



Date: September 13, 2022

Honorable Mayor and Council Members:

Author and title: Lynn Baumgartner, Administrative Analyst II

Title: **Update Housing Program Guidelines: Truckee Home Access Program (Below Market Rate Program)**

Approved By: _____ Jen Callaway, Town Manager

Recommended Action: Review and approve recommended changes to the Truckee Home Access Program, previously known as the Below Market Rate Program, including name change and updated Program Guidelines

Discussion:

INTRODUCTION

Increasing the inventory of rental and ownership homes available to community members living and working in Truckee is a Town Council priority. Growing the inventory of housing that is legally deed restricted-- or reserved— for full-time occupancy—is an important strategy used in many jurisdictions to ensure the long-term availability of workforce housing. A deed restriction is a tool that helps preserve a housing unit as a fulltime residence through legal requirements that run with the property for the term of the restriction (typically 55+ years). These limitations of land use can include resident income requirements or fulltime residency requirements.

No one program or policy will resolve our region's housing challenges. However, by implementing a range of strategies that support a variety of housing types and a wide spectrum of income levels, we will see progress toward the goal of increasing the inventory of homes that our local workforce can access. The Truckee Home Access Program (previously called the Below Market Rate Housing Program) is a deed restriction purchase program that offers an additional tool in the toolbox to help address our community's immediate housing needs and to preserve workforce housing.

BACKGROUND:

In August 2021, the Town contracted with a consulting team comprised of BAE Urban Economics and Rise Housing to assist with the development of the Below Market Rate Housing Program (herein after referred to Truckee Home Access Program, or THAP). Additionally, the Town convened a nine-member stakeholder advisory committee in late 2021 to early 2022 to inform program development. The main goal of the program is to increase ownership access to the housing market for a range of households that live and work in the region. Specifically, through the management of existing deed-restricted units and the purchase of new deed restrictions, the goal is to increase the overall inventory of deed-restricted housing in Truckee. Currently, 772 (about 5.8%) of the approximately 14,000 housing units in Truckee, are deed restricted. Of the 5.8%, the majority (79%) have household income caps at or below 80% of the area median income, which is considered low income by Department of Housing and Urban Development (HUD) standards. Additionally, most of Truckee's existing deed restricted units are rental rather than for-sale.

On March 8, 2022, Town Council approved Program Guidelines for the Below Market Rate Housing Program and directed staff to proceed with a request for proposals for a third-party administrator to operate the program (**see Attachment 1: March 8, 2022 Staff Report**).

The Council-approved program goals are to:

- Increase the percentage of the total housing stock that is deed restricted to 10% of the Town's housing inventory in the next 10 years;
- Expand Truckee's deed restriction program to include higher income levels (up to 245% AMI) to preserve housing stock at a range of income levels and reflect current conditions in the for-sale market; and
- Expand the deed restriction program to include more for-sale product.

The Truckee Home Access Program will help to build sufficient inventory of properties to create what is essentially a second for-sale housing market that only qualified buyers have access to. In this case, the qualified buyer is a household that earns no more than 245% of the area median income, has at least one household member who works at least 30 hours per week within the boundaries of the Tahoe Truckee Unified School District (or has a written offer for employment in the boundary and is in the process of relocating), and occupies the home as a full-time residence. The program is a long-term strategy aimed at tipping the scales of the local housing inventory slightly towards full-time residents to align with the Town Council goal of actively supporting the development of workforce housing. It will take time to build the inventory of for-sale deed restricted housing in Truckee. Housing costs are high, and funding is limited. Today, over 50% of Truckee's housing stock is vacation homes. The funding available through the THAP program will assist fulltime resident households in achieving home ownership to help move our market towards one that is more balanced. Additionally, the program will address the availability of long-term, workforce rental stock by allowing local businesses and developers to participate.

As previously directed by Council, there are four participant categories in the Truckee Home Access Program (See Table 1 for a summary of program requirements for each category):

1. **Individual Buyers:** THAP offers qualified buyers financial assistance of ~16% of appraised value of the home up to \$150,000 in exchange for a 55-year deed restriction. The funds can be used for a down payment, but they are not restricted as down payment assistance.
2. **Sellers:** Can agree to deed restrict their home and sell at a reduced price to a qualified buyer, receiving funding to make up the difference between the reduced price and the appraised value.
3. **Local Businesses:** THAP can purchase deed restrictions from employers who are willing to rent long-term to qualified tenants, including their own employees. THAP applications from Local Businesses will be approved by Council on a case-by-case basis.
4. **Developers:** THAP can purchase deed restrictions from market rate developers to keep sale prices and rental rates affordable for the local workforce. This type of transaction will be approved by Council on a case-by-case basis.

Following Council approval of the initial Program Guidelines in March 2022, the Town contracted with Housing Inc. as the program administrator and staff have worked with Housing Inc. to develop administrative processes, forms, and documents for the new program. In the process of preparing for program launch and learning from Housing Inc's extensive experience with similar programs, staff and Housing Inc. have drafted a suite of clean-up revisions to the Program Guidelines for Council consideration. Among these changes, staff recommends changing the program name to the Truckee Home Access Program (THAP).

Table 1: Program Qualification Requirements by Category

	Individual Home Buyers	Seller	Local Businesses	Developers
Funding Amount	The lesser of \$150,000 or 16% of the purchase price	The lesser of \$150,000 or 16% of the sales price	Up to 16% of appraised value	Up to 16% of the appraised value, additional funding will be considered for lower income targeting
Maximum Purchase/Sales Price	\$937,500 purchase price	\$787,500 sales price	Local businesses can rent homes for THAP maximum rent rate	Developers can sell their homes priced for 180% AMI buyers or rent homes for THAP rent rate
Local Employment	Buyer must meet local employment criteria	Buyer must meet local employment criteria	Buyers and/or tenants must meet local employment criteria	Buyers and/or tenants must meet local employment criteria
Occupancy	Home must be Buyer/ tenant's principal residence 10 out of 12 months per year	Home must be Buyer/ tenant's principal residence 10 out of 12 months per year	Home must be Buyer/ tenant's principal residence 10 out of 12 months per year	Home must be Buyer/ tenant's principal residence 10 out of 12 months per year
Mortgage/Lease Readiness	Buyer must qualify for a first mortgage and submit a lender pre-approval letter	Buyer must qualify for a first mortgage and submit a lender pre-approval letter	As applicable, Buyer must qualify for a first mortgage and submit a lender pre-approval letter/Tenant must qualify for lease	As applicable, Buyer must qualify for a first mortgage and submit a lender pre-approval letter/Tenant must qualify for lease
Income Limits	Buyer must meet 245% AMI requirement	Buyer must meet 245% AMI requirement	Buyers and/or tenants must meet 245%/180% AMI requirement	Buyers and/or tenants must meet AMI requirement (180% AMI or lower, as negotiated)
Asset Limits	Buyers' liquid assets must not exceed 30% of sales price of home	Buyers' liquid assets must not exceed 30% of sales price of home	N/A	N/A

PROPOSED PROGRAM GUIDELINE CHANGES

The following program updates are included in the revised Program Guidelines (See Attachments 2 and 3). In addition to the substantive topics described below, the revised Program Guidelines also include some re-ordering of topics for clarity.

Council-directed changes: At the time of initial guidelines approval in March 2022, Council directed staff to make several changes to the program guidelines. The following Council-requested changes have been incorporated:

Local workforce requirement: A household must have at least one member who is currently employed 30 or more hours per week, meets fulltime employment equivalency with employer verification, or has a written offer for full-time employment at an employment site within the

Tahoe Truckee Unified School District geographical boundary. A paystub from the qualifying employer will be required prior to close of escrow to verify employment.

Leave of absence: Removed the limitation of two-year leave of absence for the owner occupancy requirement. This means that the owner of a THAP property may rent the unit to a program-qualified tenant indefinitely.

Prior Homeownership: Removed the qualification related to prior homeownership. Participants are allowed to currently own a home, but current home equity is included in the asset calculations.

Staff-recommended changes: Based on guidance from Housing Inc, staff recommend the following additional changes, which are incorporated into Attachments 2 and 3.

Name Change: Truckee Home Access Program (THAP) more accurately describes the goal and function of the program.

Maximum Initial Sales Price: Staff recommend a maximum initial sales price of \$937,500 for buyers and \$787,500 for sellers. While the initial program guidelines included an AMI cap for buyers, which naturally helps to cap the sales price, adding a maximum sales price is recommended to ensure that THAP funds are spent on homes that match the needs of the workforce and that re-sale of the property will be feasible to future program-eligible buyers. The maximum initial sales price for buyers is set based on an estimated maximum home value that could be affordable to a household making 245% AMI using the THAP funding (up to \$150,000) for down payment assistance. The maximum for sellers is calculated as \$937,500 less the maximum deed restriction price (\$150,000), which assumes that the seller will reduce the sales price below appraised value and the THAP funding will be used to “make the seller whole.”

Buyer Example	Seller Example
Purchase Price: \$937,500	Appraised Value: \$937,500
THAP Payment to Buyer Used as Down Payment Assistance: \$150,000	Sales Price: \$787,500
Buyer's 4% Down: \$37,500	THAP Payment to Seller: \$150,000
Buyer's First Mortgage: \$750,000	Buyer's 20%: \$157,500
	Buyer's First Mortgage: \$630,000

Loan Committee: Staff recommend the addition of a Loan Committee to review program applications. The Loan Committee will consist of Town staff and program administrators. A loan committee is standard in similar programs as well as existing Town economic development loan programs.

Removal of Lottery: The application process has been updated to remove the initial application deadline and lottery, replacing this system with a rolling application process. Applications will be reviewed as they are received, and each qualified applicant will be issued a conditional approval letter with an expiration date and maximum funding amount. A conditional approval letter will not guarantee funding availability or set aside funds for the prospective buyer. Rather, the THAP administrator will reserve funds for transactions on a first come first served basis, based on the order of receipt of executed contracts for purchase and approval of the Loan Committee. This change is recommended based on successful processes in similar programs, including Placer County's Workforce Housing Preservation Program.

Mortgage Pre-Qualification: Applicants must submit a mortgage pre-qualification letter with their application as part of the updated application process.

Time Limit: The time limit for buyers to purchase a home has been shortened to nine months with a potential to extend for 90 days, which is recommended to match industry standards.

Application Process for Local Businesses and Developers: The application process for Local Businesses and Developers was added for clarity. The application process is as follows: Complete Local Business & Property Developer Interest Form, along with a proposal for how THAP funds will be used; The THAP Proposals will be reviewed by the THAP Administrator to ensure the proposal meets the qualifications and goals of the THAP Program; The Town and THAP Administrator will meet with applicant to provide feedback on the THAP Proposal, as necessary. Proposals that meet the qualifications and goals of the THAP Program will be presented to Town Council with applicant in attendance.

Rent Pricing and Term: The following rental terms were added to the guidelines to reflect industry standards: Monthly rent charged must not exceed 30 percent of the annual maximum AMI of the property's deed restriction (245% or 180%) divided by 12 months adjusted for bedroom size. The initial lease period must be a minimum of 12 months and can be month-to-month thereafter with the same tenant.

Resale Fee: The resale fee was changed from 1% of the sales price to a flat fee as specified in the Town's adopted fee schedule (proposed at \$3,000 effective December 1, 2022) to better reflect the administrative costs of processing the resale.

CONCLUSION AND NEXT STEPS

Staff recommends that Council review and approved the attached updated THAP Program Guidelines. If Council approves the recommended changes, staff anticipate launching the program in Fall 2022.

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:

The adopted FY 2022/2023 CIP budget includes \$1,250,000 for a BMR Deed Restriction Program, now known as the Truckee Home Access Program (C2014). The budget includes program administration, and deed restriction purchase for households, businesses, and developers.

Public Communication:

Agenda Posting. Additionally, staff worked with a nine-member stakeholder advisory committee to inform the development of this program.

Attachments:

Attachment 1: March 8, 2022 Staff Report available at:

<https://portal.laserfiche.com/Portal/DocView.aspx?id=59564221&repo=r-6a91ddbc>

Attachment 2: Updated Program Guidelines (clean copy)

Attachment 3: Program Guidelines adopted March 2022 (with tracked changes)