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STAFF REPORT

Date: October 28, 2021
To: Tahoe Living: Housing and Community Revitalization Working Group
From: TRPA Staff
Subject: Tahoe Living Process Review

Summary and Staff Recommendation:

Staff will review the targets of the Tahoe Living Working Group, outcomes from Phase 1, and the process for completing Phase 1 and moving into Phases 2 and 3. This is an informational item only.

Background:

At the first meeting of the Tahoe Living Housing and Community Revitalization Working Group on August 19, 2020, the Working Group recommended developing policy that would help the region work toward the overall housing needs identified in the California Regional Housing Needs Assessment (RHNA), and in local needs assessments, including the South Shore Housing Needs Assessment (2019), Placer County needs estimates, and the Truckee North Tahoe Regional Workforce Housing Needs Assessment (2016). The group recommended not setting specific “goals” but instead identifying progress and gaps in meeting the needs established by the RHNA and local needs assessments. This background section reviews several milestones toward meeting the need since the Tahoe Living Working Group first convened in August 2020. The Discussion section identifies new issues identified by stakeholders and the proposed next “actions” on which the Tahoe Living Working Group should focus.

Overall Need

At the August 2020 Working Group meeting, the Working Group supported working toward, at a minimum, the housing need identified in the California Regional Housing Needs Assessment/Sustainable Communities Strategy (RHNA/SCS) and optimally toward the need identified in regionally specific needs assessments. The identified needs are shown in Figure 1.

Figure 1: Regional Housing Needs

	Very Low (50% AMI)	Low Income (50-80% AMI)	Moderate (80-120%)	Above Moderate/ Achievable	Total
Minimal: RHNA/SCS					
City of SLT	70	50	42	127	289
El Dorado County (Tahoe only)	91	55	63	150	359
Douglas County	--	--	--	--	--
Placer County (Tahoe only)	110	67	77	181	435
Washoe County	--	--	--	--	--
Minimal Total	271	172	182	458	1083
Optimal: Needs Assessments					
	Low/Very Low		Moderate	Achievable	Total
South Shore (SLT, ElDo, Douglas)	1086		477	318	1880
Placer County	1560		250		1810
Washoe County					
Optimal Total	2646		727	318	3690

Throughout the fall of 2021, the Tahoe Prosperity Center, Washoe County, and several other partners from the Incline Village/Crystal Bay community have been working on a Washoe Tahoe Local Resident Housing Needs and Opportunities report. When it is complete, TRPA will update the table above to include the figure that captures Washoe County's housing need as well.

Several recent changes at the regional and local level are anticipated to contribute toward reaching the overall goal. They are organized into sections below, including Phase 1 Housing Amendments, Constructed Projects, Permitted Projects, Accessory Dwelling Units, and Local Jurisdiction Programs.

Phase 1 Housing Amendments Approved

Throughout the spring of 2021, the Working Group focused on a set of "near-term" housing actions, including providing input on policy related to "ADUs/Small Homes" and "Density" (see Figure 2, below). This resulted in Governing Board approval of the "Phase 1 Housing Amendments" on July 29, 2021. The approved Phase 1 Housing Amendments included:

- Allowing up to two accessory dwelling units per residential parcel regardless of parcel size (this recommendation was modified at the Governing Board meeting to only apply to the California side);
- Removing the noticing requirement for accessory dwelling units;
- Allowing non-conforming tourist density to be used onsite for residential density;
- Modifying the Bonus Unit Boundary to align with the Regional Transportation Plan, 2012 Regional Plan updates, and multi-family zones. The boundary was modified to include a half-mile buffer from Town Centers and areas zoned multi-family, in addition to the half-mile buffer from transit.

These amendments went into effect on September 29, 2021. The full text of the approval ordinance and amendments shown in track changes is included as Attachment A. The first bullet as applies to the Meyers Area Plan, the Tourist Core Area Plan, and the Tahoe Valley Area Plan was brought through the Advisory Planning Commission and Regional Plan Implementation Committee for recommendations for approval and will be brought back to the full Governing Board for consideration after El Dorado County and the City of South Lake Tahoe have taken action on these changes.

Constructed Projects

Several local workforce housing projects have been constructed on both the North Shore and the South Shore since around the time that the Working Group first started meeting, August 2020. While not deed-restricted, these are rental properties that are priced in the moderate to achievable range.

- **Dollar Hill Apartments**, Tahoe City, Placer County. Converted a commercial property to 17 multi-family units, completed in November 2020.
- **Pioneer Trail duplexes**, South Lake Tahoe. Six units, completed in summer 2020.
- **1149 Bonanza**, South Lake Tahoe. Two units completed summer 2021.
- **Stand-Up Paddleboard Mixed Use**, 871 Emerald Bay, South Lake Tahoe. Three units in a mixed-use project with South Shore Bikes and Stand-Up Paddleboard Tahoe that utilized transfer incentives to receive Bonus Units. Completed summer 2021.

Total new units constructed: 28

Permitted Projects (Deed-Restricted)

Several deed-restricted or transitional housing projects in the South Shore have been approved. Once completed, these projects will provide an additional 273 units of affordable, moderate or achievable housing. In addition, 84 motel units have been converted to transitional housing through California's Homekey program.

- **Sugar Pine Village**, Tahoe Valley Area Plan, South Lake Tahoe. This project, which received final approvals in January of 2021 will be a 248-unit deed-restricted affordable housing project near the South Tahoe "Y". The project is a partnership between Related California, Saint Joseph Community Land Trust, California Tahoe Conservancy, Tahoe Regional Planning Agency, City of South Lake Tahoe, El Dorado County, California Department of General Services and other entities. The project is currently pursuing financing and is currently working to close remaining funding gaps and obtain Low Income Housing Tax Credit financing. It is scheduled to break ground in spring of 2023, with the completion of the first phase of housing estimated to be by fall of 2024.
- **Silver Dollar Achievable Housing**, South Lake Tahoe. This project which received final approvals in August 2021 is a 20-unit deed-restricted "achievable" project in Highland Woods Special Area #1 in South Lake Tahoe.

- **Riverside Avenue Moderate-Income Housing**, South Lake Tahoe. Saint Joseph Community Land Trust is building three moderate-income units. The Riverside Project homes will be sold subject to a 99-year renewable, inheritable ground lease with the Saint Joseph Community Land Trust.
- **1331 Emerald Bay**, South Lake Tahoe. Two deed-restricted moderate units (part of four total, see below).
- **Homekey Projects**, South Shore and North Shore. Using federal CARES ACT and state funding, California launched Project Homekey in 2020. Both the South and North Shores successfully received funding for projects that provide interim or transitional housing for those at risk of homelessness or currently without stable shelter. The South Shore’s Tahoe Coalition for the Homeless, with support from TRPA and the City of South Lake Tahoe acquired three motels, to provide up to 70 housing units once all units are fully operational. In the same timeframe, Placer County acquired a motel in Kings Beach, opening up 14 new housing units on the North Shore. The 84 new housing units will provide permanent housing for Tahoe residents.

Total new units when fully operational: 357

Total units currently operational: 60

Permitted Projects (Not Deed-Restricted)

The City of South Lake Tahoe has approved four projects over the past two years that will provide new mixed-use or multi-family units. As with the other non deed-restricted projects in the “Constructed” section, these units are expected to rent at rates in the moderate to achievable range.

- **Tahoe Valley at Barton Multi-Family Dwelling Project**, South Lake Tahoe. 14-unit infill project, approved by the City Planning Commission in October 2021.
- **1331 Emerald Bay**, South Lake Tahoe. Two market-rate units as part of a four-unit building that includes 2 deed-restricted affordable units (listed above).
- **810 Tallac Ave**, South Lake Tahoe. Two units.
- **1017 Carson Ave**, South Lake Tahoe. One unit as part of a mixed-use development.

Total new units when fully operational: 19

Accessory Dwelling Units (ADUs)

Since 2017, Placer County has allowed ADUs that were deed-restricted to “affordable” on all residential parcels. In February of 2021, Placer County updated their Area Plan to allow ADUs deed-restricted to affordable, moderate, and achievable, and also included language that would allow the area plan to automatically reflect changes to the TRPA code related to ADUs. Because of differences between California and TRPA regulations, TRPA and Placer County have a 2-step permitting process for ADUs, whereby applicants apply first to TRPA and then to Placer County for a building permit.

Beginning in November of 2020, TRPA began to receive applications for ADUs in Placer County. Since that time, TRPA has received six applications for ADUs in Placer County. One deed-restricted achievable ADU, which was a conversion of an existing cabin has been approved by TRPA and has already been referred to a property manager for rental. The other five ADU applications are at the incomplete stage, and are awaiting additional information from the applicant, such as a completed historic determination, BMP plan, or site assessment. Two are in the process of acquiring development rights.

Total new operational units: 1

Local Jurisdiction Programs

Local jurisdictions have been actively pursuing programs to bring more units into the workforce housing stock, particularly in the short-term. TRPA is aware of the following efforts, and more efforts may be underway as well. During the Tahoe Living Working Group meeting, local jurisdictions are invited to report on any other new programs or units.

Placer County:

- The **Workforce Housing Preservation Program** launched in July 2021 with \$500,000 in funding for homebuyer assistance in East Placer. The program provides homebuyers up to 15 percent of a down payment (based on available funding) in exchange for deed restricting their home so that it can only be occupied by local workers.
- The **First Time Homebuyer Assistance Program** is now accepting applications. This is a loan program that provides flexible second mortgages to help families with funds for the down payment to purchase their first home in the unincorporated areas of Placer County.
- **Short-Term Rentals.** On July 27, 2021, the Placer County Board of Supervisors approved an Urgency Ordinance enacting a moratorium on new short-term rental (STR) permits which has since been extended until March 31, 2022. The Board adopted the urgency ordinance to temporarily pause the issuance of new STR permits so staff could further study the issues related to STRs and explore revisions to the STR Ordinance that would help preserve residential neighborhood character and integrity, and workforce housing in the Tahoe region.

City of South Lake Tahoe:

- **Long-term rental incentive pilot program.** On October 19, 2021 the City Council will consider the initiation of the Long-Term Rental Incentive Grant Pilot Program using \$500,000 of American Rescue Plan Act (ARPA) funds. The pilot program includes execution of a Professional Services Agreement with Landing Locals to administer a portion of the pilot program to offer a one-time cash grant to encourage property owners, particularly second homeowners, to convert their homes and vacant rooms into long-term rentals.
- **ADUs, Tiny Homes, and Residential Structures on Wheels.** On October 19, 2021 the City Council will receive a report and is requested to provide direction to staff regarding policy updates on ADUs, Tiny Homes and Residential Structures on Wheels.
- **Sugar Pine Village Affordable Housing Project.** On October 19, 2021 the City Council will consider a resolution authorizing submission of a HOME investment partnership program application in the amount of \$627,626 for Sugar Pine Village preconstruction costs. This will bring the City's direct contribution towards the project to approximately \$2.4 million.

- **Transitional Housing.** The City has applied for \$505,000 in Community Development Block Grant (CDBG) grant funds for rehabilitation of the Bears Den Inn which was purchased by the Tahoe Coalition for the Homeless with Homekey funds.
- **Down Payment Assistance.** Anticipated in November, the City will be releasing a Request for Proposals (RFP) to seek proposals for administration of a Down Payment Assistance Program to be funded by an allocation from the Permanent Local Housing Allocation (PLHA) grant program.
- **Local Funding Sources.** Anticipated in November, the City will be releasing an RFP for a study of local funding sources for affordable housing initiatives. The study will be funded by a \$150,000 allocation from the Regional Early Action Planning (REAP) grant program.
- **Housing Element Update.** The City is currently updating its mandated Housing Element for the 2022-2027 five-year planning cycle.

Washoe County:

- **Washoe Tahoe Area Plan.** In March of 2021, Washoe County and the Tahoe Regional Planning Agency approved the Washoe Tahoe Area Plan. Approval of this plan allows property owners and builders to take advantage of development incentives in Town Centers designed to encourage compact development close to transit and services. The Area Plan also introduced minimum densities of 15 units per acre in Town Centers and maximum densities of 25 units per acre, as well as higher densities for certain types of multi-person development, such as senior living facilities, making these types of projects more likely to be financially feasible.
- **Washoe Tahoe Housing Needs Assessment.** As noted above, Washoe County has been part of a partnership to complete a local resident housing needs assessment for the Tahoe basin portion of Washoe County. The needs assessment will be completed later this year and is supported by the Tahoe Prosperity Center, Washoe County, Parasol Tahoe Community Foundation, the Offerdahl Family Foundation, and other partners.

Douglas County:

- **Accessory Dwelling Units (ADUs).** Existing County Ordinance requires a minimum lot size of one acre for an ADUs. Staff is beginning an update to the development code (Nov 2021- June 2022) and expects to discuss recent TRPA code revisions and possible changes to this requirement with the Planning Commission and Board of Commissioners in the coming months.
- **Vacation Home Rentals (VHRs/STRs)** – In accordance with Ordinance 2021-1588, a new VHR Advisory Board has been established. Members have been appointed and the first meeting of the VHR Board will be Tuesday October 26th at 1pm on Zoom or at the Historic Courthouse in Minden.

El Dorado County:

- **ADUs.** An ADU Ordinance update is scheduled for Planning Commission and Board of Supervisors approval before the end of the year. The Meyers Area Plan Update for ADUs to address both California law and TRPA revisions is anticipated to come forward for approval before the end of the year. The County also launched Phase I of the Permit-Ready ADU Plan project, and will expand the program with Phase II in 2022.

- **2021-2029 Housing Element Update** adopted in August 2021 and submitted to the state for certification review.
- **First Time Homebuyer Loan Program** funded by HOME program is planned for launch in 2022.
- **Caldor Fire Recovery.** The County adopted an urgency ordinance on September 10, 2021 to address temporary emergency housing, resiliency, and rebuilding after the 2021 Caldor Fire.

Discussion:

In January of 2021 the Governing Board approved a framework and timeline of priority housing actions. These actions were developed through consultation with the Tahoe Living Working Group and were prioritized based on their capacity for delivering units on-the-ground as well as the amount of time needed to develop and analyze them. The framework is shown in Figure 2.

Figure 2. Tahoe Living Working Group Priority Housing Actions

Timeframe	Land Use Action	Policy Action
Near Term	ADUs/Small Homes	Density
Medium Term	Mixed Use Residential	Permitting
Long Term	Tourist/Commercial Conversion to Residential Land Donations	Coverage Fees

From February through July 2021, the Tahoe Living Working Group, staff, the public, and the TRPA Governing Board and Governing Board Committees worked on the two “near-term” actions – “ADUs/Small Homes” and “Density.” These were re-named the “Phase 1 Housing Amendments.” Some elements of later actions, such as “Tourist Conversion to Residential” and “Permitting” were also addressed in this phase. Throughout the discussion on these amendments, Working Group members, the public, and Governing Board members highlighted additional areas of TRPA’s Code of Ordinances and Regional Plan related to housing policy that could merit examination in light of overall goals to support workforce housing needs and walkable, sustainable communities. Some of the issues identified fit well into the approved priority actions that will be addressed in later phases. Others can be considered issues that are still outstanding from Phase 1.

Points that were raised include:

- **Residential development rights** are not scaled to the size of the unit. Because the same development right (such as a residential unit of use, or RUU) is required for a studio-apartment ADU or a 5-bedroom house, the market value of development rights could be high in

comparison to the construction cost of an ADU or small home and may represent a significant barrier to construction. The result may be that most RUUs and allocations continue to be used for larger homes.

- **Deed-restricted bonus units** are also not scaled to the size of the unit. As these units are distributed at no cost to the applicant on a first-come, first-serve basis, they could be used up quickly for very small units, such as ADUs, and thus may not provide as much workforce housing as was envisioned when the bonus unit pool was set aside.
- **Junior ADUs**, which are less than 500 square feet in size and are built within the existing footprint of a home, require either a deed-restricted bonus unit or a full development right. The cost associated with obtaining a development right and/or the process of deed-restricting the unit in order to obtain a bonus unit is seen as a barrier to private market provision of workforce housing. The Advisory Planning Commission, as part of its motion to recommend approval of the Phase 1 Housing Amendments, added an additional motion that the Tahoe Living Working Group continue to prioritize discussion and evaluation of the development rights required for developing an ADU.
- **Coverage** continues to be mentioned as a barrier to provision of ADUs. There are coverage transfer incentives for all types of development on high capability land in Town Centers. Working Group members have suggested that these incentives or other coverage incentives be considered for ADUs.
- **Achievable deed-restrictions** need updated language to ensure they are not used by remote workers or retirees to the region. This is becoming increasingly important as the use of achievable bonus units has recently ramped up. The Tahoe Living Working Group has tabled this discussion while the Mountain Housing Council updates their definition of “achievable” housing.
- A Governing Board member requested that allowing **ADUs as accessory to non-residential uses** be re-examined.

Next Steps

In the Lake Tahoe Basin, much of our planned environmental threshold attainment is through limits on development, such as through the growth management system and coverage limitations. Because these regulations operate within the context of a changing society and market forces, however, users of the system have adapted and now maximize development potential through maximizing the size of homes. Thus, while previous environmental analyses may have assumed that an average home in the Tahoe region was 2.5 bedrooms¹ and the overall growth potential and mitigation strategies were related to this average size, there is evidence to suggest that the market currently may be circumventing that system and providing a greater development capacity through larger homes, or development capacity that impacts the region more significantly during peak visitation times. This has implications on the transportation system, water quality, and wildfire preparedness, as well as pushing development rights into the second home and visitor market rather than toward local housing stock. Because of these forces, TRPA anticipates that the majority of remaining allocations and banked and converted development rights (approximately 3,000 units) will be used for larger, second-home oriented units that are dispersed wherever single-family development is allowed, and the remaining bonus units (approximately 1,200) will be used for the local resident housing within the Bonus Unit Boundary.

¹ The 2045 Regional Transportation Plan forecast assumed an average of 2.4 persons per occupied unit.

Many of the points made by stakeholders that are bulleted in the discussion section above touch on whether our current system assigns environmental impacts appropriately based on the size of the home and the way the home is likely to be used, given recent changes in the housing market. To inform the potential for policy changes to better account for these factors and address many of the points raised, staff recommends an initial focus on a more detailed understanding of the environmental and community impacts of a residential unit of use (RUU) under the current system, taking into account both the size and the likely use of the unit. This analysis will lay the groundwork for many of the remaining priority actions, such as coverage, mitigation fees, and the completion of the incentives related to ADUs/small homes and density. Some of this environmental analysis has already begun through the vehicle-miles traveled (VMT) analysis of ADUs completed in Phase 1.

TRPA proposes the following more detailed schedule within the framework shown in Figure 2:

October 2021. Begin Phase 1A.

- Feedback on conceptual proposals for “Intensity, density and dimensional standards”
- Address Governing Board question related to non-residential ADUs
- Introduction of environmental analysis of a residential unit of use (RUU) under the current system

Winter 2022. Continue Phase 1A.

- Feedback on policy language for “Intensity, density and dimensional standards”
- Feedback on final proposed changes to “achievable/workforce” deed-restriction
- Initial results of environmental analysis of RUU

Spring 2022. Phase 1A to Governing Board Committees.

- Vet code changes for “Intensity, density and dimensional standards” and “achievable/workforce” deed-restriction with Local Government and Housing Committee and other board committees. If initial outcomes of environmental analysis of RUU have resulted in policy recommendations by this point, those may also be included.

Summer 2022. Completion of Phase 1A.

- Phase 1A consideration for approval by TRPA Governing Board.

Fall 2022 – Summer 2022. Phases 1B and Phase 2

- Use environmental analysis of RUU to craft recommendations related to development rights and ADUs/small homes, other permitting streamlining, and coverage if time allows.

Post Summer 2022. Phase 3

- Use environmental analysis of RUU to craft recommendations related to fees and coverage.

Contact Information:

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Attachments:

Attachment A: Ordinance 2021-08, showing Phase 1 Housing Amendments in Track Changes