



Date: May 14, 2024

Honorable Mayor and Council Members:

Author and title: Lynn Baumgartner, Program Analyst II

Title: **Lease to Locals Program Update and Placemate Contract Renewal**

Jen Callaway, Town Manager

Recommended Action: 1) Authorize the Town Manager to execute a new agreement with Placemate in the amount of \$125,000 to provide program administration for the Lease to Locals Program for a one-year term ending June 30, 2025, pending approval of the FY24/25 budget; 2) Receive an update on the Lease to Locals Program.

Discussion:

One of Town Council’s priorities is to actively support the development of workforce housing. To address this goal, staff continue to react to the rapidly evolving housing market and needs within our community and region, and to pilot and iterate innovative housing programs.

The Lease to Locals Program is a housing program that the Town launched in October 2020 in partnership with local company Placemate (formerly known as Landing Locals). The program aims to unlock existing housing units for use as long-term employee housing by incentivizing homeowners who are currently short-term renting or not renting their home at all to long-term rent to locally employed tenant households. To encourage this behavior change, participating homeowners are offered a one-time grant. Homes participating in the Program are exclusively leased to households in which at least half of the adult residents are employed within the region (which is defined as the school district boundaries), and the average annual income of all adults in the rental household cannot exceed 150% of the area median income (AMI), which for Nevada County is currently \$118,125 per person.

Lease Length	1 Qualifying Tenant*	2 Qualifying Tenants	3 Qualifying Tenants	4 Qualifying Tenants
Seasonal (5-11 months)	\$2,000	\$4,000	\$6,000	\$8,000
Long Term (12+ months)	\$4,500	\$9,000	\$13,500	\$18,000

Table 1: Current Incentive Amounts

SELECT PROGRAM RESULTS

Participation

From July 1, 2023 – April 30, 2024 (FY 23/24 YTD), the Lease to Locals Program has incentivized leasing 41 housing units, with a total of 103 bedrooms and has housed 104 individuals, including 91 local employees. Since program inception in October 2020, the program has converted 165 units, with a total of 376 bedrooms and has housed 386 individuals, including 301 local employees. Table 2 below shows the unit count for each fiscal year since program inception. Table 3 below shows the unit size breakdown.

FY 20/21	FY 21/22	FY 22/23	FY 23/24 (YTD)
15	57	52	41

Table 2: Total number of units converted by Lease to Locals in each fiscal year.

# of Bedrooms	# of Units (FY 23/24 YTD)	# of Units (Total)
Individual Room Rental*	4	21
Studio	2	8
1 bedroom	3	34
2 bedroom	12	43
3 bedroom	22	72
4+ bedroom	2	8

Table 3: Breakdown of Unit Sizes. *Some individual room rentals are also counted in the larger unit size categories.

Renter & Lease Data:

In the current fiscal year, the median rent charged has been \$1,090 per bedroom per month and the median rent is \$2,800 per unit. Since program inception, the median rent charged per bedroom per month is \$1,053 and the median rent per unit is \$2,600. Since program inception, 51 units (31%) of Lease to Locals rentals are affordable to households making less than 80% AMI, 90 units (54%) are affordable to households making 80% - 120% AMI, and 24 units (15%) are affordable to households making 120% - 150% AMI (Figure 1). Affordability is determined based on unit size and household income (See Table 4).

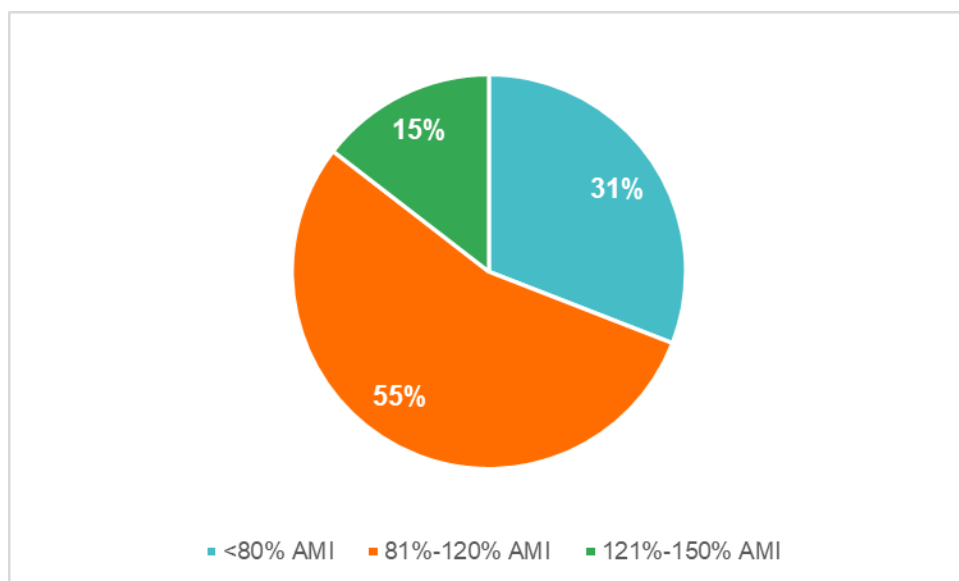


Figure 1: Percent of Lease to Locals units that are affordable to underserved AMI ranges.

	<80%	80%-120%	120%-150%	Total # of Units
Household Size of 1 (Studio or Single Bedroom Rental)	96%	4%	0%	23
Household Size of 2 (1-BR)	84%	16%	0%	19
Household Size of 3 (2-BR)	21%	72%	7%	43
Household Size of 4 (3 BR)	6%	65%	29%	72
Household Size of 5 (4 BR)	0%	100%	0%	8

Table 4: Affordability of Lease to Locals units based on unit size and AMI category.

For the current fiscal year, the average income per adult has been \$54,222 (69% AMI), which is significantly less than the program eligible income cap of \$118,125 (150% AMI). Since program inception, the average income per adult is 69% AMI and 163 of 165 (99%) of participant households have had an AMI of 100% or less.

A household is considered burdened by housing costs if those costs are more than 30% of the monthly household income and severely burdened if costs are more than 50%. According to the Mountain Housing Council Needs Assessment, 53% of survey respondents were burdened by housing costs. Unfortunately, this data is not broken down by AMI levels, and lower-income households tend to spend a larger proportion of their income on housing costs. Data from the 2016-2020 American Community Survey (most recent available data) indicates that 91% of Truckee households making less than 100% of the median income spent more than 30% of their income on housing and 31% of those households spent more than 50%. In comparison, 47% of Lease to Locals households under 100% AMI spent more than 30% on housing and 10% spent more than 50%. (Figure 2)



Figure 2: Housing cost burden for households making under 100% AMI in Truckee and Lease to Locals participants.

In the current fiscal year, six properties (15% of participating properties) have been leased under the seasonal lease option and the remaining 35 (85%) have leased for one year. Since program inception, 133 (81%) of units have been full year leases and 32 (19%) have been seasonal.

Retention Data

At the end of the lease term, all Lease to Locals property owners must participate in a final check in, which includes if the property will continue to be rented long term. Of the 120 properties that have completed the program, 81 (68%) were rented long term for a second year. Five (6%) were rented to new tenants and 76 (94%) were renewed with the same tenants.

Council has requested that staff and Placemate collect long term data from Lease to Locals participants to help determine the impact of the program. In April 2024, Town and Placemate staff initiated a survey to start collecting this data. The survey was sent to 115 property owners and the response rate was 58% (67 responses) during the two weeks of the survey period. The survey was sent out to all property owners who had completed their lease through the Lease to Locals Program ranging from completion dates in 2021 to 2024. Staff anticipates that participants will be less likely to complete the survey the further they get from their year of participation, and staff has separated out an estimated response rate based on the year the lease ended (Table 5). The response rate broken down by year is slightly

different than the overall response rate, as some participants have more than one lease but only responded to the survey once and the total number of leases per year include some properties that did not successfully complete the program and were not included in the survey.

Year Lease Ended	# of Respondents	# of Leases	Response Rate
2021	2	4	50%
2022	25	52	48%
2023	38	59	64%
2024*	3	6	50%

Table 5: Response rate broken down by year of lease completion.

* Number of leases for 2024 only include those that have been completed before survey initiation.

Property owners were asked questions such as whether they were still long-term renting, if they were still renting to members of the local workforce, and what they were doing with their home if they were not long-term renting. The Town and Placemate jointly sent out the survey with the goal of learning more about the impact and effectiveness of the Lease to Locals program on providing more stable, affordable, and long-term housing for the local workforce. Specifically, the survey aimed to look at whether property owners who received a one-time incentive through the program continued long-term renting their homes at a below market rate after they finished their time with Lease to Locals.

Respondents were asked if they were still long-term renting, and 51 (75%) responded “yes.” This is higher than the 68% that was reported at the final program check in. Staff interpretation of this discrepancy is that individuals who have continued long term renting were more likely to complete the survey. Additionally, this could include property owners who did not long-term rent immediately following the program but have returned to long-term renting at some other point.

Staff anticipates that the percent of participants who continue to rent-long term will decrease the further they get from the year of participation. Though it is early in the long-term data collection process, it appears to be trending that way (Table 6). The lowest percentage of respondents still renting, 50%, are from the 2021 group and the highest, 100%, are from the 2024 group.

Year Lease Ended	Response Rate	% of Respondents Long-Term Renting
2021	50%	50%
2022	48%	80%
2023	64%	71%
2024*	50%	100%

Table 6: Response rate and percent of respondents who are renting long term broken down by year the lease was completed.

* Number of leases for 2024 only include those that have been completed before survey initiation.

Respondents who are still long-term renting were asked about their rent rates and tenants. Forty-five owners (88%) are still renting to a local employee tenant group. Six (12%) were not or were unsure of their tenants’ local employment status (Figure 3). Most property owners (24, 52%) have increased the rent by an average of \$201 per month. Seventeen owners (37%) have kept the rent the same. A small portion (5, 11%) have reduced the rent by an average of \$95 per month.

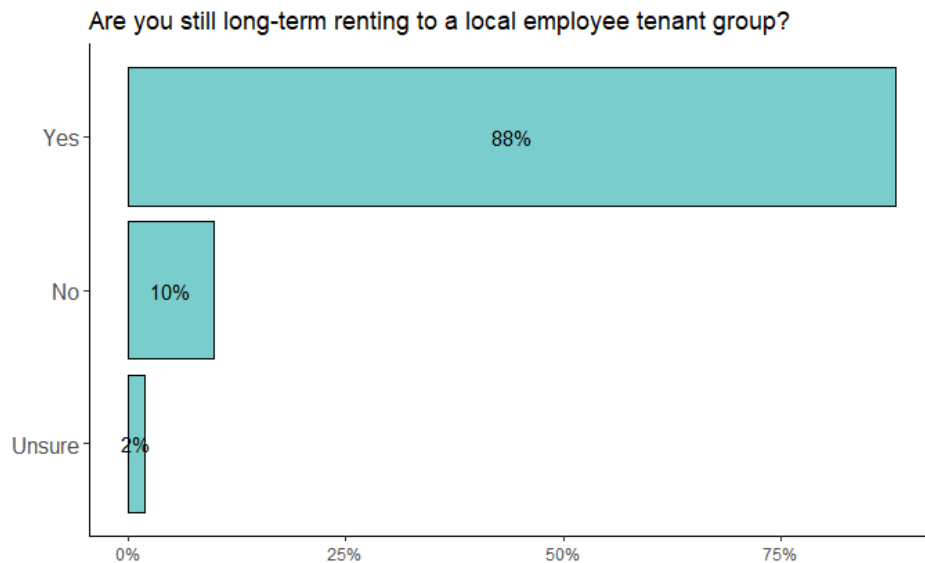


Figure 3: Local employment status of tenant group.

Respondents who are not still long term-renting (17 respondents, 25%) were asked what their property was used for after participation. The most common responses were that the home was sold (25%), the owners are residing in it for part of the year (20%), and that the home is vacant (20%). Conversion to a short term rental (10%) and primary owner occupancy (10%) were the least common. (Figure 4) Fourteen of these respondents (82%) answered “yes” or “maybe” when asked if they would consider long-term renting again.

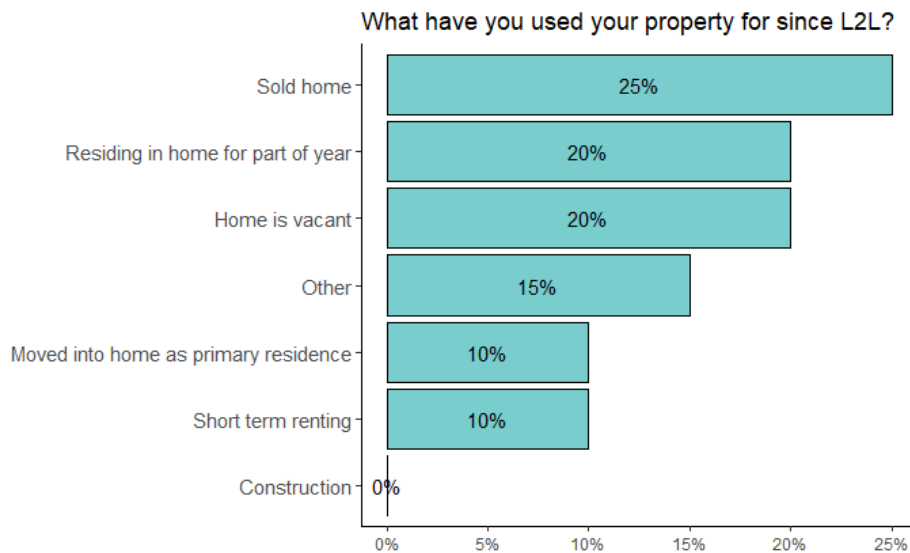


Figure 4: Post Lease to Locals property use for respondents who are not still long-term renting.

Respondents were also asked to rate their overall experience with the Lease to Locals on a scale of one to ten, and the average rating was 8.5.

Incentives

In the current fiscal year, the Town has allocated \$380,000 in incentives, which is an average of \$9,268 per unit and \$3,689 per bedroom. Since inception, the Town has allocated \$1,172,258 in incentive payments, which is an average of \$7,105 per unit and \$3,118 per bedroom.

Retention data collected from surveys shows that between 68% - 75% of Lease to Locals participants continue renting long term after their year in the program. Using the 68% retention rate, staff has estimated that approximately 256 bedrooms have remained as long-term rentals for a second year (632 bedrooms total), which would bring the incentive cost per bedroom down to \$1,855 when spread across multiple years. Staff will continue to collect long-term retention data to determine the long-term impact of the incentive payment. For example, if the 4-year retention rate is 50% as survey data indicates, the incentive cost per bedroom drops to \$1,125 spread across four years.

CONCLUSION AND NEXT STEPS

Program Goals:

Staff recommend a target of adding 50 new properties into the program in FY24/25 to house an additional 100 locals. The current contract with program administrator Placemate expires on June 30, 2024.

Staff recommends that Council authorize the Town Manager to execute a new agreement with Placemate in the amount of \$125,000 to provide program administration for the Lease to Locals Program for a one-year term ending June 30, 2025, pending approval of the FY24/25 budget (see Attachment 1: Scope of Work).

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 proposed budget for FY 24/25 C2012 has proposed \$125,000 for Lease to Locals Program Administration, which will provide sufficient funding for the recommended contract amendment, pending FY 24/25 Budget approval.

Public Communication: This agenda posting.

Attachments:

Attachment 1 – Placemate Scope of Work