



Date: June 14, 2022

Honorable Mayor and Council Members:

Author and title: Lynn Baumgartner, Administrative Analyst II

Title: **Update Existing Housing Program: Lease to Locals Program (Workforce Rental Grant Program).**

Approved By: _____ Jen Callaway, Town Manager

Recommended Action: That Council:

1. Review and approve the recommended program changes, including name change, to the Lease to Locals Program Guidelines, currently known as the Workforce Rental Grant Program.
2. Authorize the Town Manager to execute a contract amendment with Landing Locals to increase the contract by \$100,000 for total not to exceed amount of \$224,000 to administer the updated Lease to Locals Program through June 30, 2023.

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 Workforce Rental Grant Pilot Program (recommended to be retitled to the Lease to Locals Program and hereinafter referred to as "Program") is a housing program that the Town launched in October 2020 in partnership with local company 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 \$103,350 per person.

On April 26, 2022, Town Council received an update on the Program and provided direction to staff on recommended program changes for FY22/23 (see **Attachment 1: April 26, 2022 Staff Report**). Since that meeting, Town staff have worked with Landing Locals to update the program guidelines and contract Scope of Work pursuant to Council's direction. The purpose of this agenda item is to bring back these changes for Council approval. As reported in the April 26, 2022 staff report, the program successfully housed 112 individuals in 56 participating housing units during its first seventeen months, through March 30, 2022. Since that time, 11 additional homes have been added to the program, for a total of 67.

PROPOSED PROGRAM UPDATES FOR FY 22/23

The following program updates are included in the revised program guidelines (See **Attachments 2 and 3**):

Lease term: The three-to-six-month lease term option has been offered since August 2021 but has not been utilized. The updated program guidelines eliminate this shortest term and simplifying the program to two

lease term options (see Figure 1). Additionally, because many seasonal jobs are for a five-month seasons, the updated program guidelines have changed the seasonal option to five-to-eleven months rather than six-to-twelve months. This is the structure Landing Locals is applying in other communities.

Incentive Structure: The current incentive structure reduces the per-person incentive when more eligible employees are housed (e.g. the incentive is \$4,500 per employee for one employee housed and \$3,333 per employee for three employees housed). The updated program guidelines change the grant amount to a per-eligible-resident amount (see Figure 1). The purpose of this change is to incentivize housing as many eligible employees as possible, with a goal of unlocking a greater number of larger (three- or four-bedroom) homes. While approximately 80% of Truckee’s housing stock is comprised of homes with three or more bedrooms, only 29% of homes in the pilot program and 33% of homes in the current Workforce Rental Grant Program have three or more bedrooms.

Additionally, in communicating with property owners interested in the program, Landing Locals has heard anecdotally that many newer property owners have too high carrying costs to make the current program pencil. Providing an opportunity for higher incentives (based on number of eligible residents) is intended to help unlock some of these properties as workforce housing.

Figure 1: Proposed Lease to Locals Grant Tiers

	1 regional employee (room, ADU or house)	2 regional employees (ADU or house) or 1 employee with a child or children*	3 regional employees (house) or 2 employees and a child or children*	4 regional employees (house) or 3 employees and a child or children*
Seasonal (5-11 month lease)	\$2,000	\$4,000	\$6,000	\$8,000
Long Term (12-month lease)	\$4,500	\$9,000	\$13,500	\$18,000

*A teenager who is employed fulltime by a regional employer will be counted as an adult for purposes of this calculation

Maximum rent: The updated program guidelines establish an overall program maximum rent of \$3,500/month because properties listed above this amount typically are unable to find qualified tenants.

Minor program changes: The updated program guidelines include the following additional changes to the program:

- Change program name to “Lease to Locals” to build on brand equity created with other markets
- Require property owner self-listing for free tenant matching service.
- Clarify guidelines to indicate that landlords moving from a carry-over month-to-month lease with long-term tenants to a new long-term lease are not eligible for this program. Clarify definition of “Underutilized Housing Unit” as one that is occupied less than full-time and has not been rented full-time in the past 12 months.
- Clarify guidelines to indicate that a property owner may not lease to a family member.
- Remove additional grant fund availability for lease extensions from guidelines.
- Clarify guidelines to indicate that there is a maximum of one grant per property.

Program Administration: Under the initial pilot program, the Town contracted with Landing Locals using a performance-based fee structure of \$1,200 per match. In August 2021 we moved to a monthly fee structure,

initially set at \$5000/ month, to provide additional stability needed to expand the complexity and the scope of the program. After nine months of running the expanded program, based on the increase in property owner/ rental match volume, volume of program inquiries, and additional program complexity, staff recommend that Council approve a monthly administrative fee of \$7,500 for FY 22/23. Additionally, staff recommend including a not-to-exceed amount of \$10,000 for pass-through marketing expenses in the FY22/23 contract amendment (see **Attachment 4: Updated Scope of Services**).

Conclusion and Next Steps

The Workforce Rental Grant Program was launched in October 2020 and revised in August 2021. The current contract with program administrator Landing Locals expires on June 30, 2022. The intent of this agenda item is to ask Council to approve the updated program guidelines and approve a contract amendment for Landing Locals to administer the updated Lease to Locals Program through June 30, 2023.

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 scope of work includes an administrative cost of \$100,000 for FY22/23. Additionally, the maximum incentive amount would increase from \$10,000 to \$18,000, although the actual incentive will be based on the number of employees housed and the average incentive is anticipated to be approximately \$9,000-\$10,000 per home.

Town Council will be considering approval of the FY22/23 budget at the June 14, 2022 Council meeting. This proposed budget includes a FY22/23 project budget of \$500,000 for the Lease to Locals Program in C2012.

Public Communication:

Agenda posting.

Attachments:

1. April 26, 2022 Staff Report available at:
<https://portal.laserfiche.com/Portal/DocView.aspx?id=59575621&repo=r-6a91ddbc>
2. Updated Program Guidelines (clean).
3. Prior 2021 Program Guidelines (with tracked changes).
4. Updated Scope of Services, Landing Locals.