



Date: June 10, 2025

Honorable Mayor and Council Members:

Author and title: Yumie Dahn, Principal Planner

Title: **Town Density Bonus Program Policy Direction**

Jen Callaway, Town Manager

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**Recommended Action:** That the Town Council provide direction to Town staff regarding the future Town Density Bonus Program.

**Discussion:** The Town of Truckee has several housing programs and policies that support the preservation and creation of housing that serve the local workforce, including the Inclusionary and Workforce Housing Ordinances, the Accessory Dwelling Unit ordinance and associated programs (grants, loans, master plans), the Truckee Home Access Program, the Deed Restrictions for New Development Program, Lease to Locals, and Rooted Renters. Many of these programs also support the Town's goal of deed restricting 10% of the Town's housing stock as workforce housing by 2032. The Town has also previously supported the creation of housing through infrastructure improvements, land partnerships, and approval of alternative equivalent proposals to meet the Town's affordable housing requirements.

The 2040 General Plan, adopted in May 2023, seeks to build on the Town's library of housing policies and programs that support housing that serves all income levels beyond the traditional lower income households. General Plan Action LU-2.B (**Town of Truckee Workforce and Affordable Housing Density Bonus**) directs the Town to "create a Town of Truckee-specific Workforce and Affordable Housing density bonus program that offers additional housing density and financial incentives for the creation of workforce and affordable housing units in targeted infill areas that meet the affordability needs of Truckee's local workforce, particularly those who would otherwise be unable to afford housing within Truckee. Identify specific criteria to participate in this program." Further, the 2019-2027 Housing Element supports the creation of housing for all community members. Goal H-2 seeks to "[p]rovide housing affordable to all segments of the community. Policy H-2.3 "[s]trive[s] to provide housing opportunities that are affordable to the local workforce."



The goal of the General Plan Land Use Element action is to incentivize the development of housing units that serve Truckee workers that are not otherwise eligible for the incentives provided under the State Density Bonus law. The State Density Bonus law focuses on lower income households (30% to 60% Area Median Income (AMI) for for-rent units and low- to moderate-income households (50% to 110% AMI) for for-sale units, which are considered traditional affordable housing income levels. The State Density Bonus law does not address higher levels of income of the Truckee workforce that may not be able to afford market rate rents and purchase prices but are not eligible for the State Density Bonus law. The policies of the General Plan and Housing Element recognize that an authentic, vibrant, and functional community relies on a diverse local, year-round population that can live and work within Truckee, including those outside of the traditional affordable housing AMIs.

The purpose of this meeting is to provide an update on the development of the program, receive input from the public, and obtain direction from the Town Council to ensure the draft program and ordinance focus on the intended General Plan vision and expectations. Due to the breadth of options, staff understands that the Council may not be able to provide detailed feedback on each of these items; however, receiving feedback on potential opportunities and challenges would be helpful to developing the future draft program.

## **Background Research**

Staff researched housing programs in other jurisdictions, recent requests for flexibility or waivers for Planned Developments or Density Bonus applications, and gathered input from local developers and designers on potential housing incentives. The findings from these efforts will help inform the development of the Town's future housing incentive program. During the background work for this program, staff has realized that while a density bonus can be an incentive provided to the future applicants, it may not be the key feature of this program. As this policy development moves forward, a new program title that reflects its purpose will likely be assigned (if you have ideas, feel free to send them to staff!).

## **Other Jurisdictions**

Staff researched several jurisdictions with similar housing challenges to gather ideas. The following is a summary list of the findings:

- City of San Luis Obispo created a Flexible Density Program which eliminates residential density requirements for units less than 600 square feet in size. Projects that qualify under this Program may be developed at a residential density that is greater than the base density for the zone in which the lot is located. This program expires in 2029 or until 500 units are created. This policy was adopted in 2023.
  - o Units less than 600 s.f. in size are exempt from inclusionary housing requirements.
  - o Reduced the parking rate to half of the base required parking standard.
- City of San Diego provides a city-specific density bonus program. This policy was last amended in 2023.
  - o Microunits: 100% density bonus for microunits that do not extend beyond the allowed building envelope in transit priority areas; average unit size of 600 s.f., with no unit greater than 800 s.f. 10% deed restriction for low income.
  - o 100% Moderate Unlimited Density Bonus: In transit priority areas, unlimited density bonus with 100% of units deed restricted to moderate income households. Allows an additional three stories or 33 feet and five incentives.
- City of Santa Barbara created a density bonus program for projects that do not meet the income restriction requirements outlined within the State Density Bonus law. This policy was originally adopted in 2021 and amended in 2025.
  - o No automatic concessions are provided; however the proposed project may apply for modifications.
- City of Davis has a focused program on middle income units (180% AMI). This policy was adopted in 2006.
  - o Projects with 26 to 35 units for purchase – 10% of the total units must be developed as middle-income units
  - o Projects with 36 to 49 units for purchase – 15% of the project units are required to be middle income units
  - o Project with 50 or greater units for purchase – 20% of the units are required to be middle income units.
  - o Town of Mammoth Lakes created a point system where the larger the density bonus request (up to twice the allowed density) the more workforce housing that a project must

provide. This policy was adopted in 2020. One incentive/concession is provided (lot coverage, setback reduction, guest parking reduction, height increase, reduction in amenity)

- Deed restrictions range from 80% AMI to occupancy restrictions, depending on the request.

If the Council would like additional information or a status on the success of any of these programs, staff can reach out to the jurisdictions to discuss the outcomes.

### Town Planning Applications

In the last five years, the Town has received applications for housing projects that include requests for flexibility through the State Density Bonus law or the Town's existing Planned Development application process. Staff reviewed the approvals for these projects to understand which standards developers seek relief from to help their projects move forward. Attachment #1 provides a breakdown of the eight projects that were approved in the last five years that requested application of the concessions/waivers allowed under the State Density Bonus law or the Town's Planned Development application process. The eight projects requested a variety of concessions and incentives; staff's findings are below:

- The most common request was for a reduction in parking quantity. For the most part, those projects that requested a reduction in parking quantity, did not request the amount allowed by State Density Bonus Law, but requested an amount between the Town's standard Development Code requirements and State Density Bonus Law.
- The second most requested concession/incentive was for a reduction or waiver of the private exterior space (decks, balconies, or patios).
- The third most requested concession/incentive was to landscaping requirements.
- The fourth most requested concession/incentive was a reduced front setback.

Other concessions/incentives requested include relaxation of the rear and side setback, height, site coverage, and common open space requirements. Three projects had unique circumstances related to the site that are not generally applicable to all projects.

### Developer/Designer Engagement

On February 24, 2025, staff sent out an email to the Town's list of developers and designers that was compiled as part of the previous Housing Horizons effort to request feedback on potential incentives to create housing. The list included 55 email addresses, including developers, designers/architects, contractors, the Contractors Association of Truckee Tahoe, and the Tahoe Housing Hub. Seven responses were received from developers, the Housing Hub, and a local architect (see Attachment #2 for a summary and Tahoe Housing Hub's written comments). Staff focused on the three main areas where the Town could make an impact on project feasibility – flexibility in standards, funding, and processing assistance. A wide variety of feedback was received including the following:

- Deed Restrictions
  - There was support for the "Coburn Crossing" model – no AMI requirements, only requirement for working in the Tahoe-Truckee Unified School District (TTUSD) boundary.
  - There was support for the Deed Restrictions for New Development requirement for 120% Area Median Income (AMI) for rent amount and 180% AMI for income qualification.
- Planning "Navigator"
  - There was support for having a planner from the Town "partner" with applications to help identify challenges and opportunities and to help facilitate discussions.
  - One developer did not think it would be beneficial.
- Town Funding: For the most part, triggering prevailing wage would be a challenge for developers, which would make providing Town funding prohibitive.

- Development Standards. The following flexibility in development standards were identified as helpful:
  - Reducing parking requirements
  - Remove enclosed parking requirements.
  - Remove landscaping in parking areas requirements
  - Height is a challenge on sloped lots or buildings with gabled roofs.
  - Remove balcony requirements (i.e. private exterior space requirements)
- Other Ideas
  - Increasing the Deed Restriction for New Development funding for projects
  - Loosen Engineering standards.
  - Consider affordability on a per bedroom basis rather than per unit basis.
  - Create development worksheets for targeted sites in Truckee identifying development standards, possible environmental constraints, and potential opportunities.

## Council Direction

There are many variables and pathways that could be incorporated into this Town Density Bonus Program. The purpose of this staff report is to obtain Council direction to ensure the draft ordinance is achieving the goals and expectations of the community and Council. For this program, staff is focused on multifamily residential projects, including for-rent apartments and for-sale condominiums or attached townhomes, in mixed-use and multi-family residential zoning districts.

## Big Picture Questions

The purpose of this program is to incentivize housing that is not otherwise served by the State Density Bonus law. Staff is requesting feedback on what type of restriction the Council is interested in and how the program could apply to future potential projects. When reading through this staff report, you will find a lot of information and nuanced options, which will probably raise more questions and potential options. For this staff report, the two big picture questions are the following:

1. What types of housing projects are we trying to incentivize?
2. How flexible should we be in trying to incentivize these types of projects?

To help drive the discussion, staff has identified the following topics for Council's consideration and discussion:

1. *Deed restriction type.* What kind of deed restriction is the Council interested in?
  - a. Does Council want to apply an area median income (AMI) restriction? An AMI restriction ensures the program serves residents up to a certain income level. This can restrict the pool of residents but also ensures that the Town's incentive program serves those that are not otherwise served by the market or the traditional affordable housing models. If an AMI restriction is not required, then another restriction such as a geographic boundary for employment, could be applied. This model was used for the Coburn Crossing apartments (and is discussed under Section b below)
    - If an AMI restriction is applied, does Council want to rely on existing income and rental amounts adopted by the Town? The Deed Restriction for New Development program relies on a 180% area median income (AMI) income limit and a 120% AMI rental rate (See below for these amounts). For for-sale products, staff would have to develop different AMI criteria. For the rental prices shown below for 120% AMI, the rents are nearly equal to or greater than many market rate units, particularly in traditional apartment-type projects and some

single-family residential product types. The AMI restriction for rent was created to ensure a cap if future rents increase in the future; it was not intended to restrict the current market rate rents.

### **Deed Restriction for New Development Thresholds**

#### **Above Moderate Households at 180% of 2025 Median Family Income**

Number of Persons	1	2	3	4
Income Level	\$ 157,000	\$ 179,400	\$ 201,850	\$ 224,300

#### **Moderate-Income Households at 120% of 2025 Median Family Income**

Bedroom Count	Studio	1 BR	2 BR	3 BR
Max. Monthly Gross Rent/Payments*	\$2,616	\$2,990	\$3,364	\$3,738

- Does the Council want to apply a different AMI deed restriction? Attachment #3 provides estimates for incomes, rents and purchase prices based on AMI. Attachment #4 shows average rents for apartments and condominiums/townhomes. Based on this point-in-time study, the average rents are typically less than 100% AMI. Does the Council want to consider a lower AMI for rental prices that is lower than market rate?

Each housing type (e.g., townhomes, single-family homes, apartments, fourplexes) or tenure type (for rent or for purchase) have different costs associated with them. Costs for a single-family home are not the same as a condominium fourplex. AMI levels for for-purchase products may be different than AMI levels for rental units. The Town Council could consider multiple levels of AMIs (both for household income thresholds or for rental/purchase prices). However, creating multiple levels can create complications for implementation and communication. Staff requests high-level direction; specifics can be considered by staff and presented at a future date.

- b. Does the Council want to require an employee geographic boundary restriction similar to Coburn Crossing?

If so, Does the Council want to apply a workplace boundary? If so, does the Council want to maintain the Tahoe-Truckee Unified School District (TTUSD) boundary used in many of our existing programs and deed restrictions or consider a more specific Town of Truckee boundary? The TTUSD boundary has been used to create a regional approach to addressing housing needs. However, if the developers are using Town funding, should the boundary be focused on housing employees who work within the Town jurisdiction specifically? Additional research into this topic is necessary but preliminary discussions with the Town Attorney indicate that a more limiting boundary could be implemented. Creating a smaller geographical area would restrict the pool of potential residents and would create inconsistencies across the Town's deed restrictions but would ensure that, at the beginning of a lease, a resident of the unit works within Truckee. Alternatively, the Council could consider prioritizing employees within the Truckee boundary but allow expansion to the TTUSD boundaries when an eligible renter cannot be found. This prioritization approach would require additional consideration to determine at what point the expanded boundary can be triggered and how it's monitored.

Additionally, does the Town Council want to include provisions for senior residents, either employed part-time or retired?

- c. For mixed-use projects, should the restriction also include an employee of the business on the project site similar to the current Workforce Housing Ordinance requirement?

**Staff's recommendation:** Staff's recommendation is to apply an AMI deed restriction and a workplace boundary. If an AMI deed restriction is applied, consistency among programs would be beneficial for clarity. The Planning and Housing Divisions could work together on this item if alternative AMIs are supported. AMIs for for-sale products will also need to be considered and may vary depending on type of housing product.

Staff believes that the idea of a Truckee-specific boundary is compelling but acknowledges that the inconsistency across programs could cause confusion.

2. *Type of residential units.* Is the Council interested in applying this program to all projects with multifamily residential units or is the Council interested in incentivizing specific types of housing projects, such as smaller multi-family residential projects (duplexes, triplexes, fourplexes) or other medium-sized projects? Does the Council want to apply this program to senior housing projects, which may or may not include AMI restrictions?

**Staff's recommendation:** Staff's recommendation is to apply the program to all multifamily residential housing projects with at least two residential units for a standalone residential project or at least one in a mixed-use project.

3. *Percentage of units.* Should the deed restriction be applied to all units in a project or is a portion of the units appropriate? The Council could consider a portion and/or a minimum number of units. There are multiple scenarios that would need to be considered and specifics can be considered by staff and presented at a future date. For reference, the State Density Bonus law requires at least five residential units.

**Staff's recommendation:** Staff's recommendation is at least 50% of units should be deed restricted per the program requirements. However, Council should also consider if there's a threshold for the program and how this should be applied to smaller projects (less than 10 units), including mixed-use projects where only one unit may be proposed in addition to commercial square footage.

4. *Incentives.* Should incentives be provided equally to all projects or on a sliding scale depending on number of units that are deed restricted?

One scenario that comes to mind: In the new mixed-use zoning districts, for mixed use projects, there are no requirements for minimum density. A mixed-use project with 10,000 s.f. of commercial and one residential unit can be proposed. If only 100% of the residential units need to meet the criteria of this program, the one unit could be deed restricted and the rest of the commercial project could be eligible for any waiver/concession that the Town allows. Additionally, it should be noted that a 10,000 s.f. commercial project would be required to provide a workforce housing unit, if this program was not applied.

**Staff's recommendation:** Staff recommends that a sliding scale or a proportionate benefit be created based on the number of housing units that are deed restricted. Staff notes that this may create a complicated program.

5. *Funding program.* Staff sees funding as one of the main tools for encouraging developers to use this program and anticipates that some amount of Town funds would be allocated to support projects that use this program. This topic will be explored at a future meeting. However, some questions that have come to mind include: Should this have a dedicated funding source separate from existing housing programs? Should projects that use this program be allocated a larger funding amount per unit than other existing programs? Should the Deed Restriction for New Development housing program only apply to projects that are eligible for this program or should it continue to be open to all housing projects, including those that use the provisions of the State Density Bonus law?

**Staff's recommendation:** At this time, staff does not have a recommendation on this topic. This section is included to provide the Council the opportunity to provide early feedback on funding and to acknowledge the importance of this component in the success of this program.

### Potential Framework

In order to codify this program, amendments to the Development Code would be required to provide eligible projects a processing pathway. Staff has identified four potential options that could be incorporated into the Town's Development Code:

1. *Option 1:* Create a new chapter within the Development Code
  - A new chapter could outline specific incentives/concessions (e.g., setbacks, site coverage, private outdoor areas, parking, and landscaping) and limited objective design standards (e.g., massing breaks, roof pitches, colors, materials). Specific incentives/concession can be provided as a menu of options, if a sliding scale is desired. Attachment #5 provides a list of potential incentives/concessions and limited objective design standards.
2. *Option 2:* Include a Town Density Bonus option in the Planned Development Project Mandatory Features.
  - This option would be included among the four existing mandatory features (unless amended): 25% affordable housing, LEED Gold, 30% greater efficiency than the Green Building Code requirements, or a substantial public amenity.
  - This option would provide the Planning Commission with discretion to make findings that the "proposed project would produce a comprehensive development of superior quality than which might otherwise occur from the strict application of provisions."
  - This would provide maximum flexibility but also less surety to the applicant which has been a concern voiced in our outreach.
  - This would elevate any project regardless of size to the Planning Commission level and out of a staff-level review.
3. *Option 3:* Include another level of deed restriction to the State Density Bonus chapter of the Development Code.
  - For a project that meets the required deed restriction requirements, allow development standards and requirements to be waived, consistent with the State Density Bonus law. For the most part, any physical development standard could be waived.
4. *Option 4:* Create a public-private partnership program where priority sites are identified and considered eligible for the housing incentives. The process could be similar to the Edmunds Loft

process. Staff time would be dedicated toward identifying development standards and requirements and a potential conceptual site plan for a housing project. Staff would then work with the property owner to develop a housing project that would serve the community. This option is the most different from the other options and provides a targeted case-by-case approach to this incentive program. This option also provides a way to limit the dedication of staff time.

Components from any of the options can be combined or modified. For instance, some of the specific incentives/concessions and limited objective design standards could be included in a Planned Development project. In addition to relaxation or waivers of development standards, other incentives that could come with this program include the following:

- Extended approval timelines – expiration date for land use approvals could be extended beyond the existing two-year timeline.
- Waive inclusionary and workforce housing requirements.
- Any project that uses this program could be eligible for a deferral of Traffic and Facilities impact fees for the residential units. The Council could consider paying a portion of these fees depending on prevailing wage thresholds.
- Use of a “Planning Navigator” to help review the project during the early design stages.

**Staff’s recommendation:** At this time, if Council would like to pursue the more traditional route of amending the Development Code and providing the incentives across all eligible properties, staff recommends creating a new chapter in the Development Code (Option 1). However, staff also recommends that the Council consider whether or not Option 4 would provide an innovative targeted approach to creating housing in partnership with the private sector. If there is interest in two options (i.e., one of the first 3 options plus the fourth option), the Council should prioritize which option should be pursued first.

The information provided in this staff report is layered and complicated, which is one of the reasons staff is requesting early direction from the Council. In addition to these items, there are many other ideas and options that can be considered beyond the topics identified in this staff report. Hearing the Town Council dive into this topic, discuss priorities, and identify new ideas or challenges will help staff develop a program that meets the Council’s expectations. Staff is requesting that the Town Council review the background research and the proposed options and provide guidance on the direction of this program.

In addition to returning to Council for direction on funding options, staff may return at a future date for more feedback on the other specifics of the program. Based on Council’s direction, staff will draft the proposed ordinance and program. Ultimately, any proposed changes to the Development Code will be presented to the Planning Commission for review and recommendation. A proposed ordinance and/or program will be brought to the Town Council at a future date for review and potential adoption. Staff expects that the future adopted program would serve as a pilot program which will be re-visited, re-evaluated, and amended as necessary to ensure the program is serving the community’s needs and changing market.

**Priority:**

<input type="checkbox"/> Enhanced Communication	<input type="checkbox"/> Climate and Greenhouse Gas Reduction	<input checked="" type="checkbox"/> Housing
<input type="checkbox"/> Infrastructure Investment	<input type="checkbox"/> Emergency and Wildfire Preparedness	<input type="checkbox"/> Core Service

**Fiscal Impact:** Costs include staff time to develop the policy and program frameworks and hard costs for noticing the future Development Code updates. All costs associated with staff preparation of the Town’s



Density Bonus program are included in the General Plan Implementation capital improvement project. Future costs related to the program will be subject to the Town Council's direction.

**Public Communication:** In addition to the standard noticing of this agenda, staff emailed developers and designers who have worked in the Truckee area and the Contractors Association of Truckee Tahoe letting them know about this agenda item.

**Attachments:**

- Attachment #1: Planning applications that requested use of the State Density Bonus law or Planned Development.
- Attachment #2: Summary of feedback received and comments from the Housing Hub
- Attachment #3: Estimates for incomes, rents and purchase prices based on Area Median Income.
- Attachment #4: Average rents for apartments and condominiums/townhomes found on May 20, 2025
- Attachment #5: List of potential incentives/concessions and limited objective design standards.