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Signs point to growth slowdown in San Marcos

By: DAVID STERRETT - Staff Writer

SAN MARCOS ---- Rapid growth in this city has brought hundreds of new homes, thousands of new residents and millions of dollars to the city in the last five years, but the sizzling pace of development is slowing.

While roughly 15,000 people moved to San Marcos between 2000 and 2005, it could be more than a decade until another 15,000 move to what has been the fastest-growing city in San Diego County, San Marcos officials said last week.

A nearly 50 percent drop in the value of building permits over the same time a year ago is the first sign, they said, that growth is starting to taper off in the city of more than 73,000 residents.

"This is good news and bad news," City Manager Rick Gittings said. "The good news is, we can take a deep breath and have more time to look at issues in the city besides just keeping up with growth. The bad news is, it means less revenue for the city."

Master-planned growth

Gittings said that most of San Marcos' growth in the last five years is a result of residents moving into the upscale master-planned community of San Elijo Hills in southwest San Marcos.

Curt Noland, general manager of San Elijo Hills, said that from the end of 2000 to the end of 2005, about 2,400 homes have been occupied in the development, which is slated to have 3,400 homes by the end of 2008.

Just west of San Elijo Hills, about 350 homes have been occupied in the Old Creek Ranch master-planned community, according to David Poole, vice president of Brookfield Homes.

Poole said that by the end of 2008, Old Creek Ranch will have about 1,524 homes, and he expected another 350 homes will be occupied before the end of this year.

Last year was an amazing year for home sales, Poole said, and 2006 will be good, but not quite as spectacular.

People moved into more than 400 new homes in San Elijo last year, and slightly more than 300 new homes should be sold this year, Noland said.

He said home buyers can look now at four large master-planned communities under construction along the southeastern edge of Carlsbad, in addition to San Elijo Hills and Old Creek Ranch.

But he said there are no major projects in the pipeline in the central part of North County.

"This means if someone wants to buy a new home in North County, they need to make a decision pretty soon," Noland said. "My job is to provide home-buying opportunities to a willing market, but almost all of the available

property in North San Diego County is either set aside for open space or lower density. It's extremely difficult to find places to provide more housing stock for the market."

Most of the easiest land to build on has already been developed, and San Marcos will never have another housing project as big as San Elijo Hills, said City Manager Gittings.

He said construction has just started on a couple of hundred homes proposed for the northeastern edge of town, and there are preliminary plans for several hundred homes at Hanson Aggregates once the quarry near Cal State San Marcos closes in a few years.

The only other major residential plans call for redevelopment projects near the Heart of the City and San Marcos Creek areas, Gittings said.

"Most of the big housing projects in the city have been completed," Gittings said.

With no major projects planned, Gittings and developers such as Noland see population growth slowing. From the start of 2001 to the start of 2005, San Marcos had a 27 percent jump in population from 57,700 to 73,000.

While population grew almost 9 percent alone in 2004, Gittings expects growth in the next couple of years to slow to around 4 percent annually.

He said that during the first seven months of this fiscal year that began in July, developers have taken out about \$123 million in building permits for residential projects. Last year at this time, the city had issued \$243 million in permits, and Gittings said the numbers do indicate a change in the pace of development.

"It will change the dynamics of the city," Gittings said.

Less income, more services

With the flood of new residents slowing, Gittings said the city can focus on new programs and services for existing residents, such as building more parks.

Several of the City Council members said that catching up on parks and roads would be a priority in the years ahead.

"Sometimes you are growing faster than you can build roads," Councilman Mike Preston said.

But even if no one else moves to San Marcos, traffic wouldn't improve much because residents countywide pass through the city and help create the bumper-to-bumper traffic on major streets such as San Marcos Boulevard, Gittings said.

Fewer new homes will also lead to less revenue for the city ---- Gittings estimated the city could lose roughly \$2 million a year in developer fees.

With the population boom, the city had the revenue to increase its budget from \$43 million last year to \$52 million this year. The city used most of the extra money and hired additional firefighters and sheriff's deputies.

But projections for the next two years show revenues leveling off and the budget increasing by only about \$1 million annually.

Councilwoman Pia Harris-Ebert said the city is very cautious with its money and is careful not to overspend in good economic times.

"We are careful how we hire permanent employees and we use consultants because we don't want to have to lay people off," Harris-Ebert said.

Cities need fewer planning staffers when development falls, said Steven Frates, a senior fellow at the Rose Institute of State and Local Government at Claremont McKenna College.

Frates said that with slower growth, cities do not receive as much new property taxes, but sales tax revenue has become a more important source of income for cities.

San Marcos expects to get \$16.25 million in sales taxes this year, while property tax revenue makes up only about \$6 million.

"If San Marcos is getting pretty good sales tax revenue, the slowdown probably won't make any difference in municipal services," said Frates.

Future growth

Frates said change in the pace of growth is a natural cycle and San Marcos will have to look for more redevelopment projects within its city limits.

Gittings said that most future growth will occur in the central part of the city and the general plan calls for build-out at about 85,000 to 90,000 residents around 2020 or 2025.

"I would not like to see us go over 90,000 people," Mayor Corky Smith said. "I like a smaller community because there is a more friendly atmosphere."

Smith said he expects to see a lot of older apartments converted into newer housing options.

Councilman Jim Desmond said he doesn't want to see much development along the more rural edges of the community.

"I would like to see more growth along the traffic corridor and the university," Desmond said.

He said he supports projects such as the redevelopment of the creek area. Preliminary plans call for transforming the area between the creek and San Marcos Boulevard into a downtown area with about 2,000 condominiums and apartments. Development in the Heart of the City area near the university could also generate hundreds of new apartments, town houses or condominiums, Gittings said.

Before these projects are finalized, Desmond and the other council members said it's important that the city really takes its time to plan out what it wants to do with the rest of the available space in San Marcos.

"The foundation and the framework has been put in," Desmond said. "Now we have to put up the drywall and hang the curtains."

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