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STAFF REPORT

Date: July 20, 2022

To: Governing Board

From: TRPA Staff

Subject: Housing Workshop: TRPA's Tahoe Living Housing and Community Revitalization Initiative; request for policy direction for possible Regional Plan amendments to encourage affordable and workforce housing

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Summary and Staff Recommendation:
Tahoe, like many destination communities, is suffering from an affordable and workforce housing crisis. The Tahoe Living Housing and Community Revitalization Initiative has worked with stakeholders since August 2020 on the problem. Staff will provide an overview of that work, including the nexus between housing and the Regional Plan, the problem diagnosis, and identification of major action priorities to address the issue. Staff also request guidance and direction from the Governing Board on the Phase 2A Housing Amendments and recommends moving them into the environmental analysis phase.

Governing Board members are encouraged to watch two previous recordings in preparation for the meeting. These recordings may be found on the Tahoe Living Working Group webpage (https://www.trpa.gov/tahoe-living-housing-and-community-revitalization-working-group-2) and include:

1) Presentation to the Local Government and Housing Committee on "Missing Middle" Housing by Opticos Design, Inc. – January 6, 2021 (44 minutes) (Attachment C)
2) Presentation to the Tahoe Living Working Group on Multi-Family Development Scenarios by Cascadia Partners – March 30, 2022 (29 minutes) (Attachment D)

Background:
In June of 2020 the TRPA Governing Board appointed the 20-member Tahoe Living Housing and Community Revitalization Working Group (Tahoe Living Working Group) as a committee of the Advisory Planning Commission. Working Group members provide guidance to TRPA staff in identifying meaningful actions to help address the availability and cost of affordable and workforce housing.[1]

[1] This staff report uses the term "affordable and workforce housing" to refer to deed-restricted housing in the "affordable," "moderate," and "achievable" categories, as defined in Chapter 90 of the Code of Ordinances, as well as naturally affordable, non-restricted housing, also known as "missing middle" housing.

Applying their expertise in the housing field in Tahoe and through evaluation of technical reports, the Working Group has identified a set of priority housing action items for TRPA, which the Governing Board approved in January of 2021. These action items make up part of a five-year housing work plan for the agency. Phase 1, the "near-term" actions were completed in July 2021. The Working Group is now in Phase 2, the "medium-term" action items.

Near-Term (Phase 1) Code amendments approved July 2021:

- Accessory Dwelling Units – allowed on all residential parcels on the California side
- Density – allows non-conforming tourist density to be used for residential redevelopment

Medium-Term (Phase 2 - Current Phase) Encourage multi-family residential housing:

- Re-evaluate development standards for multi-family residential development (density, height, coverage) (Phase 2A)
- Consider scaling and availability of development rights for workforce housing[2] (Phase 2B)

Long-Term:

- Encourage commercial conversion to residential
- Streamline permitting for affordable and workforce housing
- Examine mitigation fees

The recommendations of the Working Group build on incentives for affordable and workforce housing that have been included in the Regional Plan since 1987, and which have been updated through subsequent amendments. See Attachment B for a summary of these housing-related incentives and amendments, as well as a summary of the Tahoe Living Working Group work to-date. In addition to the above action items, staff has identified a need to support preservation of existing vulnerable housing stock and may recommend including an action related to this in the "long-term" phase at a later date.

In May of 2022, TRPA staff brought initial concepts on Phase 2A, vetted by the Tahoe Living Working Group, to the Local Government and Housing Committee for input. Partially in response to that presentation, Governing Board members asked for a full workshop on housing. To maintain forward momentum on the current phase of work, at the July 27 Governing Board meeting, staff will incorporate a segment requesting Governing Board input on the Phase 2A amendments related to density, coverage and height for multi-family development so that this phase of work can move into environmental analysis and code development. This will replace the previously scheduled Regional Plan Implementation Committee meeting on this topic.

[2] This item was not explicitly called out in the set of action items that the Governing Board approved in January of 2021, but the Working Group later identified it as a critical element of encouraging "missing middle" housing and smaller deed-restricted and non-deed-restricted units. The updated set of priority actions are included for board approval in the 2022-2023 Operations Work Plan.

Discussion:
At the July 27 workshop, staff will request direction and guidance on possible amendments to TRPA's density, coverage, and height development standards prior to initiating environmental analysis on this phase. The Phase 2A Housing Amendments focus on promoting multi-family residential development as a key strategy in providing housing to Tahoe's local workforce. Feedback to-date from the Tahoe Living Working Group as well as technical analysis has identified that existing development standards do not allow for the financial feasibility of new multi-family housing. Staff will gather input on the following general questions at the July 27 Governing Board meeting:

1. Do you support increases to density or density exemptions for affordable and workforce housing? Staff will also gather input on the recommended scale of these changes.
2. Do you support limited coverage exemptions or coverage alternatives for deed-restricted housing? Staff will also gather input on the extent of exemptions and types of alternatives.
3. Do you support additional height allowances for deed-restricted housing? If so, to what height?
4. What are the most important impacts or issues associated with TRPA's development standards that should be addressed through the environmental analysis?

More details on the scale of proposed changes to be considered in the environmental analysis are included in Attachment A. Staff will incorporate any feedback that the Governing Board offers on the specific details of the proposal into the draft concepts that move into the environmental analysis. Because of the Regional Plan's historic focus on incentivizing multi-family residential development both within town centers and in the vicinity of town centers, these concepts are proposed as different options for within town centers and within the vicinity of town centers.

The other action item in Phase 2, scaling and availability of development rights, will be addressed as soon as time allows. Attachment B includes information on previous Regional Plan incentives and code amendments related to development rights to inform future discussions on this topic.

Next Steps:
Staff welcomes input into the Tahoe Living Working Group process. Staff also recommend moving the Phase 2A Housing Amendments into the environmental analysis and code development phase. Code amendments will follow the regular approval process including Tahoe Living Working Group input, followed by Local Government and Housing Committee, Advisory Planning Committee (APC), Regional Plan Implementation Committee, and Governing Board hearings.

Contact Information:
For questions regarding this agenda item, please contact Karen Fink (kfink@trpa.gov) or Alyssa Bettinger (abettinger@trpa.gov).

Attachments:

A. Phase 2A Housing Amendments – Background and detailed proposal
B. Regional Plan housing incentives over time; summary of Tahoe Living Working Group work
C. Presentation to the Local Government and Housing Committee on Missing Middle Housing by Opticos Design, Inc. – January 6, 2021
D. Presentation to the Tahoe Living Working Group on Tahoe Development Base Cases and Test Results by Cascadia Partners – March 30, 2022

Attachment A

Phase 2A Housing Amendments – Background and detailed proposal

Attachment A - Phase 2 Housing Amendments – Background and detailed proposal

Background:

The Tahoe Region has seven general categories of development standards that were put into place between 1972 and 1987 to manage the environmental and community impacts of development in the region and meet environmental thresholds. These standards include density, coverage, height, development rights, setbacks, parking, and the restriction of subdivisions. Some of these development standards are implemented by TRPA; others are implemented through local jurisdiction requirements. These development standards apply to all types of development, including commercial, tourist, and single-family and multi-residential development. Standards may vary by location and by development type.

Affordable and workforce housing is often provided through multi-family housing.[3] This is because multi-unit construction can provide smaller units that are more affordable to local resident households. While many older, single-unit homes in the Tahoe region are small and provide affordable housing, newer single-family homes tend to maximize the allowable development footprint, are larger, and cater to the second-home market. Also, multi-unit development designed to be used as rentals, rather than as condominiums, are primarily rented by local workers, whereas for-sale units, regardless of their size or condition, are attractive to second homeowners who have higher purchasing power than most local residents.[4]

Multi-family housing ranges in size from small scale duplexes up to large scale 100-plus unit developments. Because of its potential for lower costs per unit of development, the Tahoe Living Working Group has identified multi-family development and accessory dwelling units (ADUs) as key strategies in providing housing to Tahoe's local workforce. However, feedback to-date from the Tahoe Living Working Group and the public has identified that existing development standards have, to a significant extent, hampered the financial feasibility of new multi-family housing for a variety of reasons. The reasons differ between town centers where additional incentives have been put in place and outside of town centers in areas zoned for multi-family and other multi-residential types. In town centers where higher density, coverage, and height are allowed, the Cascadia analysis and Working Group members have identified that the existing standards are close to what is needed but barriers remain that add significant cost, such as the need for changes of a few feet in height to accommodate modular construction techniques or unique characteristics of the parcel.

[3] In the TRPA Code of Ordinances "multi-family" is a subset of "multi-residential." "Multi-residential" includes single-person rooms with shared kitchen and bathroom facilities such as dorms, employee housing and senior living as well as larger scale multi-family housing, such as duplexes and triplexes as well as larger apartment buildings. The proposals in this document are intended to apply to all multi-residential types, but we use the more familiar term "multi-family" throughout the document.

[4] Tahoe Prosperity Center, South Shore Housing Needs Report, 2019

In the case of unsubsidized development, low maximum density requirements can result in large units, such as those that were built at Wildwood Commons.

In the vicinity of town centers, TRPA standards are generally the same when constructing single-family and multi-family housing. There are few incentives that encourage the development of more than one unit on a lot. The most significant barrier is that maximum allowable densities, while ostensibly designed for multi-family development, often do not allow more than one unit per parcel on smaller parcels. The issues are discussed in more detail below.

As noted above, in the fall of 2021, TRPA contracted with Cascadia Partners to complete a financial feasibility analysis of a variety of multi-family development scenarios in the Tahoe Basin. The analysis examined density, coverage, height, and other development standards, both regional and local, to identify the effect of changes to these standards on the cost and feasibility of affordable and workforce housing (see Attachment D). The analysis highlights specific changes that would help make multi-family housing more feasible in locations for which it is zoned.

Proposal Summary:

Key Points:

- Multi-family housing is key to accommodating local workers, but development standards limit capacity for these housing types
- The Tahoe region needs development standards that support workforce housing and environmental improvement
- These goals are not mutually exclusive

The Phase 2, "medium-term" Tahoe Living Initiative action priorities include work on analyzing and updating TRPA's development standards to promote multi-family, compact residential development both within town centers and in the vicinity of town centers. A key element of examining these development standards is to determine in which cases they are serving to achieve environmental thresholds and Regional Plan goals, and in which cases they could be updated to better encourage workforce housing and meet Regional Plan goals. Much of the remaining limited supply of development rights and vacant buildable lots in the Lake Tahoe region is not being used for housing to support local workers or low-income households. Staff propose further analyzing the following density, coverage, and height options to better support affordable and workforce housing and Regional Plan goals. These policy options, if approved, would amend the Regional Plan density, coverage, and height allowances for certain uses. Local jurisdictions would then have the option to adopt standards within their own planning documents up to the new limits if they so choose.

Town Centers: Policy options *for* multi-family housing		
Density	**Coverage**	**Height**
Allow residential density up to 40 units/acre	Utilize other resource protection measures instead of traditional coverage requirements*	Implement height allowances that align with California Density Bonus Law*
Allow density bonus for residential use in town centers*		Clarify Regional Plan and Code language related to number of stories versus number of feet
Remove density requirements for 100% deed-restricted developments*		

*Option to implement through a pilot program

Vicinity of Town Centers: Policy options multi-family housing		
Density	**Coverage**	**Height**
Allow up to a triplex in areas zoned for multi-family	Provide increased coverage incentives for deed-restricted units	Reduce or remove roof pitch requirements
Allow up to 25 units/acre in areas zoned multi-family		

Pilot Programs

Pilot programs have been used in the past by TRPA and partners to test new ideas and create an understanding about what types of policy changes are needed. Several members of the Tahoe Living Working Group have expressed interest in using pilot programs to test new standards that may be more flexible than what the Regional Plan allows today. While not all of the options included in this staff report would be appropriate as a pilot, some higher intensity options would be particularly useful in targeted areas that are close to transit and services. The policy options that may be appropriate for pilot programs are called out in the following development standard sections.

Additionally, staff have received requests to align development standards with California's Density Bonus Law[5] that was passed in 2021. The law allows significantly higher density, coverage and height, than the Regional Plan currently allows and also incentivizes reductions in parking and setback

[5] California Government Code Section 65915, Title 7, Planning and Land Use, Chapter 4.3, Density Bonuses and Other Incentives.

requirements in exchange for a higher percentage of income-restricted units. Allowing jurisdictions to implement state law through a pilot program would provide an opportunity to test policy changes in a specific location before being applied more widely.

Detailed Proposal

Density

Density is the metric that controls the number of units a developer can build on a property depending upon the size of the parcel. Higher residential density allowances are critical in making affordable and workforce housing financially feasible and for creating compact, walkable neighborhoods. Certain levels of density are necessary to sustain efficient transit for the region. Existing Regional Plan density allowances range from three units per acre in neighborhoods that are made up of primarily single-family homes to the highest density allowance of 25 units per acre in town centers.

Town Centers

The factors that have discouraged multi-family housing from being built in and near the region's town centers have also slowed progress towards meeting other Regional Plan goals, such as creating compact, walkable neighborhoods and supporting transit. Data indicate that the current maximum allowable densities in town centers are too low to encourage residential redevelopment, provide the number of homes needed to support thriving local businesses, and support walkability and transit service. Although 25 units per acre is currently allowed in town centers, gross densities[6] in most of the region's town centers are less than five units per acre. While there is no one-size-fits-all density threshold for creating compact, walkable neighborhoods that support transit, available research points to gross density of 15 to 20 units per acre to support frequent transit service[7]. To achieve this, allowable densities need to be much higher. The table below shows existing gross density within a quarter mile of town centers.

Existing gross density within ¼ mile of transit stops (residential and tourist)

Town Center	Gross Density
Stateline/Ski Run	9.6
Kings Beach Commercial Core	4.3
Tahoe Valley Area Plan (South Y)	3.9
Incline Village Commercial/Tourist	3.7
North Stateline/North Stateline Casino Core	2.6
Tahoe City	1.6

[6] Gross density refers to the sum of all development and activity across all parcels, including commercial development, open space and other non-residential and tourist uses. This calculation uses the sum of residential and tourist units within the analysis zone.

[7] Puget Sound Regional Council, Transit Supportive Densities and Land Uses, 2015

In the Vicinity of Town Centers

Last year, Opticos Design presented recommendations for implementing "missing middle" housing (also known as middle housing) in the basin to the Local Government Housing Committee (Attachment C). Middle housing is defined as house-scale buildings with multiple units built in walkable environments. This type of housing is often built in the form of smaller scale multi-family development such as duplexes, triplexes, and fourplexes that can easily blend into lower density neighborhoods This creates an opportunity to provide additional, more naturally affordable housing units in the vicinity of town centers. However, because middle housing is generally built on smaller lots in low and medium intensity neighborhoods, it requires different development standards than larger scale multi-family development. The maximum allowable density requirements found in the TRPA and local jurisdiction codes do not, to a large extent, consider or even allow middle housing.

Key Points:

- Current density limits are too low to support walkable, affordable neighborhoods
- Density standards should support "missing middle" housing

The analysis completed by Cascadia Partners identified that on smaller parcels zoned multi-family, many allowable multi-family types cannot be realized due to current density standards. For example, a 5,000 square foot parcel located in Kings Beach with a density allowance of 15 units per acre would only be allowed one unit due to the parcel size, even though the parcel is located in an area that allows multi-family dwellings. For reference, the median size of all lots zoned multi-family in the Basin is 5,000 square feet, resulting in many of these lots not being able to have more than one unit. Of the 17,227 parcels in the Basin that allow multi-family dwellings, only 51% of them are large enough to accommodate a duplex under existing standards and only 37% are large enough to build a triplex.

Example Density Calculation: 5,000 sq. ft. Parcel
5,000 sq. ft. = 0.11 acres 0.11 acres x 15 units/acre = ***1.7 units***

Staff recommend further analyzing the following policy options within town centers and within the vicinity of town centers to encourage the development of smaller and larger multi-family development. As with all development, property owners would be required to comply with TRPA's other development standards and growth management system.

1. Increase density allowances *in town centers* to better support Regional Plan goals
    - Allow residential density up to at least 40 units per acre, consistent with allowable tourist density for deed-restricted and non-deed-restricted residential development. The final recommendation may suggest densities higher than 40 units per acre that would better support transit.

- Allow a density bonus for residential use in town centers. Within this option staff will analyze allowing this level of density for various mixes of deed-restricted and market rate units. Higher density would be allowed in exchange for additional deed-restricted units. For example, density could be increased to 45 units/acre if ten percent of the units are deed restricted or to 50 units/acre if 20% of the units are deed restricted. To the extent feasible, TRPA would align this option with the California density bonus laws passed in 2021.
- Remove density requirements for 100% deed-restricted developments in certain "pilot program" town centers which are served by frequent transit. Possible locations for pilot programs could include specific areas within the Stateline/Ski Run Town Center, the Kings Beach Commercial Town Center, the Incline Village Commercial, and the Tahoe City Town Center District.

2. Allow "missing middle" housing densities *in the vicinity of town centers* (areas zoned multi-family but outside of centers)
    - Allow up to a triplex on all lots already zoned multi-family that are outside of town centers.
    - Allow up to 25 units per acre in areas zoned multi-family that are outside of town centers.

Coverage

To reduce the impact of development on soils and water quality, TRPA limits the amount of impervious coverage on a parcel. Limiting impervious land coverage is a tool for protecting lake clarity by allowing uncovered soil to accommodate natural infiltration and by preventing soil erosion and the transport of pollutants to the lake.

Town Centers
In the past, TRPA has modified coverage limits in certain circumstances to promote Regional Plan goals. In 2012, TRPA began allowing higher coverage on parcels in town centers to encourage higher density and more compact development. Project applicants in town centers can transfer in additional coverage to get up to 70 percent coverage on parcels located in land capability districts 4-7. Similarly, in adopted community plans, project applicants may transfer in additional coverage to get up to 50 percent coverage on parcels located in land capability districts 4-7 for certain types of projects, including multi-family projects of five units or more. Community plans were a previously allowed planning document that covered many of the areas where multi-family development is allowed. However, community plans are being phased out and replaced with area plans. Outside of town centers, the maximum allowable coverage within area plans is 30 percent.

Coverage is one tool for protecting lake clarity, but there are other tools that can meet or exceed water quality standards that do not rely on traditional coverage limits. For example, certain areas inside the basin, such as Heavenly Village and Edgewood, have installed stormwater infrastructure that allows higher coverage and reduces pollutant loading to the lake.

Key Points:

- Current coverage standards drive up the cost of affordable and workforce housing
- Other tools, like stormwater infrastructure, can meet or exceed the water quality benefits of coverage

In the Vicinity of Town Centers

The analysis completed by Cascadia Partners and input to-date from Working Group members and the public provide evidence that the maximum allowable coverage limit of 30 percent on parcels outside of centers and community plans is a key factor affecting the financial feasibility of multi-family housing development in these locations. Many parcels suitable for multi-family development and ADUs exist outside of these boundaries, but still in areas targeted for walkable development.[8] Counterintuitively, the 30 percent allowable coverage limit may lead to larger coverage footprints per unit because while 30 percent coverage is enough to build a single-family home, the Cascadia analysis showed that this does not allow for duplexes or triplexes that can generate a positive return on investment when factoring in other development standards (parking, setbacks, etc.) and development costs. Thus, developers construct larger units that will. Cascadia's analysis showed that at least 35 percent coverage would be needed to generate a positive return on investment for a duplex on the median multi-family lot size, if parking standards do not change. Higher coverage percentages would be required for other multi-family types, such as a triplex or fourplex in order to generate a positive return on investment.

In addition to financial feasibility, TRPA's adaptive management system encourages an approach that considers whether there are ways to better meet or exceed water quality and resource protection goals. Considering this, TRPA staff recommends analyzing the following policy options that allow coverage flexibility for deed restricted multi-family housing or ADUs on high capability lands (land capability districts 4-7) and buildable IPES parcels.

1. In *town centers,* utilize other appropriate resource protection, stormwater management requirements, and stormwater infrastructure instead of traditional coverage requirements

   Staff propose to analyze a policy change that would allow TRPA and local jurisdictions to utilize other appropriate critical and sensitive resource protection and stormwater management requirements, and stormwater infrastructure instead of traditional coverage requirements *in town centers*. This policy option would be appropriate as part of a pilot program and would provide an alternative approach to coverage requirements for 100 percent deed restricted housing.

[8] The bonus unit boundary provides residential incentives outside of town centers but still in areas targeted for higher density growth. The boundary is ½ mile from transit, ½ mile from town centers, and includes all neighborhoods zoned for multi-family.

To be a viable option, such an approach would require a strong partnership between TRPA, local jurisdictions and interested developers and would need to demonstrate equal or better environmental benefits as coverage while providing an incentive to the housing provider. Additional criteria, including the requirement(s) for an existing local jurisdiction area plan, Governing Board approval, consistency with applicable findings, etc., could be put in place.

1. *In the vicinity of town centers,* allow additional coverage for deed restricted units

   Based on existing TRPA code that allows higher coverage allowances in town centers and community plans, TRPA staff recommends further analyzing a policy option that would allow property owners to build above maximum coverage limits allowed in TRPA Code section 30.4.2.A for deed-restricted multi-family housing or ADUs on high capability lands outside of town centers. Any additional coverage above base allowable would be required to be used for the deed restricted unit. For example, if a single-family home covered 30 percent of a lot, the property owner could build a deed-restricted ADU which would bring the total coverage on the parcel up to 35 percent, however other expansions to the single-family home that were not part of the deed-restricted ADU would not be allowed.

Any time TRPA allows additional coverage above base allowable, it is required to be mitigated. Under the current code, that mitigation typically occurs through the transfer of coverage from one property to another and through the use of excess coverage mitigation fees. The Tahoe Living Working Group and the public have repeatedly identified the costs associated with these fees as a challenge to building affordable and workforce housing, thus the environmental analysis will consider whether there are alternative mitigation strategies which would be less costly for multi-family development projects.

Height

TRPA's Regional Plan and Code institute height limits to protect scenic resources and promote buildings that align with neighborhood character. Like coverage and density incentives adopted in 2012, TRPA increased height standards in town centers, regional centers, and high-density tourist districts as part of the 2012 Regional Plan amendments. In town centers, development is allowed up to four stories measured from the lowest point of natural grade, with no TRPA restrictions on roof pitch.[9] Outside of centers, existing TRPA height allowances are dependent on the slope of the parcel and the proposed roof pitch of the building, but essentially allow a maximum of two and a half stories. A few of the local jurisdictions within the basin have additional requirements and guidelines to ensure buildings fit the character of the community.

[9] Local jurisdictions have added their own roof pitch requirements in Area Plans.

Key Points:

- Inflexibility of current height standards adds cost to multifamily housing development

According to local jurisdiction staff and Working Group members, height is particularly challenging when building larger multi-family developments, both within town centers and outside of town centers, generally due to a lack of flexibility in TRPA and local jurisdiction codes. For instance, in some cases just a few additional feet of height are needed to accommodate unique characteristics of the site, but this is not possible without a Regional Plan amendment. At the same time, at Working Group meetings TRPA heard from the public that more height would be out of place in most neighborhoods. Related to this, the Cascadia analysis showed that height is not a limiting factor for multi-family developments of less than six units. Taking these factors into account, TRPA proposes to analyze the following height policy changes for deed-restricted multi-family housing projects.

1. TRPA proposes to analyze these changes *within town centers:*
    - Implement height allowances that align with California's Density Bonus Law through a pilot program in town centers.

    - Clarify Regional Plan and Code language related to stories versus number of feet *in town and regional centers.*

      TRPA's Regional Plan and Code state the building height within town centers "may be allowed up to four stories (56 ft.) maximum as part of an Area Plan." The Regional Plan and Code contain similar language for regional centers. Tahoe Living Working Group members indicated having two standards (number of stories and allowable feet) result in developers being limited to building four stories when, in some cases, five stories could fit into a 56-foot building. To provide greater flexibility to developers, staff propose to analyze a policy change to set the maximum height in feet and remove the number of allowable stories. This amendment would also need to be made in local jurisdiction area plans.

2. TRPA proposes to analyze these changes within *the vicinity of town centers*:

    - Reduce or remove roof pitch allowances.

      Within the vicinity of town centers, multi-family zoning occurs directly adjacent to town centers, along arterials, and also adjacent to low-density neighborhoods designated for single-family development. While the final proposal may specify different roof pitch regulations for each of these areas or require local jurisdictions to delineate roof pitch in Area Plans, for the purposes of the environmental analysis, TRPA proposes to study the options above in all areas zoned multi-family.

Attachment B

Regional Plan housing incentives over time; summary of Tahoe Living Working Group work

Attachment B - Regional Plan housing incentives over time; summary of Tahoe Living Working Group work

The Regional Plan has recognized the importance of affordable and workforce housing since its inception in 1987, establishing housing goals and special pools of development rights set aside for multi-family and affordable housing. As a living document, subsequent updates to the Regional Plan have sought to concentrate development in centers, while also offering incentives for affordable and workforce housing in these areas and in the nearby vicinity.

The following highlights housing goals, and housing and compact development incentives included in major plan updates over time.

Housing Goals:

Qualitative Goals

The Land Use Element of the Regional Plan has a Housing sub-chapter. This chapter includes three housing goals:

> *GOAL HS-1 – Promote housing opportunities for full-time and seasonal residents as well as workers employed within the region.*
>
> *GOAL HS-2 – To the extent feasible, without compromising the growth management provisions of the Regional Plan, the attainment of thresholds goals, and affordable housing incentive programs, moderate income housing will be encouraged in suitable locations for the residents of the region.*
>
> *GOAL HS-3 – Regularly evaluate housing needs in the region and update policies and ordinances if necessary to achieve state, local, and regional housing goals.*

An iteration of Goal 1 was included in the 1987 Plan. The TRPA Governing Board approved Goals 2 and 3 through amendments in 2004 and 2012.

Numeric Goals

As part of the 2012 Regional Plan Update the Governing Board approved a numeric local resident and workforce housing goal. This was tied to California requirements that Regional Transportation Plans also include a "Sustainable Communities Strategy."[10] The most recent Regional Transportation Plan/Sustainable Community Strategy housing goal, approved in 2020, was slightly over 1,000 units.

The Tahoe Living Working Group has recognized a larger regional housing need identified by the Tahoe Prosperity Center, Placer County and Washoe County in regional housing needs assessments. Those reports have identified a need of 4,500 homes region-wide, including the Nevada side of the basin, that would not be provided by the market under current conditions.

Housing Incentives:

Key Points:

- Development standards impact housing affordability
- Concentrating development in town centers is intended to benefit affordability and the environment

The 1987 Plan authorized 1,600 multi-residential development rights in a "Bonus Unit Incentive Pool" for the 20-year life of the plan. Bonus units from the pool could be used either for deed-restricted "affordable" units, or for construction of multi-residential development in exchange for completing mitigation measures such as retiring development or stream environment restoration. Except when used for deed-restricted "affordable" units, these multi-residential units were required to comply with the allocation limitations of the growth management system for residential development (thus, they required an allocation).[11] Amendments in 2004 expanded the use of the "Bonus Unit Incentive Pool" to include deed-restricted "moderate" income units as well as deed-restricted "affordable."

By 2012, approximately half of the bonus units had been used up. The 2012 Regional Plan approved another 600 bonus units, but only for use in centers. In addition, the 2012 Regional Plan set aside 200,000 square feet of commercial floor area (called the "2013 CFA pool") which, per the note in Table 50.4.1-1 of the Code of Ordinances "shall only be made available after the 383,579 sf of remaining CFA is exhausted." The Final Environmental Impact Statement (FEIS) for the 2012 Regional Plan Update instituted this restriction on usage of the 2013 CFA pool in response to comments and in order to delay

[10] TRPA fulfills the role of the Tahoe Metropolitan Planning Organization for the Tahoe Region. Metropolitan Planning Organizations must implement California's Senate Bill 375, which requires a Sustainable Communities Strategy for greenhouse gas reduction be built into Regional Transportation Plans. Sustainable Communities Strategies must accommodate the Regional Housing Needs Allocation (RHNA) requirements of the State of California. The Sustainable Communities Strategy/Regional Transportation Plan (SCS/RTP) is adopted into the TRPA Regional Plan.

[11] There are many kinds of deed-restrictions that may be recorded on a property, however in this document the use of the term "deed-restriction" refers to an income-restriction on the household or households that occupy it.

the impacts of development.[12] The 2012 Regional Plan did not describe how this pool would be allocated once the other CFA was exhausted.

The 2018 Development Rights Strategic Initiative (DRSI) was the direct result of a 2012 Regional Plan mitigation measure related to the availability of workforce housing. The DRSI amendments allowed the conversion of tourist accommodation units (TAUs) and commercial floor area (CFA) to residential units of use (RUUs) using environmentally neutral exchange rates. The ability to convert development rights offered more flexibility to developers and property owners. Because of the availability of this new option, local jurisdictions have recently asked TRPA to analyze whether the 2013 CFA pool could be converted and used either to replenish the Bonus Unit Pool when it is used up, or to incentivize non deed-restricted ADUs and multi-residential development.

The DRSI amendments also recognized a need for local worker housing for households with income levels above "moderate" income, and established a new income category, "achievable," [13] making bonus units from the Bonus Unit Incentive Pool available for this category without requiring an allocation. This amendment also recognized the relatively low success of the multi-residential bonus unit incentive program and shifted nearly the entire pool of bonus units out of the development-right/allocation system and into a deed-restricted only program which assigned Bonus Units to deed-restricted affordable, moderate, or achievable housing while waiving the requirement of an allocation. While this made it easier for deed-restricted housing to receive a development right in the form of a Bonus Unit, it removed the only source of residential development rights for non deed-restricted, multi-residential housing. It also introduced a need for compliance and monitoring to ensure that deed-restricted units are being used as intended.

Compact Development:

Plan Area Statements and Community Plans

The 1987 Plan was the first Regional Plan in effect to implement the 1980 Bi-state Compact (Public Law 96-551). As stated in the current Goals and Policies document, the focus of the 1987 Regional Plan was to "achieve and maintain environmental thresholds primarily through growth control, development regulations and property acquisition." The 1987 plan focused on retiring development from sensitive lands where possible, and otherwise limiting development on sensitive lands.

[12] Final Environmental Impact Statement for the 2012 Regional Plan Update, Volume 1, Section 2.2.2, "Limits on Commodities," and Master Response 9, "Consideration of Banked Commodities."

[13] "Achievable" income households must demonstrate that their household income is less than the amount needed to afford the purchase price of the median-priced home. The TRPA publishes the achievable income percentages of area median income (AMI) by county each year. The percentage varies by county but is over 120 percent of AMI in all Tahoe counties.

The 1987 plan included coverage limitations based on the land capability system established in the 1974 report, *Land Capability Classifications of the Lake Tahoe Basin*, by Robert G. Bailey.

The 1987 Plan encouraged concentration of development through plan area statements and community plans, which identified "multi-residential receiving areas," "preferred affordable housing areas" and areas appropriate for receiving transfers of existing development. The boundaries of community plans were specifically identified as areas where commercial uses were concentrated or should be concentrated. These multi-residential receiving areas and preferred affordable housing areas are, for the most part, the areas zoned for multi-residential uses today.

Area Plans

In 2010 the Total Maximum Daily Load (TMDL) report[14] identified development in the "urban uplands" as the primary contributor to fine sediment loading into the lake and a primary cause of the loss of the lake's deep-water transparency (Figure 1). This finding coincided with the findings of threshold evaluations, which showed that while trends towards threshold attainment had improved measurably, thresholds for water quality and other resources were still not being attained.

Figure 1 – Figure 7-3 from the Total Maximum Daily Load Report, Percent Fine Sediment Particle Contribution to Lake Tahoe by Source Category

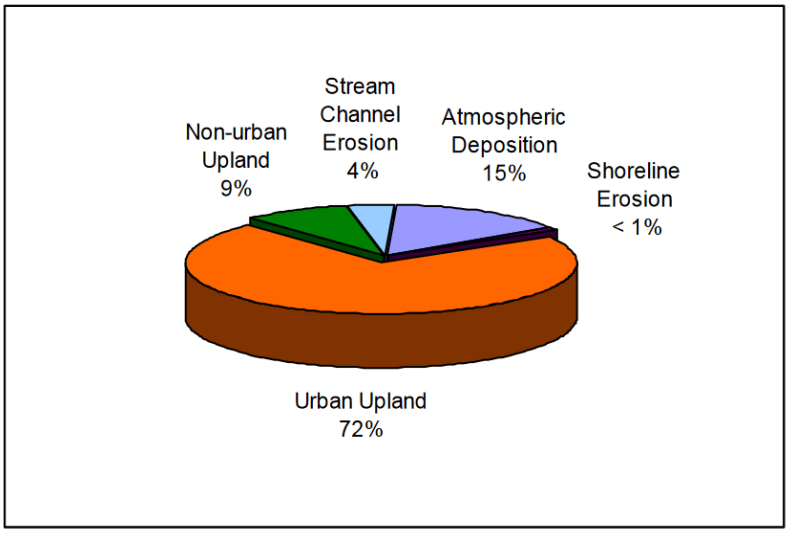


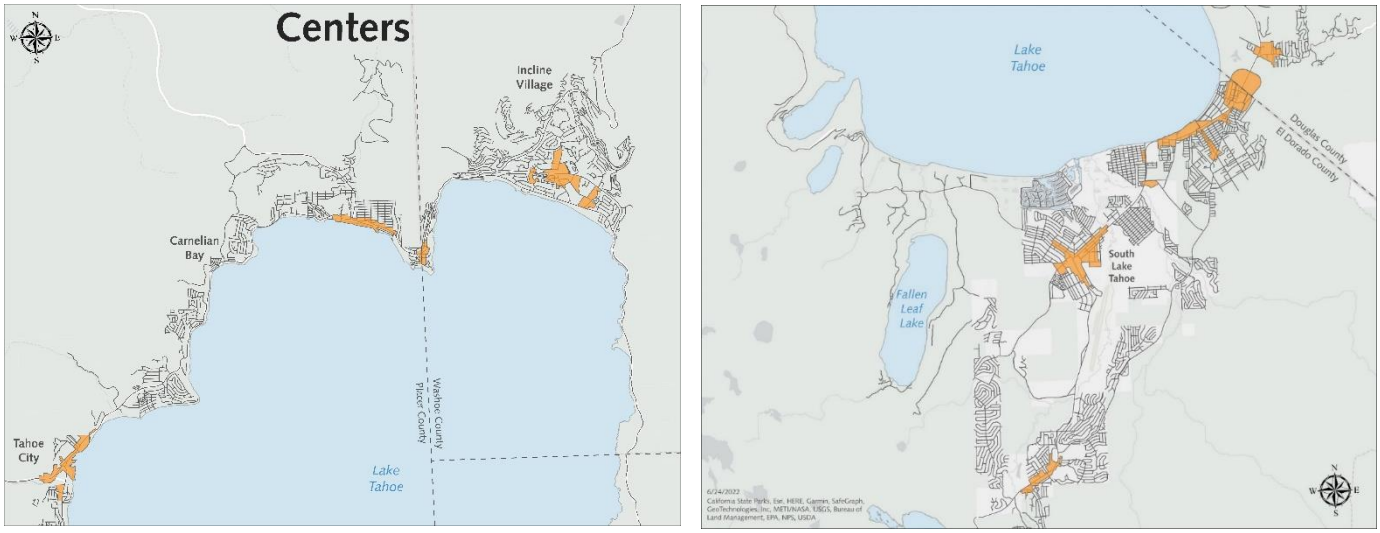
Figure 7-3. Percent Fine Sediment Particle (< 16 micrometer) Contribution per Source Category.

[14] California Regional Water Quality Control Boards; Nevada Division of Environmental Protection, Final Lake Tahoe Total Maximum Daily Load Report, November 2010, https://www.waterboards.ca.gov/lahontan/water_issues/programs/tmdl/lake_tahoe/docs/tmdl_rpt_nov2010.pdf . "Urban uplands" are urbanized areas that generate runoff.

To better address these water quality issues, the 2012 Regional Plan Update focused on accelerating private investment in environmentally beneficial redevelopment and infill development. A major component of the 2012 Regional Plan Update was the phasing out of Community Plans in favor of Area Plans, with delegated project approval authority to local jurisdictions upon the approval of an Area Plan. The 2012 plan introduced additional incentives to transfer existing and potential development out of remote and sensitive areas into centers, with transfer incentives as high as six bonus units to one transferred existing unit. The 2012 plan also provided for additional density (a maximum of 25 units per acre for residential and 40 units per acre for tourist), coverage (up to 70 percent of a parcel) and height (a maximum of four stories in town centers), with greater height incentives in the Regional Center and High-Density Tourist Center.

While the incentives placed a strong emphasis on town center development and redevelopment, the boundaries of the town centers were fairly small, using community plans as the building blocks where centers were drawn primarily around areas of existing commercial development (Figure 2). Currently, only about 17 percent of parcels that allow multi-residential housing are located within existing town centers. Of those parcels in town centers, about 27 percent are considered developable, (i.e., they are on high capability land[15], their development rights have not been retired or removed, and are large enough to have more than one unit with existing density standards).[16]

Figure 2 –Centers



[15] Bailey land capability development (LCD) classification of 4-7.

[16] Existing residential density standards in town centers allow for a maximum of 25 units per acre. Outside of town centers, the highest allowable residential density is 15 units per acre. A map of basin-wide densities can be found here.

Bonus Unit Boundary

In addition to establishing the "achievable" housing category and allowing conversions between different types of development rights, the DRSI amendments established the "Bonus Unit Boundary" to incentivize affordable and workforce housing development in the vicinity of transit and services.

The "Bonus Unit Boundary" included the ½-mile buffer of existing transit stops, and allowed deed-restricted affordable, moderate, and achievable units to receive a bonus unit from the bonus unit incentive pool with no requirement that it be matched with an allocation.

In July of 2021, as part of the Phase 1 Housing amendments, the Governing Board approved a slight expansion to the Bonus Unit Boundary to align with the goals of the 2012 Regional Plan and the 2020 Regional Transportation Plan, adding areas zoned multi-family that were not previously captured in the boundary, and adding the ½-mile buffer of centers to the boundary.

Tahoe Living Working Group:

in June of 2020 the TRPA Governing Board appointed the Tahoe Living Housing and Community Revitalization Working Group to work with staff to isolate and prioritize housing actions that TRPA can take that would provide meaningful change to affordable housing cost and availability. Experts on the Tahoe Living Working Group have drawn from their own experiences working in Tahoe to identify key factors limiting affordable and workforce housing, as well as using technical reports to inform recommendations and code amendment language. Using an updated version of the pro forma analysis developed during the Development Rights Strategic Initiative, staff and the Tahoe Living Working Group identified that TRPA actions could influence the cost of affordable and workforce housing by approximately 10-12 percent.[17]

Key themes that have emerged from the Working Group and TRPA's research include:

1. *Accessory Dwelling Units* (ADUs) are a small home type that can be delivered by the private market but were not allowed on most residential parcels in the region.[18]

2. *Development standards* such as density, height, coverage, parking and setbacks, intended to curb the impacts of development contribute to per-unit and per-square footage construction costs that make multi-family and smaller home types infeasible to build.

[17] Tahoe Living Housing and Community Revitalization Working Group November 4, 2020 Agenda Item V, Attachment B, Priority Tool Action Quantification, https://www.trpa.gov/wp-content/uploads/documents/archive/04_Attachment-B-Policy-Analyses.pdf.

[18] In July 2021, as a result of Tahoe Living Working Group input, the TRPA Governing Board approved allowing ADUs on all residential parcels on the California side.

3. The structure of *mitigation fees* and mitigation fee programs result in higher costs per square foot for smaller units than for larger units.

4. Single-family homes and deed-restricted homes have dedicated sources of *development rights*; non-deed-restricted multi-family housing and ADUs do not and must turn to the private market to obtain these rights. Further, smaller homes are out-competed on the market for one-size-fits-all development rights by larger, high-value homes.

5. *Preservation of existing housing* is needed; single-family rentals, which make up about a quarter of the existing housing stock, are vulnerable to conversion to second homes.

The Tahoe Living Working Group recommended addressing themes 1-3 through near-term, medium-term, and long-term action priorities which were approved by the Governing Board in January of 2021. The Working Group identified theme 4 as a pressing issue during discussions related to approval of the Phase 1 Housing Amendments in 2021, and staff recommends addressing this during the "medium-term" actions. Staff has identified theme 5 as an emerging issue, and one that local jurisdictions are actively engaged on currently and may also be partially addressed by TRPA during the "long-term" actions.

In July of 2021, the TRPA Governing Board addressed "near-term" actions through the Phase 1 Housing Amendments, allowing ADUs on residential parcels of any size on the California side, and allowing increased density for hotel/motel conversions to residential development. The Working Group is currently in Phase 2, the "medium-term" amendments, starting with development standards and moving on to scaling and availability of development rights as soon as time allows.

Attachment C

Presentation to the Local Government and Housing Committee on Missing Middle Housing by Opticos Design, Inc. – January 6, 2021

Attachment D

Presentation to the Tahoe Living Working Group on Tahoe Development Base Cases and Test Results by Cascadia Partners – March 30, 2022