



Date: September 12, 2023

Honorable Mayor and Council Members:

Author and title: Lynn Baumgartner, Program Analyst II

Title: **Short-term Rental Workforce Housing Token Pilot Program (Token Program) Application Review and Token Allotment**

Jen Callaway, Town Manager

Recommended Action: 1) Approve the allotment of three (3) Short-term Rental Workforce Housing Tokens to applicants of the Short-term Rental Workforce Housing Token Pilot Program 2) Update the Token Pilot Program Guidelines to modify the application process to an open application period through the end of FY 2023/24.

Discussion:

Introduction

The Truckee-North Tahoe region is experiencing a significant shortage of rental and for-sale housing affordable to people with jobs in Truckee and surrounding communities. The Town is proactively working to address this shortage on numerous fronts, including supporting the development of income-restricted affordable housing, offering workforce rental grants to property owners to incentivize leasing to regional employees, supporting the development of Accessory Dwelling Units, and supporting the purchase of homes through the Truckee Home Access Program. In January 2022, Town Council adopted a goal of deed restricting 10% of Truckee's housing stock by 2032.

The Short-Term Rental Workforce Housing Token Pilot Program (Token Program) is a new housing program that provides the Town an additional tool to facilitate development and deed restriction of workforce housing units. While deed restriction purchases are used by many jurisdictions, including Truckee, to ensure the long-term availability of workforce housing, the Token Program's exchange of transient occupancy registration certificates for deed restrictions is piloting a new, innovative workforce housing program concept.

Background

During the fall of 2021, the Town completed a rigorous study process to better understand the landscape of short-term rentals (STRs) in Truckee and to update the Town's STR policies to align with the Town's workforce housing preservation goals. As part of this process, the Town convened a stakeholder advisory committee to advise the Town's study process and develop recommendations. The committee recommended that the Town adopt a cap of 1,255 transient occupancy registration certificates issued to STRs in Truckee, which would effectively result in a waitlist for new registration certificates. Additionally, the committee recommended that the Town incentivize the private sector to contribute to workforce housing solutions by setting aside a limited pool of STR registration certificates (referred to as "Tokens") that would be leveraged—outside of the waitlist process—as a new tool in the Town's menu of housing incentives.

In 2022, Town Council adopted amendments to the STR ordinance, including a cap of 1,255 registration certificates and made an initial allocation of 25 transient occupancy registration certificates to be set aside for the Token Program. Town Council also directed staff to create Token Pilot Program Guidelines, a Request for Proposals process, and a set of evaluation criteria that were approved in March 2023. **(See Attachments 1-5 for previous Staff Reports regarding the Token Program).**

Program Description

The Token Program incentivizes the creation of Workforce Housing Units by offering in-kind payment in exchange for Deed Restrictions. Tokens are redeemable for Transient Occupancy Registration Certificates (Certificates). Participants are required to deed restrict the workforce housing units for a 15-year term, which sets legal limits on the use of the property for that term.

Each Token is redeemable for one Certificate and is valid for the fifteen-year term of the corresponding deed restriction. A Token holder can use their Token to access a Certificate for a property they own or manage. The Token may be sold, traded, or transferred to another property, individual, or business that becomes the new Token holder once per calendar year. The Token can only be used on a property that is eligible to be short-term rented and must follow all requirements laid out in the Truckee Municipal Code. For the full details on the use of Tokens, refer to the Token Pilot Program Guidelines. **(Attachment 6)**

The workforce housing unit must be located within the Town of Truckee limits and must be affordably leased long-term to tenants who occupy the unit full-time and meet income and local worker qualifications outlined in the deed restriction. The workforce housing unit may not already be deed restricted based on local employment or income restrictions. The workforce housing unit will be monitored annually by the Town to verify all deed restriction conditions are being met. For the full deed restriction requirements, refer to the Token Pilot Program Guidelines. **(Attachment 6)**

Request for Application Process

On March 30, 2023 the Town issued a 90-day request for proposals for interested applicants to submit applications to the Token Program. The application included project information such as number of workforce housing units proposed, unit type, unit size (bedrooms & square footage), project status, tenant income cap (AMI), sustainability features, and the number of Tokens the applicant is willing to receive in exchange for deed restricting the workforce housing units. The Token Program received two applications requesting a total of three Tokens. Both applications proposed deed restricting newly-constructed accessory dwelling units (ADUs) in exchange for tokens. While ADUs were not specifically targeted in the program design and RFP process, the program was designed to be broad enough that it could be applied to a range of different unit types, including existing units and new construction. An Ad Hoc committee made up of Town staff reviewed proposals based on the selection criteria described below. Both proposals received met minimum qualifications and therefore are being presented to Town Council with staff recommendations for allocation of Tokens.

Selection Criteria: Pursuant to the RFP, the selection criteria for the Pilot Program are:

- Project readiness (i.e. for new construction, proposed housing units will be prioritized if construction is closer to completion)
- Tenant income limit (maximum AMI is 150% average per adult; applicant can propose a lower income cap and a lower income cap will be considered as a preferential criterion)
- Proposed ratio of unit size (i.e. number of bedrooms) to Tokens
- Workforce housing unit sustainability features
- Current use of housing unit: prioritize conversion of existing units not used as primary residence housing to long-term housing

Applications:

Brian White

- **Project Description:** The applicant proposes to use the Tokens to deed restrict two new housing units consisting of a new attached junior accessory dwelling unit (JADU) with a separate entrance and a detached accessory dwelling unit (ADU).
- **Evaluation:**
 - *Project readiness:* The applicant has fee title to the Property. The permit has not been issued yet, but the applicant has met with Senior Planner, Jaime LaChance to discuss project feasibility. The applicant plans to complete construction by Summer 2024. The applicant is self-financing and an owner builder and has applied for the Town's PLHA ADU New Construction Loan.
 - *Tenant income limit:* Both units would have an income restriction of 150% AMI (which is currently \$118,125 per year, for a household size of one person). As of 2023, the maximum rent allowed to be charged for a household of two would be \$3,375 for each unit.
 - *Proposed ratio of unit size to tokens:* Two units would be deed restricted for workforce housing in exchange for two tokens.
 - *Sustainable location features:* This project is within the Gateway neighborhood (Gateway is one of the housing priority areas in the Housing Element) and a half mile walking distance from a transit stop, Safeway, a school (Sierra Expeditionary Learning School and less than 0.75 miles from Truckee High and Truckee Elementary), and Meadow Park.
 - *Sustainable building features:* The project will be all electric and have a rooftop photovoltaic system. The property owner is interested in providing more than required bike storage.
 - *Current use of housing unit:* N/A. The JADU and ADU will be new construction.
- **Staff recommendation:** This proposal meets the intent of the program and therefore, staff recommends that upon proof of Certificate of Occupancy issued by the Building Division and recordation of Deed Restriction with the County of Nevada, allocate one Token to Brian White in exchange for the JADU and one Token in exchange for the ADU. Certificate of Occupancy must be issued within two years of Token approval by Council (September 12, 2025).

Jameson and Kimberly Schwab

- **Project Description:** The applicant proposes to use the Token to deed restrict one new detached ADU. with an income restriction of 127% AMI (\$100,000 income).
- **Evaluation:**
 - *Project readiness:* The permit has been issued and construction has begun. The project is fully funded and applicant anticipates being ready for occupancy by fall 2023.
 - *Tenant income limit:* 127% AMI (which is currently \$100,000 per year, for a household size of one person). As of 2023, the maximum rent allowed to be charged for a household of two would be \$2,500 for the unit.
 - *Proposed ratio of unit size to tokens:* One unit would be deed restricted for workforce housing in exchange for one token.
 - *Sustainable location features:* This project is located in Glenshire and within a half mile walking distance of Glenshire General Store and the Truckee River Legacy Trail.
 - *Sustainable building features:* The project will have a mini-split heat pump heating and air conditioning, is all electric, will be constructed using Green Construction Methodology by California Modulars, and will provide on-site composting.
 - *Current use of housing unit:* N/A. The ADU will be new construction.

- Staff recommendation: This proposal meets the intent of the program and therefore, staff recommends that upon proof of Certificate of Occupancy issued by the Building Division and recordation of Deed Restriction with the County of Nevada, allocate one Token to Jameson and Kimberly Schwab in exchange for one workforce housing unit. Certificate of Occupancy must be issued within two years of Token approval by Council (September 12, 2025).

Options for extending the Pilot Program

As described above, Council set aside twenty-five Transient Occupancy Registration Certificates to be used in the Token Pilot Program. If Council allocates three tokens as recommended, twenty-two tokens will remain under Council’s initial allocation.

Recommendation: Because the Token Program received a manageable number of applications during the first RFP response period, staff recommends updating the Token Pilot Program Guidelines to modify the application process from a Request for Proposals with a 90-day response period to an open application where proposals are accepted at any time, through the end of FY 2023/24. Proposals will be reviewed by staff upon receipt and proposals meeting minimum qualifications are brought to Council after review. **(Attachment 6)**

Alternatives:

- Release a second 90-day RFP solicitation in winter 2023/24
- Pause program until the three tokens recommended for award in the first round have been utilized and deed restrictions have been recorded.

Conclusions and Next Steps:

Town Council has the authority to give final approval to select proposals and allocate Tokens. The Town may award a total of up to twenty-five Tokens through this RFP process and more than one proposal may be selected. Council may request that an applicant provide additional information following the proposal due date, to negotiate modifications to the applicant’s proposal, or to reject any and all proposals.

Staff recommends that Council approve both proposals as presented and approve the initial allotment of Tokens with two Tokens to Brian White in exchange for two workforce housing units and one Token to Jameson and Kimberly Schwab in exchange for one workforce housing unit for a total of three Tokens in the first round of Token Program applications. Staff recommend the following conditions:

- Each Token will be issued upon proof of Certificate of Occupancy issued by the Building Division and recordation of Deed Restriction with the County of Nevada for the corresponding workforce housing unit.
- The Certificate of Occupancy and recordation will be required within two years of approval by Council.

Additionally, staff recommends that Council approve the updates to the Token Pilot Program Guidelines to modify the application process from a Request for Proposals with a 90-day response period to an open application where proposals are accepted at any time through the end of FY 2023/24 and proposals meeting minimum qualifications will be brought to Council following staff review.

Priority:

<input type="checkbox"/> Enhanced Communication	<input checked="" 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: Participants in the Token Program receive transient occupancy registration certificate tokens instead of a cash grant. Therefore, the fiscal impact of this program is primarily staff time. Consultant support for ongoing stewardship of all Town deed restrictions, which includes expenses to monitor compliance with deed restrictions issued under this program, is included in the FY23/24 budget. The annual monitoring cost per deed restriction has not yet been determined.

Public Communication: Agenda posting

Attachments:

Attachment 1: February 8, 2022 Staff Report Short-Term Rental Program Study and Recommendations for Ordinance Updates <https://portal.laserfiche.com/Portal/DocView.aspx?id=59558042&repo=r-6a91ddbc> (pages 13-15)

Attachment 2: April 12, 2022, Staff Report Second Reading of Short-Term Rental Ordinance Amendments and Ordinance 2022-02

<https://portal.laserfiche.com/Portal/DocView.aspx?id=59572515&repo=r-6a91ddbc>

Attachment 3: May 24, 2022, Staff Report Initial Allocation of Short-Term Rental Registration Certificates for Workforce Housing Advancement Program

<https://portal.laserfiche.com/Portal/DocView.aspx?id=59579409&repo=r-6a91ddbc>

Attachment 4: January 10, 2023, Staff Report Short-Term Rental Workforce Housing Token Pilot Program <https://portal.laserfiche.com/Portal/DocView.aspx?id=59637985&repo=r-6a91ddbc>

Attachment 5: March 2, 2023 (Rescheduled from February 28, 2023) Staff Report Short-term Rental Workforce Housing Token Pilot Program Guidelines and Request for Proposals Approval

<https://portal.laserfiche.com/Portal/DocView.aspx?id=59644045&repo=r-6a91ddbc>

Attachment 6: Updated Short-term Rental Workforce Housing Guidelines