



Date: May 14, 2024

Honorable Mayor and Council Members:

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Title: **Proposed Housing Program Guidelines – Rooted Renters Pilot Program (formerly, Long-Term Rental Preservation Program)**

Jen Callaway, Town Manager

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### **Recommended Action:**

1) Approve the Rooted Renters Pilot Program Draft Guidelines; 2) Approve a \$65,000 contract with Placemate to provide administrative and marketing support services for the Program.

### **Discussion:**

## **INTRODUCTION**

Increasing the inventory of long-term workforce housing available to community members living and working in Truckee is a Town Council priority. The Town continues to face a shortage of rental and for-sale housing that is affordable to people with jobs in and around Truckee. Increasing the number of rentable housing units through financial incentives to existing property owners and connecting people with these units has proven to be successful with the Lease to Locals program. Rental incentive programs are an effective tool to fulfil some of the missing community needs by “unlocking” existing housing inventory for use as workforce housing without the cost and time commitment of new construction. This effort furthers the Council’s strategic priority of actively supporting the development of workforce housing in our community, while also helping to preserve the inventory of existing workforce housing.

The Rooted Renters Program (previously referred to as the Long-Term Rental Preservation Program) is a proposed as a two-year pilot of a new housing program that would build upon the Town’s already established and successful Lease to Locals program, which is administered by Placemate, a local Truckee business. The new program would lock in workforce rental units and affordable rental prices for multiple years, to provide stability for the local workforce.

The Program framework was originally introduced to Council on January 23, 2024 (see Attachment 1) and Council provided staff with detailed feedback and direction to move forward with the Program. Staff have incorporated the feedback into proposed guidelines for Council adoption (see Attachment 2). Table 1 below shows an overview of the key decision points staff presented to Council in January and the direction Council provided to staff on each decision.

**Table 1. Key Decisions and Directions from Council Meeting on Program Framework**

|   |  |
|---|--|
| 1. Maximum rent based on number of bedrooms | Council supported basing the rent on bedrooms instead of a general rent cap like the Lease to Locals structure |
| 2. Rent cap amount                          | Council directed staff to move forward with the proposed rent cap amounts                                      |

|   |   |
|---|---|
| 3. Incentive amount and structure of payments | Council supported the proposed incentive amounts, but suggested staff distributed the payments as follows: 15% at 6 months, 15% at 1 year, 30% at 2 years, 40% at 3 years instead of the 25%, 25%, 50% proposed structure.  |
| 4. Three-year term length                     | Council provided direction to staff to go forward with the three-year term length   |
| 5. Inclusion of previous L2L homeowners       | Staff recommended that previous L2L participants be allowed to enter the Program after 6 months. Council also directed staff to have separate funding buckets for the two groups after the first 6 months to ensure previous L2L homeowners do not use up a disproportionate amount of Program funding. |

## **PROGRAM OVERVIEW**

The Rooted Renters Program aims to lock in workforce rental units at below market prices for at least three years by providing financial incentives to property owners. Similar to Lease to Locals, the new Program is focused on providing housing to local employees earning up to 150% of Area Median Income (AMI) in existing housing units in Truckee. The goals of the Program are to create stable, long-term rental housing at an affordable rate for the local workforce across multiple years, provide landlords offering below-market rent with equitable participation in the Town's workforce housing incentive programs, and expand the Town's suite of housing programs through a multi-year rental solution. This complements and expands upon the goal of Lease to Locals, which is to unlock existing, underutilised housing stock for the local workforce through incentive payments to property owners. As Truckee continues to face housing needs and large numbers of inadequately housed households, the Rooted Renters Program offers another solution to the ongoing housing crisis by securing longer-term (three year) commitments from property owners to maintain a housing unit as a below market long-term rental.

### *Eligible Property Owners*

If a property is already long-term renting, they are eligible for the Rooted Renters Program as long as they begin a new 12-month lease term and they meet all program requirements, including rental rates and tenant eligibility. Additionally, if a property that participated in the Lease to Locals Program has changed ownership, the new owners will be eligible to apply with that property for the Rooted Renters Program at the start of the Program pilot.

Per Council direction, property owners who received an incentive payment through the Lease to Locals Program are not eligible to apply for the Rooted Renters Program with the same property that participated in the Lease to Locals Program for the first 6 months of administration of the pilot Program. After 6 months, staff recommend that Town Council will review the Program progress and based on program demand and funding availability, will decide whether the program will be expanded to properties that have previously participated in Lease to Locals. This ensures that Program funds will be prioritized to preserve additional rental units, as nearly 70% of Lease to Locals units continue to be rented long term after program completion.

### *Rental Rate and Increase Requirements*

While the Lease to Locals Program requires a rent cap of \$3,500 for all units, independent of bedroom count, per Council direction the Rooted Renters program will include a rent cap by bedroom count to ensure that smaller units are affordable. To accomplish this, the rental cap will be based on affordability at the 120% AMI level, which is lower than the Program participant limit of 150% AMI. This will ensure that units are affordable for a wider range of participants.

**Table 2. Maximum Rent and Allowed Increase**

|                    | % Increase | Room  | Studio  | 1-Bed   | 2-Bed   | 3-Bed   | 4+ Bed  |
|--------------------|------------|-------|---------|---------|---------|---------|---------|
| <b>Year 1 Rent</b> | -          | \$810 | \$1,013 | \$1,520 | \$2,026 | \$3,039 | \$4,052 |
| <b>Year 2 Rent</b> | +7%        | \$866 | \$1,084 | \$1,626 | \$2,168 | \$3,252 | \$4,336 |
| <b>Year 3 Rent</b> | +7%        | \$927 | \$1,160 | \$1,740 | \$2,320 | \$3,479 | \$4,639 |

Table 2 also shows the maximum rental increase allowed for each year of the Program. These rates are calculated for the first cohort that enters the pilot Program and will be recalculated for the year two cohort based on the updated AMI for the year. Staff recommends that the pilot Program allow a participating landlord to implement a maximum increase of 7% per year for years 2 and 3 of the property's participation in the program. This is a new recommendation, based on feedback from Placemate that a fixed maximum increase will provide transparency and assurance for renter households and homeowners to know exactly how much the maximum rent will be throughout the 36 months of the Program. While California law does not impose a maximum annual rent increase for single-family units, the 7% recommendation aligns with California law for non-single-family units, which requires that property owners cannot increase rent to their tenants over 12 months by more than 10% total or 5% plus the percentage change in the cost of living, whichever is lower.

#### Incentive Payment Distribution

Homeowner participants will receive payments calculated by a weighted distribution of the total payment that will reserve 40% of the total incentive for the end of the 36-month term. The total payment is based on the size of the housing unit and to receive the total amount, homeowners must long-term rent to qualified households for 36 total months. Council recommended that the incentive be split into four payments at the 6-month, 12-month, 24-month, and 36-month marks. Staff recommends that the first payment happen at the 0-month mark, upon tenant verification and lease signing, which is in line with the Lease to Locals payment timing.

The payments get progressively larger to incentivize homeowners to remain in the Program for the entire duration while still providing compensation throughout the 36 months to assist with costs. Since there is no deed restriction, there needs to be another way to encourage participation throughout the entire 36-month Program. Staff increased the incentive amounts slightly from the originally proposed payments to be round numbers.

**Table 3. Distribution of Incentives for Years 1, 2, and 3**

|  | Room           | Studio          | 1-Bedroom       | 2-Bedroom       | 3-Bedroom       | 4-Bedroom       |
|--|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>0 Mo (15%)<br/>(Application Approved)</b> | \$1,350        | \$2,250         | \$3,000         | \$3,450         | \$3,600         | \$3,900         |
| <b>12 Mo (15%)</b>                           | \$1,350        | \$2,250         | \$3,000         | \$3,450         | \$3,600         | \$3,900         |
| <b>24 Mo (30%)</b>                           | \$2,700        | \$4,500         | \$6,000         | \$6,900         | \$7,200         | \$7,800         |
| <b>36 Mo (40%)</b>                           | \$3,600        | \$6,000         | \$8,000         | \$9,200         | \$9,600         | \$10,400        |
| <b>Total Incentive</b>                       | <b>\$9,000</b> | <b>\$15,000</b> | <b>\$20,000</b> | <b>\$23,000</b> | <b>\$24,000</b> | <b>\$26,000</b> |

Table 3 shows a detailed breakdown of the distribution structure for all participants and household sizes with the total incentive amount in bold.

## Administration

Staff recommend that Town Council approve a contract with Placemate in the amount of \$65,000 to provide administration and marketing for the program for FY24/25 (see Attachment 3 for Scope of Work). The new program has many similarities to Lease to Locals therefore staff recommend contracting with Placemate because program outreach and operations will be most cost effective and efficient with one administrator operating both programs. Placemate already has the tools, marketing channels, and the familiarity with the local market to successfully administer the new program.

Town staff's role will be to coordinate operations with Placemate and to distribute incentive payments.

## **CONCLUSION AND NEXT STEPS**

### Program Goals

The Town has a target of adding 20 new properties into the Rooted Renters Program and to house an additional 40 locals in FY 24/25. The proposed contract (Attachment 3) will give Placemate the role of Program administrator through June 30, 2025.

Staff recommends that the Council approves the Rooted Renters Program Guidelines and authorize the Town Manager to execute a new agreement with Placemate in the amount of \$65,000 to provide Program administration for the Rooted Renters Program for a one-year term ending June 30, 2025, pending approval of the FY24/24 budget.

### **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 FY24/25 Capital Improvement Project budget includes \$140,000 for a Rental Housing Preservation Program Pilot (C2311) for Program administration and incentive payment costs. Staff anticipate that this budget would provide for Program development, administration, and Program participation for approximately twenty housing units in FY24/25.

**Public Communication:** Agenda posting. Following Council direction to move forward with the Program, staff will work with Placemate to implement a marketing plan that will provide broad awareness and equitable access to the Program. Upon Program guideline approval, Placemate will create a teaser page on their website and conduct outreach to create a property owner waitlist. For Program Launch, Placemate will create a program page with full program details on their website and distribute print materials. The Town will issue a press release. All marketing and educational materials and applications will include the Fair Housing logo and marketing materials will be translated and available in Spanish.

### **Attachments:**

1. January 23, 2024 Staff Report on Proposed New Housing Program – Long-Term Rental Preservation Program available at:  
<https://portal.laserfiche.com/Portal/DocView.aspx?id=59691354&repo=r-6a91ddbc>
2. Town of Truckee Rooted Renters Program Guidelines
3. Placemate Scope of Work