

## STAFF REPORT

Date: April 21, 2023

To: Tahoe Living Working Group

From: TRPA Staff

Subject: Land use code innovation to promote affordable and workforce housing

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### Summary and Staff Recommendation:

TRPA staff and consultants will present the results of the Financial Feasibility 2.0 analysis that identifies coverage, height, and density standards needed to facilitate private sector investments in workforce housing. TRPA staff will then present the recommended changes to coverage, height and density standards for discussion and guidance from the Tahoe Living Working Group (i.e. Working Group).

### Background:

The TRPA Governing Board has directed the agency to work swiftly and collaboratively on solutions to the housing crisis impacting the region. Studies, feedback from local government partners, and community sentiment continue to show the deepening impact of demographic changes on housing affordability in Tahoe and in mountain communities across the West. As market demand for second homes and high-end units increase, there are less opportunities for workers and families to live within the region. Businesses struggle to remain fully staffed and more residents are forced to relocate outside the basin, which increases traffic and vehicle emissions that harm the environment.

Solutions are coming forward throughout the region in public projects, subsidies, and property owner incentives that are increasing the availability of deed-restricted affordable and workforce housing. However, solutions can also be found in the market itself. The Financial Feasibility 2.0 analysis and TRPA's initiative to allow more flexible height, density, and land coverage standards are part of the longer-term priorities identified by the Working Group needed to encourage more private sector investment in affordable and workforce housing.

To understand the situation in the basin today, consider that development in Tahoe is subject to local and regional development standards designed to protect environmental thresholds, maintain neighborhood character, and meet the goals of the Regional Plan. These development standards include density, height, coverage, development rights, setbacks, parking, and the restriction of subdivisions. Some of these standards, including coverage, height, and density are implemented by TRPA while others, like parking and setbacks, are for the most part implemented by local jurisdictions. Staff and Working Group members have been working to determine in which cases existing development standards are serving to achieve environmental thresholds and Regional Plan sustainability goals, and in

which cases they may be inadvertently incentivizing larger home development to the exclusion of more affordable housing types. Phase two of TRPA's Housing Initiative focuses on innovations to TRPA's development standards to better incentivize affordable and workforce housing.

At the Working Group meeting in March 2022, Cascadia Partners presented the results of a financial feasibility analysis that identified the effect that modestly increasing development standards would have on the cost and feasibility of building affordable and workforce housing in various locations within the Tahoe Basin. TRPA staff followed with conceptual policy changes to coverage, height, and density standards that would help make affordable and workforce housing more feasible in locations for which it is zoned. Working Group members expressed support for the conceptual changes and encouraged staff to seek input from the TRPA Governing Board before beginning the environmental review and code amendment process. A summary of this financial feasibility analysis, proposed policy changes, background on each standard, and meeting outcomes can be found on the [Tahoe Living Working Group page](#).

Following the March Working Group meeting, TRPA staff sought direction from the TRPA Governing Board at a housing workshop held in July 2022. Staff presented an overview of the financial feasibility analysis and the conceptual policy changes. Governing Board members indicated support for bold changes to development standards to facilitate affordable and workforce housing. In response to this, staff pursued a "return on investment" (ROI) analysis from a consultant to indicate the scale of changes to height, density, and coverage needed for workforce housing projects to generate an ROI that can attract private developers. To obtain these answers, TRPA staff initiated a "financial feasibility analysis 2.0" with Cascadia Partners.

#### Financial Feasibility Analysis 2.0

Building on the previous financial feasibility analysis, Cascadia Partners used a similar methodology to identify the coverage, height, density, and parking standards needed to achieve a 12 to 15 percent rate of return for multi-family development and the resulting affordability levels (i.e. AMI levels) the units would be sold or rented to. Developer and consultant input show this to be the range of investment returns expected for this kind of development in the region. The analysis identified that without comprehensive changes to both regional and local development standards, or major subsidies, developers typically can only achieve a positive rate of return by building larger and more expensive units to meet target returns. These high-end units are unaffordable to the local workforce.

The analysis results show that allowing higher coverage and building height would effectively expand the footprint of the building, ultimately increasing the building's unit capacity. However, without lowering parking requirements, an increase in units would be severely limited since the additional parking required for every additional unit would quickly consume most of the expanded building footprint. This is especially true with smaller infill sites where space is very limited. Allowing for higher coverage and height allowances and lower parking requirements, along with increased density, would encourage the development of more units with a smaller footprint per unit that are inherently more affordable to the occupant. Without major subsidies for "missing middle" housing, this level of change will likely be needed to get closer to achieving the full housing need illustrated by regional housing needs assessments. The full results of the Financial Feasibility 2.0 analysis will be presented at the meeting.

Based on the Financial Feasibility 2.0 analysis, Cascadia produced a list of recommended policy changes to TRPA Code as well as local parking and setback standards. The policy changes focus on two areas

within the basin: 1) in town centers, and 2) in areas currently zoned for multi-family housing within the bonus unit boundary<sup>1</sup>. The recommendations would further incentivize development in town centers and in proximity to transit and services by increasing density, height, and coverage allowances. The recommendations would also promote development that fits the neighborhood character of areas outside of town centers that are targeted for multi-family housing and walkability.

Cascadia's Recommended Policy Changes based on the Financial Feasibility Analysis 2.0.

**Town Centers:**

1. Increase or remove density limits and allow the height and coverage to govern building intensity.
2. Consider increasing height to five stories to accommodate for an efficient building type and more, smaller units.
3. Favor an areawide stormwater treatment system to address stormwater runoff rather than limiting coverage.
4. Reduce minimum parking requirements to 0.75 spaces per unit or remove minimum parking requirements entirely and allow the market to decide what amount of parking is adequate.
5. Consider reducing all setbacks by 50% to optimize coverage allowances on a standard lot.

**Areas zoned for multi-family housing:**

1. Increase maximum density to at least 60 units per acre to allow for medium-sized apartment buildings that can feasibly produce units affordable to the workforce.
2. Increase maximum coverage to 70%.
3. Remove roof pitch requirements to unlock livable square footage on the top floor.
4. Reduce minimum parking requirements to 0.75 and consider having on-street parking count towards the minimum requirement.
5. Reduce front and rear setbacks by at least 50% to optimize 70% coverage recommendation on a standard lot.

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<sup>1</sup> The Bonus Unit Boundary is the area within ½ mile of transit, ½ mile of town centers, and areas that allow for multi-family residential housing within the Tahoe Basin. Parcels receiving TRPA bonus units must be within the Bonus Unit Boundary.

### Experience from other areas

Around the country, jurisdictions are attempting to modernize age old land use regulations to make it more feasible to build missing middle housing. Different strategies have been applied depending on the desired outcome of the community. In 2020, Portland followed the example of several other US cities to pass new zoning rules that would legalize up to four units on almost any residential parcel, with an additional option of six units if at least half are provided at below-market prices. Portland's new regulations went a step further than other cities by allowing reduced parking and an expanded building footprint for building more than one unit, and as such, they expect to see more missing middle housing units constructed.



Small scale multi-family (6-10 units) development

In an effort to promote smaller residential units near transit and within easy walking and biking distance to commercial services and activity centers, the City of Santa Barbara implemented an Average Unit Size Density Program in 2013. The program maintains a density allowance range for selected areas of the city, but also implements a maximum unit size for each zone. To further encourage developers to take advantage of this program, there are more flexible parking, open space, and setback standards. The program has since gone through multiple revisions and been adopted permanently into their Code.

Parking standards typically require more parking than the market demands, especially for smaller units that are close to centers. Parking increases the cost of housing<sup>2</sup> and results in an inefficient use of the land. Beginning January 2023, the state of Oregon removed parking requirements for homes of 750 square feet or less that are located within a half-mile of transit and that meet affordability criteria. This does not mean that no parking will be provided when a new development is built; rather, the amount of parking is left to the developer based on market conditions of the specific location. This typically results in greater affordability options for the occupant of the unit; their monthly payment can be lower if they do not need a parking space. Although the legislation will be implemented over time, planners expect projects to be constructed faster and that creative solutions to utilize existing parking lots will be possible<sup>3</sup>.



Reduced parking requirements allow for more lot space to be devoted to living space

<sup>2</sup> [A study of affordable housing developments](#) throughout California from UC Berkley's Terner Center for Housing Innovation found that structured parking added nearly \$36,000 per unit. Other studies show a 12.5% increase in development costs for each parking space.

<sup>3</sup> [Oregon just Slashed Parking Mandates. 5 Things that Might Happen Next](#), Sightline Institute, 2022.

### Discussion:

The policy proposal below was developed based on Working Group, Governing Board and other stakeholder input and aims to implement the housing goals envisioned in the 2012 Regional Plan, with multi-family and accessory dwelling units (ADUs) built in close proximity to centers, transit, and services. Staff has analyzed potential impacts through an Initial Environmental Checklist (IEC). Preliminary findings in the IEC show that, since the proposal primarily provides additional incentives to further concentrate development of deed-restricted bonus units close to transit and services, that with minor mitigation measures the proposal would not have a significant impact. Staff estimates anticipated timeline of this option is completion by December 2023.

### **Height:**

1. *Town centers:* Allow up to five stories for deed-restricted housing when certain findings can be made. This option would require buildings to incorporate design features such as pitched roofs, articulated facades, articulated roof planes, and the use of earthtone colors.
2. *Areas zoned for multi-family housing:* Allow deed-restricted developments to extend an additional fifteen feet (15'), up to forty-eight feet (48') (four stories), whichever is less, if certain findings are made. This option would require buildings to incorporate design features such as pitched roofs, articulated facades, articulated roof planes, and the use of earthtone colors.

### **Density:**

1. *Town centers:* Remove density maximums for deed-restricted and market rate residential units<sup>4</sup>. Only deed-restricted housing units would qualify for the height and coverage incentives in this proposal.
2. *Areas zoned for multi-family housing:* Increase density to 60 units per acre for deed-restricted and market rate residential.

### **Coverage:**

1. *Town centers:* Allow for utilization of green stormwater infrastructure instead of traditional land coverage limits (land coverage would not be capped at any percentage on high capability lands) for deed restricted multi-family housing. Coverage transfers would be exempt.
2. *Areas zoned for multi-family housing:* Allow up to 70 percent coverage for deed-restricted multi-family development, or to accommodate a deed-restricted accessory dwelling unit on high capability lands (or up to 1,200 square feet, whichever is less). On parcels with accessory dwelling units, any additional coverage above the base allowable would be allowed only for the accessory dwelling unit, it could not be used for the primary residence. Coverage transfers over base allowable would be exempt.

### **Implementation**

These policy changes would be implemented in the TRPA Code of Ordinances, however, because each local area of the basin is unique, these changes would also need to be implemented through local area plans. Area plans would need to be amended or developed in order to take advantage of these changes. Concerns have been expressed about the time required to develop a new area plan or amend an

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<sup>4</sup> Market rate residential developments would qualify for increased density allowances but not increased height or coverage incentives. Allowing higher density market rate units would encourage smaller size units within the allowable building footprint which are likely to be more affordable to the occupant due to their smaller nature.

existing area plan. TRPA staff will work to streamline the area plan development and amendment process and provide example code language and sample environmental review language.

#### Parking and Setbacks

As shown in the Financial Feasibility Analysis 2.0, workforce housing developments are only feasible when changes to height, density, coverage, parking and setbacks are considered simultaneously. TRPA staff will work with local jurisdictions through the area planning process to update parking and setback standards to further encourage affordable and workforce housing.

#### Enforcement of Deed-Restrictions

TRPA currently maintains a Deed-Restriction Compliance Program to monitor and ensure homes built with bonus units (TRPA's deed restricted residential housing) are occupied by a household that meets the requirements of the deed restriction language. The program includes annual compliance reporting and auditing by TRPA staff. Because this proposal will likely increase the number of bonus units distributed in upcoming years, a component of the next iteration of the proposal will look at possible options for funding an expanded compliance program and increasing penalties for violations.

#### Evacuation

Although the proposal will not result in an overall increase to development potential in the basin, the existence of households without cars could pose challenges to evacuation efforts. TRPA will coordinate with first responders and public safety agencies to review and develop mitigation measures for the policy proposal, if necessary, during the environmental review process.

#### Next Steps

Staff requests feedback from the Working Group on which policy option or components of policy options outlined in this staff report should be brought forward for consideration by the TRPA Governing Board. Following the April Working Group meeting, staff will complete code amendments and the environmental analysis before beginning the public hearing process in August. During this time, TRPA staff will meet with stakeholder and interested public groups to answer questions about the proposal and address concerns. Amendments would follow the regular public approval process including Advisory Planning Committee (APC), RPIC, and Governing Board hearings.

#### Technical Code Team

TRPA staff requests interested members from the Tahoe Living Working Group to join a Technical Code Team to provide feedback to staff on necessary policy and Code amendments to implement the recommended policy option. The Technical Code Team will recommend redline changes and specific language to be incorporated into TRPA's Regional Plan Goals and Policies, Code of Ordinances, and Rules of Procedure. Recommendations by the Technical Code Team would be brought through the public hearing process. Staff anticipate this team will meet in June 2023.

#### Contact Information:

For questions regarding this agenda item, please contact Alyssa Bettinger, Senior Planner, at (775) 589-5301 or [abettinger@trpa.gov](mailto:abettinger@trpa.gov).