

**RESOLUTION NO. 2014-102R**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN MARCOS, TEXAS ADOPTING THE 2014 ANALYSIS OF IMPEDIMENTS TO FAIR HOUSING CHOICE ACTION PLAN; AND DECLARING AN EFFECTIVE DATE.**

**RECITALS:**

1. The U.S. Department of Housing and Urban Development (“HUD”) requires that cities receiving federal housing funds conduct an Analysis of Impediments (“AI”) to fair housing choice and take appropriate actions to overcome the effects of any impediments identified through the AI.

2. In accordance with HUD requirements, the City has developed an Action Plan to address impediments identified through the AI.

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

**PART 1.** The attached 2014 Analysis of Impediments to Fair Housing Choice Action Plan is hereby approved.

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

**ADOPTED** on July 15, 2014.

  
Daniel Guerrero  
Mayor

Attest:

  
Jamie Lee Pettijohn  
City Clerk

# 2014 Analysis to Impediments to Fair Housing Choice Action Plan

## **Background**

The San Marcos City Council approved the *2013 Analysis of Impediments to Fair Housing Choice (AI)* on June 18, 2013 through the adoption of Resolution No. 2013-88R. The AI was prepared by the consulting firm of J-QUAD Planning Group, from Addison Texas.

The City is committed to furthering fair housing and addressing the impediments that were identified in the AI. The following Action Plan outlines the City's plan for addressing the identified impediments. The City will report its progress each year in the CAPER.

### **Impediment 1. Lack of affordability**

"Lack of affordability, that is households having inadequate income to acquire housing currently available in the market, may be the most critical impediment faced by all households in San Marcos."

#### **Goal 1. Expand the housing stock of affordable housing**

Strategy 1. Offer an Infill Housing program to provide incentives to developers to build and sell housing that meets the program's standard for affordability.

Strategy 2. Purchase and/or donate property to non-profit builders (such as Habitat for Humanity) for construction of affordable housing.

Strategy 3. Reduce the cost of constructing affordable housing through policies that waive or reduce development permit fees and impact fees.

#### **Goal 2. Continue / expand homebuyer assistance programs**

Strategy 1. Provide direct homebuyer assistance through programs that provide down payment and/or closing cost assistance to targeted homebuyers.

Strategy 2. Place links to other, non-City homebuyer programs on the "Housing" page of the City's website.

### **Impediment 2. Insufficient income for the local cost of housing**

#### **Goal 1. Reduce living expenses to allow more funds to be available for rent/mortgage payments**

Strategy 1. Sponsor and support programs that encourage energy efficiency.

Strategy 2. Seek sources for weatherization grants that could be available to San Marcos residents. If not sponsored / offered by the City, links to more information should be added to the "Housing" webpage.

Strategy 3. Support non-profit organizations that assist low income persons with paying utility bills.

#### **Goal 2. Increase the number of jobs in San Marcos that pay a living wage and provide benefits**

Strategy 1. Work with the Chamber of Commerce, Greater San Marcos Partnership, and other economic development organizations to encourage the location of new businesses or the expansion of existing businesses in San Marcos.

**Goal 3. Assist low income homeowners with rehabilitation expenses**

Strategy 1. Provide funding for homeowner occupied rehabilitation programs.

Strategy 2. Maintain a list of organizations that may provide assistance with minor rehabilitation or accessibility projects and make it available to persons needing assistance.

**Impediment 3. Lack of public awareness of fair housing rights**

**Goal 1. Provide fair housing education and outreach activities**

Strategy 1. Host an annual Fair Housing Workshop targeted toward those working in the housing industry.

Strategy 2. Host or participate in homebuyer education workshops that include fair housing as one of the covered topics.

Strategy 3. Increase public awareness of their fair housing rights through a number of outreach actions including maintaining an up-to-date Fair Housing section on the website, adding contact information to all housing brochures; publishing information ads periodically; and issuing an annual Fair Housing Month proclamation.

Strategy 4. Periodically survey the community to assess any changes in general knowledge and familiarity with fair housing rights. Review fair housing complaint data from all available sources to see if any new patterns emerge.

**Goal 2. Develop fair housing outreach activities targeted to youth**

Strategy 1. Host a Fair Housing Poster Contest and provide participants with fair housing basics.

Strategy 2. Offer bilingual Fair Housing posters to SMCISD to post in each school.

**Goal 3. Maintain an up-to-date City of San Marcos Fair Housing policy**

Strategy 1. Conduct a periodic review of the City's Fair Housing Ordinance/Policy to ensure that it complies with current federal fair housing policy guidelines.

Strategy 2. Provide opportunities for City staff to participate in Fair Housing training programs.

Strategy 3. Ensure that all personnel who work with housing programs have a thorough understanding of fair housing regulations.

**Goal 4. Increase awareness of fair housing rights and resources in the young adult population**

Strategy 1. Work with Texas State University and apartment locator services to disseminate fair housing information to their clients / students.

Strategy 2. Make Fair Housing Rights information available to new utility customers.

**Impediment 4. Impact of subprime lending practices / increased foreclosures**

**Goal 1. Increase public awareness of available programs that help reduce mortgage default rates**

Strategy 1. Update "Housing" website page to add resources for people facing foreclosures, such as the FHA Resource Center, contact information for housing counseling agencies, and HUD's webpage regarding Predatory Lending.

Strategy 2. Include the *Don't be a Victim of Loan Fraud* fact sheet and/or brochure in all housing incentive applications.

Strategy 3. Review HMDA data annually to see if there appears to be disparities in loan originations and interest rates among borrowers of different protected classes exist. If problems are found, target education focus toward those classes having issues.

**Impediment 5. Impact of predatory lending**

**Goal 1. Increase public awareness about predatory lending practices**

Strategy 1. Include Predatory Lending prevention information on “Housing” page of City website.

Strategy 2. Conduct surveys of homebuyer incentives after the loans close regarding their experiences with the homebuyer process.

**Impediment 6. Low income residents have limited resources to maintain homes and neighborhood stability**

*Note: Actions covered under the Lack of Affordable Housing impediment may also address this impediment*

**Goal 1. Support programs that help maintain neighborhood stability**

Strategy 1. Sponsor neighborhood cleanup activities.

Strategy 2. Support the Texas State annual *Bobcat Build* community service project

Strategy 3. Identify and take steps to require removal or repair of substandard structures, which may include providing funding for demolition and clearance activities.

**Goal 2. Support programs that provide opportunities for neighbors to work together to improve the appearance of their neighborhood**

Strategy 1. Allow City-owned vacant lots to be used for community garden projects.

Strategy 2. Support “Adopt a Spot” programs such as the *Keep San Marcos Beautiful Program*.

Strategy 3. Host / support free or low-cost programs that make it convenient to clean up properties such as the Brush Drop Off, Household Hazardous Waste Collection Site, and Green Guy Recycling program that accepts tires, Freon-containing appliances, and electronics.

Strategy 4. Host / support community events that improve neighborhoods such as Texas Trash Off, National Planting Day, and Texas Arbor Day

**Goal 3. Reduce rehabilitation costs through fee waivers**

Strategy 1. Continue policy of waiving construction permit fees for CDBG-funded rehab programs and for Public Housing Authority projects.

## **Section 6: Impediments to Fair Housing and Remedial Actions**

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### **Introduction**

This section draws on the information collected and analyzed in previous sections to provide detailed analyses of fair housing impediments in San Marcos. Five major categories of impediments were analyzed: Real Estate Impediments; Public Policy Impediments; Neighborhood Conditions as Impediments; Banking, Finance, and Insurance Related Impediments; and Socioeconomic Impediments. For each impediment identified, issues and impacts are detailed. Remedial actions are suggested to address impediment. Some remedial actions recommended in this section are conceptual frameworks for addressing the impediments. These actions will require further research, analysis, and final program design by the City of San Marcos for implementation.

Evaluating fair housing is a complex process involving diverse and wide-ranging considerations. The role of economics, housing markets, and personal choice are important to consider when examining fair housing. The effects on persons of a particular race, ethnicity, or members of the protected classes under fair housing law are comparatively analyzed to determine any disparities. San Marcos has relatively few impediments to fair housing. However, some issues were identified.

The City of San Marcos' commitment to furthering affordable housing, community initiatives, planning and CDBG funded service program design and implementation is noteworthy. These efforts will continue to improve and help maintain stability, and strengthen its older and lower income areas. The City and its nonprofit partners are encouraged to expand these efforts into other neighborhoods as a primary means of expanding fair housing choice. The impediments identified in this section can be directly linked to and supported by data and analysis from the previous sections. In some instances, footnotes have provided links to the corresponding sections should the reader need to refer to those sections for more details.

## 6.1 Real Estate Impediments

**Impediment:** Lack of affordability and insufficient Income.

**Issues:** Lack of affordability, that is households having inadequate income to acquire housing currently available in the market, may be the most critical impediment faced by all households in San Marcos. The median housing value in the city was \$121,700 and the median contract rent was \$644 between 2006 and 2010.<sup>1</sup> The average income required to qualify for a mortgage based on the median home price of \$121,700 is approximately \$32,000 to \$40,000 in household income and the average income to qualify for a contract rent of \$644 is \$28,000 to \$30,000. When you factor in housing related expenses other than mortgage or rent payments such as taxes, insurance, and utilities, home ownership and rental housing is not attainable to many in the City. In fact, an estimated 49.4 percent of White households, 35 percent of African-American households and 45.2 percent of Hispanic households have incomes of less than \$25,000. The entire City of San Marcos is comprised of census tracts where the majority of household incomes are below 80% of the area median, making the entire City eligible under HUD guidelines for Community Development Block Grant funding.

The modal income class, the income classes with the highest number of households, for Whites was the less than \$10,000 category with 20.9 percent of Whites in this income range. The modal income class for Hispanic households was the \$15,000 to \$24,999 range with 18.0 percent of households in this range. The most frequently reported income for African-American households was also the less than \$10,000 range with 26.2 percent of households in this range.

According to the 2006 - 2010 ACS estimates, the median household income was \$25,492 for White households, \$28,733 for Hispanic households, and \$29,877 for African-American households, compared to \$26,734 for the overall city. We do acknowledge that median and modal income are not the only factors to be considered in an assessment of persons ability to qualify for mortgages and that other indicators and underwriting criteria are important. It is also noteworthy that we found no disparate impacts relative to income for the protected class members. However the median and modal income for each of the three major racial/ethnic groups and for the city underscores that many earn incomes that are insufficient to acquire housing in the current market regardless of race or ethnicity, and resulting in a significant cost burden for others.

One of the most revealing indicators that income limitations are impacting a persons' ability to obtain housing of their choice is the category of homeownership. According to the 2006 - 2010 ACS data, homeownership rate among Whites was 25.1 percent, compared to 31.3 percent among Hispanics, and 28.3 percent among African-Americans. Again, our analysis noted that White households had lower homeownership rates compared to minorities, and no disparate impact on homeownership rates based on race and ethnicity. All three groups are experiencing similar percentages of their population becoming homeowners.

We therefore have identified a shortage of affordable housing as a primary impediment to fair housing in San Marcos. In addition to lack of income, other wide ranging and interconnected issues influence the development, pricing and affordability of housing. These issues include the rapidly rising cost of land, materials, and construction; development fees; or the investment needed to rehabilitate substandard housing. Focus group participants voiced particular concern that the supply of affordable homes for working families were in short supply in the areas where they are needed which is only adding to the overall affordable housing shortage.

**Impacts:** Affordable housing impacts the structure and stability of neighborhoods. Income diversified neighborhoods and neighborhoods that are accessible to a mix of incomes have shown a greater potential to maintain themselves as a viable community. That is, people are most likely to maintain housing they own or when it is their housing of choice. In 2010, there were low percentages of homeownership among all races and ethnicities<sup>2</sup>. Most important, a declining housing market and the lack of income to acquire housing limit housing choice and increase the probability of cost burdens. To the extent that household income correlates to housing value, this limitation is even greater<sup>3</sup>. The Census data reveals high percentages of the city's overall population fall into the lowest income groups and household incomes are insufficient to qualify for the housing in San Marcos at any price without public assistance<sup>4</sup>. An analysis of household income and cost burden suggests that there is a strong need for additional affordable housing to meet the needs of lower-income households in the City.

Without adequate affordable housing, San Marcos households have also shown higher incidents of cost burdened with regard to their monthly mortgage (principal, interest, taxes, insurance, and utilities) or rent payments for all income groups<sup>5</sup>. Based on 2006 – 2010 ACS data the cost of housing has drastically increased. While the 2010 median household income increased between 2000 and 2010, for many households, it was lower than the income required to acquire the median home priced at \$121,700 and the median contract rent at \$644 in 2010.

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<sup>1</sup> Community Profiles page 20.

<sup>2</sup> 2006 – 2010 ACS Census homeownership rates for the City of San Marcos, page 21 of the Community Profiles.

<sup>3</sup> Fair Housing Index Table 5.1 on page 85, shows a strong correlation between lower income groups relative to housing values and rents.

<sup>4</sup> 2006 – 2010 ACS Census, Table 1.3 on page 11.

<sup>5</sup> Comprehensive Affordability Strategy (CHAS) data presented in Table 1.11 on page 28 of the Community Profile in year 2010.

**Remedial Actions:** San Marcos should continue to work with local banks, developers and non-profit organizations to expand the stock of affordable housing. The City has had success with its partnerships with banks and non profits in leveraging federal funds with additional funding for affordable housing from non entitlement fund sources. A continuation of these efforts should increase the production of new affordable housing units and assistance toward the purchase and renovation of housing in existing neighborhoods. Greater emphasis should also be placed on capacity building and technical assistance initiatives aimed at expanding non-profit, faith based organizations and private developers' production activities in the City. Alternative resources for housing programs should be sought from Fannie Mae, U.S. Department of Treasury Community Development Funding Institution (CDFI) program, Federal Home Loan Bank and other state and federal sources.

It is recommended that the City aggressively seek resources and explore opportunities to expand funding for first time homebuyer mortgage assistance program. This would support eligible person in the market in acquiring affordable housing within the community and support those responsible for providing financing and engaged in affordable housing development.

In an effort to expand local resources, we also recommend that the City initiate an effort to research and consider one particular policy change, inclusionary zoning, as one alternative means of promoting balanced housing development. Inclusionary zoning has been used in other communities to ensure that some portion of new housing development is affordable. As housing prices rise, low to moderate-income residents may be displaced or unable to afford new housing in mixed income areas of the City without the use of Inclusionary Zoning provisions. Mixed-income housing broadens access to services and jobs and provide opportunities

for lower-wage earning families to buy homes in appreciating housing markets and, as a result, accumulate wealth.

**Inclusionary Zoning**, also known as **inclusionary housing**, can be implemented by enacting provisions in the local Zoning or Development Ordinances that require a given share of new construction houses be affordable to people with low to moderate incomes. The term *inclusionary* zoning is derived from the fact that these ordinances seek to counter *exclusionary* zoning practices which aim to exclude affordable housing from a jurisdiction through the zoning code. In practice, these policies involve placing restrictions on 10% - 30% of new houses or apartments in a given development in order to make the costs of the housing affordable to lower income households. The mix of "affordable" and "market-rate" housing in the same neighborhood is seen as beneficial by many, especially in jurisdictions where housing shortages have become acute. Inclusionary Zoning is becoming a common tool for local jurisdictions in the United States to help provide a wider range of housing options than the market provides on its own. The zoning code must be amended to include this provision and can also be applied when residential planned unit development zoning is requested. Implementation is triggered at the building permitting phase. Inclusionary Zoning could increase the resources for affordable housing through private developer built units or developer dollars allocated in lieu of building units. Inclusionary Zoning could also generate additional resources for affordable housing since the federal grant programs cannot address all of the City's needs for affordable housing. Based on the current level of build out in the City and limited development opportunities, it is recommended that the City consider Inclusionary Zoning in its future development plans.

**Inclusionary Zoning Ordinances** vary substantially between jurisdictions. These variables can include:

- Mandatory or voluntary ordinance. While many cities and counties require inclusionary housing, many more offer zoning bonuses, expedited permits, reduced fees, cash subsidies, or other incentives for developers who voluntarily build affordable housing.
- A percentage of units dedicated as inclusionary housing. This varies quite substantially between jurisdictions, but appears to range between 10-30%.
- Minimum size of development that the ordinance applies. Most jurisdictions exempt smaller developments, but some require that even developments incurring only a fraction of an inclusionary housing unit pay a fee.
- Whether inclusionary housing must be built on site. Some programs allow housing to be built nearby, in case of hardship.
- Whether fees can be paid in lieu of building inclusionary housing. Fees-in-lieu allow a developer to "buy out" of his/her inclusionary housing obligation. This may seem to defeat the purpose of inclusionary zoning, but in some cases the cost of building one affordable unit on-site could purchase several affordable units off-site.
- Income level or price defined as "affordable," and buyer qualification methods. Most ordinances seem to target inclusionary units to low- or moderate-income households, earning approximately the regional median income or somewhat below. Inclusionary housing typically does not create housing for those with very low incomes.
- Appearance and integration of inclusionary housing units. Many jurisdictions require that inclusionary housing units be indistinguishable from market-rate units, but this can increase costs.
- Longevity of price restrictions attached to inclusionary housing units, and allowable appreciation. Ordinances that allow the "discount" to expire essentially grant a windfall profit to the inclusionary housing buyer, preventing that subsidy from being recycled to other needy households. Therefore, many programs restrict annual price appreciation, often tying it to inflation plus market value of home improvements, striving to balance

the community's interest in long-term affordability with the homeowner's interest in accruing equity over time.

The City, in coordination with the Chamber of Commerce, should encourage major employers and lenders to consider Employer-Assisted Housing (EAH) programs, encouraging employers to work with employees in their efforts to purchase housing. In some instances, the City and the Chamber will have to help raise the awareness among local employers and increase their understanding that not all wage levels permit ready entry into homeownership, without some sort of subsidy. This is important in that the private sector and employment community often view the use of subsidies to help low to moderate income households achieve homeownership as a public responsibility. In reality, with limited resources, the city government can only assist a small percentage of those in need. The Chamber can play a critical role in researching this issues and encouraging local businesses, local school districts, universities and local hospitals to consider implementing such programs for their employees. Employer-Assisted Housing programs benefit employers, employees, and the community. Employers benefit through greater employee retention. Employees receive aid to move into home-ownership. Ultimately, communities benefit though investment in the neighborhoods where the employers and employees are located. The most common benefits provided by employers are grants, forgivable loans, deferred or repayable loans, matched savings, interest-rate buy downs, shared appreciation, and home-buyer education (provided by an employer-funded counseling agency). Successful EAH programs use a combination of some of the benefits listed above. One program that has met with success was developed by Fannie Mae, which not only has their own EAH program, but also helps employers implement EAH programs. Fannie Mae's own EAH program has made it possible for 2,200 of its employees to become

homeowners. The City of Waco, Texas has implemented an EAH program and made it eligible to all city employees.

## **6.2 Public Policy Impediments**

**Impediment:** Increased public awareness of fair housing rights should be evaluated.

**Issues:** The City of San Marcos has enacted a local Fair Housing Ordinance. However, the local law is not substantially equivalent to the federal Fair Housing Act because it does not provide for local enforcement. Therefore, our analysis of applicable fair housing laws focused on the State of Texas Fair Housing Act. In the analysis the state statutes were compared to the Federal Fair Housing Act. Our Analysis determined that state statute offered similar rights, remedies, and enforcement to the federal law and might be construed as substantially equivalent. The City of San Marcos is part of the enforcement geography afforded enforcement coverage by the Fort Worth Regional HUD FHEO Office. While the current system provides an acceptable process for filing and investigating fair housing complaints, increased local fair housing outreach, education and training would be an important step toward raising local awareness and establishing more effective local Fair Housing Policy.

Fair housing complaint information was received from the Fort Worth, Texas FHEO Division of the Regional Office of the U.S. Department of HUD. The data provides a breakdown of complaints filed for Hays County and San Marcos from January 1, 2007 through June 30, 2012. During this period, sixteen complaints were filed according to one or more of seven bases, including; National Origin, Color, Religion, Familial Status,

Handicap, Sex, and Race. While we were unable to determine what factors attributed to the low number of complaints filed over the past 5 years, we are concerned that the public's awareness relative to their fair housing rights may be a major contributing factor. We believe that local fair housing outreach, education and training must be increased, as an important step toward raising local awareness and establishing more effective local Fair Housing Policy.

**Impacts:** Most communities benefit greatly from having local fair housing legislation, effective outreach, education and training, and local enforcement. Most jurisdictions also have benefited from enforcement and outreach through a State having received FHAP and FHIP funding from HUD to enhance its fair housing education and outreach programs, enforcement and activities. However, these efforts have not generated significant filing of fair housing complaints. With little knowledge of their rights, the general public and potential buyers or tenants may not realize that their rights have been violated or how to seek remedies offered by federal and state enforcement agencies.

**Remedial Actions:** The City of San Marcos should continue increasing fair housing education and outreach in an effort to raise awareness and increase the effectiveness of its local fair housing ordinances. The City should target funding to fair housing education and outreach to the rapidly growing Hispanic and other immigrant populations. The City should also continue organizing fair housing workshops or information sessions to increase awareness of fair housing rights among immigrant populations and low income persons who are more likely to be entering the home-buying or rental markets at a disadvantage. Other alternatives for increasing awareness and effectiveness of fair housing include providing local enforcement. However, community development resources are limited and therefore local enforcement would necessitate additional funds

for investigation and enforcement and expansion of outreach and education. We do not recommend this approach at the current time assuming HUD continues its' enforcement services in the local jurisdiction.

Future consideration should be given to a regional approach to local enforcement, perhaps through a partnership of other local jurisdictions and the City of San Marcos, and a joint application for FHAP and FHIP funding being submitted to HUD.

### **6.3 Banking, Finance, Insurance and other Industry related impediments**

**Impediment:** Impacts of the Subprime Mortgage Lending Crises and increased Foreclosures.

**Issues:** The housing foreclosure rates across the country continue to soar and the impacts are being felt in Texas as well. Numerous web sites are providing numerical counts and locations for homes with foreclosure filings across the country and for jurisdictions in the State of Texas. RealtyTrac.com shows 36 properties with foreclosure filings in December 2012 for San Marcos, 474 filings for Hays County and 46,529 properties foreclosure for the State of Texas in December 2012, representing 1 in every 1417 homes in Texas in foreclosure.

The rise in foreclosures may relate to the rise and fall of subprime lending market. Subprime lenders offer loans to less-creditworthy borrowers, borrowers that lack sufficient down-payments to afford the property, and risk based borrowers that speculate on the real estate market by acquiring real estate with no equity investment/down-payment in hopes that the property will appreciate in value over a short period of time. These loans are generally offered at higher interest rates or through products involving

adjustable interest rates and balloon payments. When the borrower cannot meet the increased mortgage payment they default and the property goes into foreclosure.

Neighborhood Housing Services, NHS, and Neighbor Works America are two national housing intermediaries that have created innovated programs in Chicago, Baltimore, and New York City designed to reduce the impacts of foreclosures and subprime lending in those affordable housing markets.

**Remedial Actions:**

The City of San Marcos should continue pursuing CDBG and State HOME and Neighborhood Stabilization Program (NSP) funding if it becomes available to provide home buyer assistance and subsidies to homebuyers to acquire foreclosure property and get it back into commerce. Some of the buyers that have already acquired housing in San Marcos utilizing entitlement funds from the City and State will likely face the issues of foreclosure. The City, if successful in obtaining additional funding, should consider expanding its program goals to consider initiatives that reduce mortgage defaults and foreclosure rates among low and moderate income home buyers.

The City should work with the State, National Non-Profit Housing Intermediaries and HUD to identify funding that can help reduce the mortgage default rate and foreclosure rates among low and moderate income home buyers and existing home owners. These programs offer initiatives such as loan default prevention programs based on providing counseling to affected borrowers, assistance with identifying alternative products that helps borrowers avoid subprime lending, and assistance with re-negotiation for more favorable terms for borrowers with subprime loans. These programs identify government assistance programs that also serve to assist distressed borrowers and are currently evaluating the

feasibility of creating a maintenance and replacement reserve account for affordable home buyers assisted with the entitlement and other federal funds to insure that funds are escrowed to help cover the cost of major repairs. Other alternatives being evaluated include the feasibility of creating a mortgage default and foreclosure prevention account for affordable home buyers assisted with federal funds to insure that funds are escrowed to help cover the cost of unexpected income/job loss and to write down interest rates.

**Impediment:** Predatory lending and other industry practices.

**Issue:** Predatory lending is a widespread concern in San Marcos. Several incidents were cited, by person interviewed and those attending the focus group sessions, suggesting unfavorable lending practices<sup>6</sup>. In some of the minority neighborhoods, lending institutions display an insignificant presence in the community. In other low-income neighborhoods, traditional banking and lending relationships have been relegated to an overabundance of pay-day loan, check-cashing, and title-loan stores due to a lack of traditional lending institutions. Focus Group participants also complained of extremely high interest rates being charged by not only neighborhood predatory lenders, but traditional banks and financial institutions for credit cards, auto loans, and other consumer loans. In some instances, the low-income population may be subject to predatory lending because they have a poor credit rating and limited credit history.

Others participating in the Focus Group sessions and interviews provided anecdotal comments that they believed that recent homes built in older neighborhoods and minority concentrated areas are sometimes priced lower than comparable units in other areas based on industry appraisals. Appraisals generally determine value based on comparable units in close proximity to the subject property, Older neighborhoods tend to have

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<sup>6</sup> Focus Group Sessions page 56

limited or sometimes no recently built units for use in making a value comparison. If comparable units are limited to the immediate area, the values may be distorted in favor of comparisons to older homes that are the same square footage but have less amenities and updated features and therefore lower values. In other instances, participants were concerned the influences of the foreclosure rates and sub prime lending on mortgage approvals and higher private mortgage insurance for small loans.

**Impact:** Predatory lending practices often result in a lower-income household losing their home, automobile or other collateral. In some cases, Focus Group participants cited instances where homeowners who had already paid off their original mortgage were losing their home when used as collateral on a loan for a small fraction of the home's value. With low approval rates when submitting loan applications to traditional lenders, residents are more likely to utilize the services of subprime lenders and check-cashing stores that may charge exorbitant interest rates and have severe default penalties. Predatory lending may further impair an individual's credit and monopolize more of a low-income person's monthly income with high interest rates and finance charges, leaving less money for housing and necessities. Consumers felt that they had little recourse to address adverse industry practices that impact their housing choice.

**Remedial Actions:** The City should encourage lending institutions to provide greater outreach to the low income and minority communities. Greater emphasis on establishing or reestablishing checking, saving, and credit accounts for residents that commonly utilize check-cashing services is desired. This may require traditional lenders and banks to establish "fresh start programs" for those with poor credit and previous non-compliant bank account practices. Lending institutions should therefore be

encouraged to tailor products to better accommodate the past financial deficiencies of low income applicants with credit issues.

City Officials should help raise awareness among the appraisal industry concerning limited comparability for affordable housing products. Industry representatives should be encourage to perform comparability studies to identify real estate comparables that more realistically reflect the values of homes being built in low income areas.

#### **6.4 Socio-Economic Impediments**

**Impediment:** Poverty and low-income.

**Issues:** For many households, low or no income is a major factor preventing their exercise of housing choice. All racial and ethnic populations in the city are confronted with large numbers of their population living in poverty. The ACS data shows the incidence of poverty among Hispanics was 32.3 percent and African-Americans were 39.7 percent of the total population between 2006 and 2010. Among White persons, the data reported 40.0 percent lived in poverty between 2006 and 2010. In comparison, the poverty rate for the city was 36.9 percent during the period.

There is one notable exception where poverty has a disparate impact based on race and ethnicity, The poverty data in Table 1.4 of the Community Profile shows the incidence of poverty for persons under the age of 5 years for African-Americans was a staggering 69.5 percent of the their total population between 2006 and 2010. Among White persons, the data reported 5.8 percent, and among Hispanics 39.6 percent of children under the age of 5 years lived in poverty between 2006 and 2010.

**Impacts:** Households experiencing a severe lack of income and those unemployed typically must accept housing in the lowest income census tracts or rely on public assistance and public and assisted housing wherever it is available. Housing tends to be segregated by income class and sometimes by race or ethnicity, where the housing stock is most likely in poor condition, there are higher reported incidents of criminal activity, and opportunities for improving a person's quality of life are low. Children from these households grow up in an environment that sometimes dooms them to replicate their community's living standards, continuing the cycle of poverty for generations to come. Focus group participants voiced a perception that certain areas of the City are home to a disproportionate number of low-income persons, living in substandard and crime ridden multifamily housing developments. Participants indicated that the concentration of poverty is not only a concern with regard to social equity and the plight of renters, but poverty is also having a significant impact on the condition and quality of single family housing in the neighborhoods where there are high concentrations of home owners. In areas where a majority of homeowners cannot afford routine maintenance, poor housing conditions may quickly become the prevalent state of affairs. Lack of job opportunities and lack of sufficient income to afford decent housing were cited as concerns. Both crime and perception of crime were discussed as critical issues that are hindering some residents from living in various areas of San Marcos.

**Remedial Actions:** The City and Chamber of Commerce should continue to work on expanding job opportunities through the recruitment of corporations, the provision of incentives for local corporations seeking expansion opportunities, assistance with the preparation of small business loan applications, and other activities whose aim is to reduce unemployment and expand the base of higher income jobs. A particular emphasis should be to recruit jobs that best mirror the job skills and

education levels of those populations most in need of jobs. For San Marcos, this means jobs that support person with high school education, GED's and in some instances, community college or technical training. These persons are evident in the workforce demographics and in need of jobs paying minimum wage to moderate hourly wages. The City should also continue to support agencies that provide workforce development programs and continuing education courses to increase the educational level and job skills of residents. The goal should be to increase the GED, high school graduation, technical training, and college matriculation rates among residents. This will help in the recruitment of industry such as "call centers", clerical and manufacturing jobs. Call centers and customer service centers where employees are recruited to process sales or provide customer service support for various industries, have become more and more attracted to areas with similar demographics to that of San Marcos. The combination of well developed and well situated industrial parks and commercial parks available in San Marcos, government incentives for relocation and the workforce to support their industries, have all become incentives in recent years, and San Marcos is poised to continue and take advantage given its assets as well.

The Aflac Insurance Company is a great example of a "call center operation" that relocated to a smaller city, and is making a difference by dramatically expanding employment in Columbus, Georgia for persons from similar demographic groups to those most in need of jobs in San Marcos. In 1998, Aflac opened its Computer Service Center housing 600 employees. In 2001, the company opened its Corporate Ridge office, a 104-acre development housing the company's claim processing and call center operations. Aflac recently opened a new phase of the expansion in 2007, which added 90,000 square feet to the existing Paul S. Amos Corporate Ridge campus building located in Columbus. The City of Columbus provided an incentive package including tax abatement and

land assembly and acquisition subsidies in part through the use of their federal grant funds.

We recommend that the City, in conjunction with the Chamber of Commerce, continue to focus on actively recruiting industries that match the demographics of the populations most unemployed, as a means of improving poverty rates, incomes and home ownership rates in the City. The City should continue providing incentives similar to those the city has used in the past and incentives programs structured by other communities to achieve this goal. Recruiting such industries can assist in increasing the City's tax base and while serving to provide the necessary income for more person to achieve home ownership.

## **6.5 Neighborhood Conditions Related Impediments**

**Impediment:** Limited resources to assist lower income, elderly and indigent homeowners maintain their homes and stability in neighborhoods.

**Issue:** Neighborhood decline and increasing instability in San Marcos' older neighborhoods is a growing concern. Neighborhoods relatively stable today with most of its housing stock in good condition will decline if routine and preventive maintenance does not occur in a timely manner. The population is aging, which means more households with decreasing incomes to pay for basic needs. This increase in elderly households coupled with the steady rise in the cost of housing and the cost of maintaining housing means that many residents will not be able to limit their housing related cost to 30 percent of household income and still maintain their property. Rental property owners will be faced with increasing rents to pay for the cost of maintenance and updating units rendering rental units unaffordable to households as well.

Government programs utilizing CDBG and HOME HUD funding and other sources impact only a small percentage of those in need of assistance. Increased support from volunteers and community resources will be needed to close the gap between total needs and resources available.

**Impact:** Neighborhoods and homeowners and renters must devise a means for residents and landlords to keep pace with the maintenance demands of housing, an aging housing stock, and support those persons unable to maintain their properties on their own. This will enhance and support a healthy neighborhood “Image and Identity” and help attract new residents and retain existing residents and businesses. An essential component of this recommendation will include becoming healthier, sustainable neighborhoods, able to meet the essential quality of life needs of its residents and to improve the physical character of the neighborhood. In some neighborhoods, these attributes are viewed as negative and uninviting both internally by its residents and externally by the community at large. Some neighborhoods are viewed as unsafe and a haven for criminal activities. Whether this is reality or a perception, it has a detrimental effect on the image of the neighborhood either way.

Neighborhood assets must be protected and improved. Structures should be strategically removed if found to no longer contribute to the well being of the community. Maintaining vacant lots, including clearing weed, litter, and junk, and maintaining tree growth, would immediately improve the appearance of neighborhoods. Existing regulatory efforts need to be expanded and additional resources allocated to support enhanced code enforcement throughout the City. Other amenities such as providing streetscape enhancements in the medians and pedestrian areas along residential streets, adding street lighting, sidewalks, shrubs, and new development on vacant lots, would significantly improve the neighborhoods. Most of all, there is a need to revive the “sense of community and trust” and encourage participation and cooperation from

residents to maintain their homes, yards, and surroundings and to actively participate in community empowerment activities such as Crime Watch, neighborhood associations and self help initiatives.

**Remedial Actions:**

The City should evaluate the design and implement a Centralized Program of Self-Help Initiatives based on volunteers providing housing assistance to designated elderly and indigent property owners and assist them in complying with municipal housing codes. This will require an organized recruiting effort to gain greater involvement from volunteers, community organizations, religious organizations/institutions and businesses as a means of supplementing available financial resources for housing repair and neighborhood cleanups.

While there have been successful initiatives of this nature, initiated and funded both by the City of San Marcos and nonprofit agencies, a more comprehensive effort, perhaps coordinated by the City, needs to be designed and implemented that fully utilizes the resources of the community and area businesses. The program will be based on a case management system where the select needs of area property owners are matched with volunteer resource teams capable of solving the city code violations and other needed exterior repairs for select properties. Requests for assistance would be received from code enforcement officials, housing program administrators, social service agencies, community institutions, and homeowners. Priority will be given to those owners immediately affected by an active code compliance case, a targeted block or area project, and those with life threatening or uninhabitable conditions.

Eligibility for assistance will require verification of income or status as elderly or disabled. Levels of assistance would be based on the specific needs to be addressed and the ability of the property owners and their

family to assist in the effort. The City could possibly fund or seek funding from the private sector for a part-time Program Coordinator designated to conduct home visits of each program participant, evaluate the appropriateness for volunteers to perform the work, and determine and advise the homeowner of their responsibilities in support of the effort. The Program Coordinator, upon securing a match between volunteers and property owner, will coordinate project dates, materials, supplies, and project support for the day of the project. Again, some of these activities may have been initiated in the past, so in some instances, our recommendations are that activities be continued, offer an enhanced level of programming, or that the City apply for funds as they become available. Activities that could be considered for the centralized self-help initiatives program include:

- **Increase self-help initiatives such as "fix-up," "paint-up," or "clean-up" campaigns and "corporate repair projects"**. In order to increase resources available for these efforts, neighborhood residents, religious institutions, community organizations, individuals, and corporations would be recruited to participate in the repair to homes occupied by elderly, disabled, and indigent homeowners through organized volunteer efforts involving their members and employees.
- **Implement a Youth Build and Repair Program in conjunction with the local school district or the San Marcos Housing Authority.** Youth Build is a U.S. Department of Housing and Urban Development (HUD) program that teaches young people how to build new homes and repair older ones. HUD offers competitive grants to cities and non-profit organizations to help high-risk youth, between the ages of 16 and 24, develop housing construction job skills and to complete their high school education.

- **Organize a “Compliance Store”** where home builders, building supply stores, merchants, and celebrities, such as radio and television personalities, are used to demonstrate simple, cost effective ways to make improvements to houses and donate building supplies for use in self-help projects. The supplies and storage facility for supplies could be provided to enrollees by building supply stores, contractors, and hardware stores.
  
- **Organize "adopt-a-block" and "adopt-an-intersection" campaigns** where neighborhood groups, residents, scout troops, and businesses adopt key vistas and intersections to maintain and implement beautification projects, such as flower and shrub plantings and maintenance.
  
- **Creating Community Gardens as interim uses on select vacant lots** provide an opportunity for neighborhood residents to work together to increase the attractiveness of their neighborhood. Formats for community gardens range from attaching simple window boxes to homes along a street reflecting a common theme, coordinating garden planting, or converting a vacant lot that may previously have been an eyesore in the neighborhood into a flower or vegetable garden tended by members of the community. Naturally, ownership of a vacant lot is an issue to be resolved before gardening begins. The City Assessor can provide information on the ownership of the property, including a mailing address. If the lot is privately owned, permission to use the lot must be received from the owner. If the property is owned by the City or expropriated, ownership of the property might be transferred to a local non-profit organization or neighborhood association. While the costs of plant materials and supplies are an important consideration for community gardens, many nurseries and home improvement stores offer discounts for community improvement projects.