BONUS = 24 PERCENT (100 x .24 = 24 UNITS)
TOTAL UNITS = 124 UNITS

TABLE 4.11 DENSITY BONUS

PERCENT AFFORDABLE UNITS	AFFORDABLE HOUSING BONUS	WORKFORCE HOUSING BONUS
10%	20%	10%
12%	24%	12%
14%	28%	14%
16%	32%	16%
18%	38%	18%
20% or more	45%	20%

Eligibility Requirements:

In order to qualify for the incentives under this section the affordable or workforce housing that is offered must meet several requirements including

- **Period of Affordability** – For-Sale and Rental products receiving incentives under this section must remain affordable for a period of at least 30 years.
- **Eligible Households** – Affordable and Workforce Housing must meet the following requirements with regards to eligibility:
 - Affordable Housing is for households earning no more than 80% of the median family income.
 - Workforce Housing is for households earning no more than 140% of the median family income.
 - Not located in a purpose built student housing complex
 - Targeted to residents that are 22 years of age or older
- **Location Efficient Areas** – Affordable and workforce housing must be located in an area that is accessible and convenient.
- **Dispersal of Units and Construction Phasing** – When affordable and workforce housing is incorporated within a development it must be dispersed throughout and not built as the last units.
- **Enforcement:** Prior to a building permit being issued restricted covenants and deed restrictions shall be filed.