



Date: December 10, 2024

Honorable Mayor and Council Members:

Author and title: Lynn Baumgartner, Housing Program Analyst

Title: **Updates to the Forgivable Loan for New Accessory Dwelling Unit Creation Program and the Forgivable Loan for Existing, Unpermitted Accessory Dwelling Units Program**

Jen Callaway, Town Manager

---

**Recommended Action:** Approve updates to the Program Guidelines for the Forgivable Loan for New Accessory Dwelling Unit (ADU) Creation Program and for the Forgivable Loan for Existing, Unpermitted ADU Program.

**Discussion:**

**INTRODUCTION & BACKGROUND**

Town Council approved the creation of the Town Accessory Dwelling Unit (ADU) Pilot Program in 2020 and expanded the program in January 2021 to include loan and grant incentives for new and existing unpermitted ADU and junior accessory dwelling unit (JADU) permitting and construction.

Consistent with the Town strategic focus area to “actively support the development of workforce housing”, the purpose of the ADU Program is to encourage the permitting of existing unpermitted ADUs, and to increase the inventory of ADUs as a means of expanding affordable, long- term housing within existing neighborhoods. By offering a range of resources, including technical assistance, educational resources, information, and incentives, the ADU Program aims to make it easier for Truckee residents to create new units and permit existing ADUs.

In order to continue improve the ADU incentive options to better match the unique needs of Truckee, Council directed staff to create Program Guidelines for the Forgivable Loan for New ADU Creation Program and the Forgivable Loan for Existing, Unpermitted ADU Program in August 2023. Council approved the new Program Guidelines in November 2023. These loan programs, which are funded by Measure K, are separate from the PLHA ADU loan program, which offers low-interest (but not refundable) loans for ADU construction. A PLHA ADU loan and a Forgivable Loan for New ADU Creation programs can be layered.

The Forgivable Loan for New ADU Creation Program offers a forgivable loan up to \$50,000 for the creation of a new ADU in exchange for renting to an income qualified local worker for the term of the loan. This Program has two loan options:

- A 2% annual (simple) 10-year loan will be forgiven at 10% per year, contingent upon receipt of a building permit for the ADU and continued compliance with the deed restriction requiring the ADU be rented to tenant(s) making 60% AMI or below and meeting the local employment qualification.

- A 3% annual (simple) 15-year loan will be forgiven at 6.67% per year, contingent upon receipt of a building permit for the ADU and continued compliance with the deed restriction requiring the ADU be rented to tenant(s) making 120% AMI or below and meeting the local employment qualification.

The Forgivable Loan for Existing, Unpermitted ADU Program offers a forgivable loan up to \$25,000 for permitting an existing, unpermitted ADU in exchange for renting to an income qualified local worker for the term of the loan. This Program has one loan option:

- A 2% annual (simple) 10-year loan will be forgiven at 10% per year, contingent upon receipt of a building permit for the ADU and continued compliance with the deed restriction requiring the ADU be rented to tenant(s) making 120% AMI or below and meeting the local employment qualification.

Since these loan programs launched in 2023, staff have received no applications for the Forgivable Loan for Existing, Unpermitted ADU Program and nine applications for the Forgivable Loan for New ADU Creation Program. Five applicants have been preliminarily approved, and two applicants have withdrawn their applications. Two applicants have received final approval for the loan, but final documents have not been signed and funds have not been released. In the currently approved guidelines, it is not clear if or how the interest is forgiven. As we have two applicants ready to move forward with their ADU projects, staff has prioritized updating the language around forgiveness in the guidelines for both Programs to clarify how the loans' interest is forgiven. Staff is currently reviewing all existing ADU incentive programs and will bring Council an update in early 2025.

## **PROPOSED PROGRAM GUIDELINES CHANGES**

In the process of implementing the program, staff have found opportunities for necessary clarifications to the guidelines for the Forgivable Loan for New ADU Creation Program and the Forgivable Loan for Existing, Unpermitted ADU Program. Staff have drafted clean-up revisions to both of the guidelines for Council consideration. The following program clarifications are included in the revised Program Guidelines (Attachments 1, 2, 3, & 4).

In the currently approved guidelines, it is not clear if or how the interest is forgiven. Staff have updated the guidelines for both Programs to clarify how the loans' interest is forgiven:

### Forgivable Loan for New ADU Creation Program

#### *Section 12.A: Loan Terms, Interest Rates, and Forgiveness*

The two options for loan term and forgiveness of the program loan are as follows:

- i. A 2% annual (simple) 10-year loan. Both principal and interest will be forgiven at 10% per year, contingent upon receipt of a building permit for the ADU and continued compliance with the deed restriction requiring the ADU be rented to tenant(s) making 60% of the area median income (AMI) or below and meeting the local employment qualification.
- ii. A 3% annual (simple) 15-year loan. Both principal and interest will be forgiven at 6.67% per year, contingent upon receipt of a building permit for the ADU and continued compliance with the deed restriction requiring the ADU be rented to tenant(s) making 120% of the area median income (AMI) or below and meeting the local employment qualification.

### Forgivable Loan for Existing, Unpermitted ADU Program

#### *Section 12.A: Loan Terms, Interest Rates, and Forgiveness*

- b. The loan is a 3% annual (simple) 10-year loan. Both principal and interest will be forgiven at 10% per year, contingent upon continued compliance with the deed restriction.

## CONCLUSIONS AND NEXT STEPS

Staff recommend that Council review and approve the updates to the guidelines for the Forgivable Loan for New ADU Creation Program and the Forgivable Loan for Existing, Unpermitted ADU Program. Staff anticipate bringing a more significant update and discussion on the ADU incentive programs to Town Council in early 2025.

### **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:** There is no fiscal impact for these updates to the Program Guidelines. ADU Incentives are funded by Measure K funding in CIP C-2011. The approved incentive budget for FY24/25 is \$370,000.

**Public Communication:** This Staff Report

### **Attachments:**

Attachment 1: Forgivable Loan for New ADU Creation Program Guidelines – track changes version.

Attachment 2: Forgivable Loan for New ADU Creation Program Guidelines – clean version.

Attachment 3: Forgivable Loan for Existing, Unpermitted ADU Program Guidelines – track changes version.

Attachment 4: Forgivable Loan for Existing, Unpermitted ADU Program Guidelines – clean version.