



MEMORANDUM
COUNTY EXECUTIVE OFFICE
ADMINISTRATION
County of Placer

TO: Honorable Board of Supervisors DATE: July 27, 2020

FROM: Todd Leopold, County Executive Officer; and
Steve Pedretti, Community Development/Resource Agency Director

BY: Shawna Purvines, Principal Planner, Community Development Resource Agency
Jennifer Merchant, Deputy CEO – Tahoe
Emily Setzer, Senior Management Analyst, County Executive Office – Tahoe

SUBJECT: **Proposed Workforce Housing Preservation Program**

ACTION REQUESTED

Provide direction to staff on a proposed Workforce Housing Preservation Program which seeks to preserve and utilize the existing housing stock for the local workforce throughout the county.

BACKGROUND

Model Workforce Housing Preservation Program

On January 28, 2019, your Board held a workshop on achievable housing and received a presentation from George Ruther, Director of Housing for the Town of Vail, Colorado on Vail's housing issues and a new workforce housing preservation program to address those issues. Like many other mountain resort communities, Vail's local workforce was getting priced out of the housing market. Nine out of 10 homes sold in Vail were sold to a non-resident second homeowner, limiting housing options for workers. Understanding that year-round residents are critical to maintaining and sustaining community, Vail redefined housing as infrastructure – a community support system – not unlike roads, bridges, water and sewer and similar services delivered by municipal government. This new approach ensured housing would consistently receive the attention and resources needed to begin addressing the problem.

To that end, Vail created the Vail InDEED program (InDEED program) in 2017 to incentivize homeowners and real estate buyers/sellers to deed restrict their properties. The program pays homeowners in exchange for deed restricting those properties to limit occupancy in those homes to fulltime workers only. Since its inception, Vail has secured local housing by purchasing deed restrictions on more than 140 properties. Outlined in its 2027 Housing Strategic Plan, Vail aims to acquire an additional 1,000 deed restricted units by the year 2027 to maintain and sustain homes for residents and workers within the community.

Vail's innovative non-regulatory deed restriction program provided a unique glimpse into a successful achievable housing preservation program. Vail's InDEED program has since been replicated in the towns of Frisco and Breckenridge, Colorado. Similarly, a portion of this draft Workforce Housing Preservation Program has been modeled after Vail's InDEED program and includes input from George Ruther, among other stakeholders and partners.

Placer County Workforce Housing Preservation Program

On March 10, 2020, your Board received an update on the FY19-20 Housing Work Plan and directed staff to develop a countywide deed restriction program to provide housing for the county's permanent resident workforce. Placer County staff has developed the attached draft Workforce Housing Preservation Program for your review. It has been developed to address the diversity of housing challenges faced in different regions of unincorporated Placer County.

The County's overall Housing Program provides countywide options for developers to satisfy their affordable and employee housing mitigation requirements through construction, acquisition or when approved by the Board, to pay an in-lieu fee that go into a housing trust fund. The attached proposed Workforce Housing Preservation Program would add another option by allowing for the purchase of residential deed restrictions in the unincorporated area of the County.

In addition to helping to secure affordable and employee housing in the County using all sources of funding available, this additional option to satisfy developers' affordable housing requirements may be particularly useful for smaller developments that have smaller affordable and employee housing requirements. Rather than contributing toward a portion of a larger affordable or employee housing complex and waiting for construction of new units which can take years, developers will be able to meet their obligation through the purchase of a deed restriction on a housing unit.

Consistent with the state of California's legal framework for housing, the program would deed restrict the use of the property for 55 years. The Board could consider an option to restart the 55-year term with each point of sale/transaction. In return for payment, the deed restriction would be legally recorded, appear on the property title and be passed to future owners upon any change of ownership for the duration of that term. The deed restrictions would require full-time occupancy either by the homeowner or a long-term renter.

The Workforce Housing Preservation Program would apply countywide. Due to unique housing differences in the East Placer region, the program also includes additional components specific to that region, as described below.

Placer County (Countywide):

In addition to program elements outlined above, a 120% area median income cap would be placed on occupants, consistent with and when required by developers' affordable housing requirements. The program would be available at the point of sale on a single-family home or multifamily unit. This approach would support new homeownership and rental opportunities for low- to moderate- income households.

East Placer:

In addition to the countywide expanded workforce housing requirement options described above, the East Placer components of the program add another layer to the program with the

goal of preserving the existing housing stock for the workforce to sustain viable year-round communities. Similar to Vail, East Placer has experienced declining availability in the existing housing supply alongside increasing housing costs, which affect the local workforce and result in impacts to the community, businesses, and tourism. Vail's program was developed in response to limited housing opportunities, but statistics for eastern Placer County demonstrate the percent of homes purchased by permanent residents and workforce seven worse:

- Of all homes sold in East Placer in 2019, only six percent were sold to fulltime residents, down from 10 percent in 2010.
- Of all the housing units in East Placer, only 12 percent are owner-occupied.
- As of March 2020, the median single-family home price for the North Tahoe markets was close to \$721,000, with an average single-family home price of \$1.2 million.
- An individual or household earning even 120% of eastern Placer's median income could likely only afford a studio of \$271,000 or a 3 bedroom of \$382,000.
- The North Tahoe portion of East Placer (specifically the Tahoe Basin, Alpine Meadows, and Squaw Valley communities) lost about one third of its population as it declined by an estimated 4,600 residents since 2000.

To address these issues, the East Placer component of the Workforce Housing Preservation Program would be available to a new homebuyer, seller, or existing property owner in East Placer to voluntarily deed restrict their residential property for the purpose of retaining and securing the home for people who live and work in the community. There would be no income cap on the occupant and no appreciation cap on the house. The deed restriction would require the home to be occupied by a fulltime worker in the community.

While the North Tahoe population loss is dramatic, staff recommends implementing this portion of the program in all of East Placer rather than just in North Tahoe because the program is envisioned to be implemented regionally with the Town of Truckee and other community partners.

The East Placer portion of this program provides many benefits to the community. It incentivizes new homeownership by providing financial assistance in the form of a deed restriction. It may encourage existing second homeowners to participate in the program and rent their houses to long-term renters. It also secures housing for the local workforce for the next 55 years while those homes would otherwise be likely to change owners and be sold to a second homeowner.

Economic Analysis for Deed Restriction Value

Placer County staff is currently conducting economic analyses to determine the fair market value of deed restrictions throughout the county. The analyses will also estimate community and economic benefits from the program to Placer County (e.g. quantify returns in sales tax, local spending, filled positions in the workforce, State-returned funding, etc.) The Vail Local Housing Authority conducted a similar analysis to quantify the economic value and community benefits of resident housing investment on the local economy and community and found that the InDeed

program earned a five percent annual return on investment. Vail's annual investment in 100 units of resident housing (\$6.5 million) returned \$18.1 million as a result of an increase in filled positions, \$2.6 million in increased local household spending, and \$116,000 in new local sales tax revenue, in addition to other benefits.

Funding

Staff is proposing an initial goal of acquiring 50 deed restrictions per year countywide. That goal would be split between an anticipated need of 10 deeds to meet developer affordable housing requirements annually, and 40 in East Placer to return to 2010 levels when about 10 percent of all East Placer homes sold annually were sold to fulltime occupants. This is estimated to equate to about \$3 million in deed restrictions annually.

The program would be funded through public and private funding sources and managed through the County until such time as it can be moved to Housing Trust Placer, and/or an equivalent eastern Placer County Housing Trust when established. It is anticipated the trusts have the best opportunity to match public funding with a variety of private funding sources through regional collaborations and partner contributions. Potential funding sources for future years include County General Fund and TOT funding sources, TOT funds dedicated to housing and transportation, funding matches from potential regional partners, developer contributions as part of workforce housing mitigation, and grants. Additionally, the Martis Fund could consider participating in the program by offering existing down payment assistance program loan recipients an exchange for recording a deed restriction, thereby forgiving the loan requirement.

Placer County staff has begun conversations with potential partners countywide, including the Town of Truckee, Martis Fund, Building Industry Association and Housing Trust Placer staff. Staff plans to continue approaching other community partners such as but not limited to the PUDs, the Tahoe Truckee and Placer County Community Foundations, the Truckee Tahoe Workforce Housing Agency, a Joint Powers Authority between the Tahoe Truckee Unified School District, Tahoe Forest Hospital District, Truckee Tahoe Airport District and Truckee Donner Public Utility District, as well as, any other affordable housing stakeholder groups with an interest in and the ability to support the program.

OUTREACH AND FEEDBACK

In response to your Board's action to prioritize this issue, staff begun seeking feedback from the Building Industry Association, Housing Trust Placer, local realtor stakeholders, the North Lake Tahoe Regional Advisory Council as well as the Donner Summit and Squaw Valley MACs, the North Lake Tahoe Resort Association, and the Truckee Tahoe Workforce Housing Agency, as well as the North Tahoe Business Association and the Tahoe City Downtown Association. Staff will continue to reach out to additional stakeholders countywide to solicit feedback on the program. Feedback has been overwhelmingly positive for the program, in general. All stakeholders have agreed that a program like this would address housing needs in Placer County and should be supported.

Staff has received a handful of questions, concerns, or suggestions, described below. Relevant program details are included in response and for your Board's review.

- Comment: Landlords in East Placer would benefit financially from the program while still charging market rate for long-term rentals.
 - Response: This program proposed no income restrictions on the occupants in the North Tahoe region only because the North Tahoe region needs more available housing for all income levels. The intention is for the program to 1) incentivize more long-term rentals (more rentals helps increase housing supply, which could help to reduce prices in the long run), and 2) create a natural second market because the houses can only be occupied by fulltime workers in the community, which naturally limits what renters will be able to pay. Rental income limits would be required for all other deed restrictions.
- Comment: Deed restrictions may negatively impact the return on investment for the homeowner.
 - Response: The program's payment to a homeowner for participating in the program is intended to fund the difference in value created by voluntarily putting the deed restriction in place. The program is completely voluntary, and there is no appreciation cap on the home. Vail's deed restrictions averaged 15-17 percent of the fair market value of housing unit and estimates that when those deed-restricted properties sell, they sell at about 15-17 percent less than market value, creating a secondary market for the local workforce.
- Comment: Second home vacancy is the nexus that creates the housing problem in East Placer, not all overnight visitors.
 - Response: It was suggested that this program should be funded by a second home vacancy tax to fund housing solutions rather than potentially using TOT which is generated by overnight visitors. A vacancy tax could be levied in the future if your Board so directs. In the meantime, TOT is just one of many potential funding mechanisms for this program in East Placer.
- Comment: In East Placer, instead of a deed restriction, consider implementing a homebuyer assistance down payment program that doesn't need to be repaid if the homeowner sells it to another fulltime occupant.
 - Response: Over time, the East Placer region has seen decreasing percentages of all home sales sold to fulltime owner occupants. There would be no guarantee that the homeowner would sell to a fulltime worker in the future. In fact, the market is demonstrating that it will not support this on its own. This idea would not provide incentives to existing homeowners who may choose to restrict their home to secure it for 55 years for the local workforce, nor would it provide financial incentive to vacant second homeowners or short-term rental owners to switch to long-term renters. Additionally, homebuyer down payment assistance

programs already exist throughout the County. This program offers a different set of benefits.

NEXT STEPS

After hearing your Board’s feedback on the program today, staff plan to return to your Board within 90 days with a more detailed program for adoption.

FISCAL IMPACT

Because this item requests direction from the Board of Supervisors to staff on potential future program concept options, there is no fiscal impact. Should the Board direct staff to return to consider action on a program at a future date, a detailed analysis of potential fiscal impacts will be included at that time.

ATTACHMENT

Attachment A – Draft Workforce Housing Preservation Program

Workforce Housing Preservation Program

Draft Program Description

07.27.20

DRAFT

Introduction

In 2017, the Placer County Board of Supervisors approved a series of tasks that make up the County's Housing Work Plan. This work plan is aimed at identifying ways the County can improve local controls to address the housing crisis and state requirements. The work plan approaches the problem by targeting four main focus areas:

- Creating more incentives to build affordable and workforce housing;
- Changing regulations to make building easier;
- Advocating for state and federal assistance; and
- Furthering partnerships for meeting regional housing needs.

As one of many other tools to facilitate housing, the Placer County Board of Supervisors directed staff on March 10, 2020 to implement a workforce housing deed restriction program to preserve single family and multifamily housing stock for the county's permanent local resident workforce. The Workforce Housing Preservation Program is designed to help implement the County's Housing Work Plan by preserving and utilizing the existing housing stock for the local workforce.

This proposed Workforce Housing Preservation Program would facilitate the purchase of residential deed restrictions in the unincorporated area of the County. The County's overall Housing Program provides countywide options for developers to satisfy their affordable and employee housing mitigation requirements through construction, acquisition or when approved by the Board, to pay an in-lieu fee that go into a housing trust fund. The Workforce Housing Preservation Program would provide an additional option to developers to satisfy their employee housing mitigation requirements or pay an in-lieu fee that could go into a housing trust to be used to pay for future deed restrictions. The Workforce Housing Preservation Program would apply countywide. Due to unique housing differences in the North Tahoe region, the program also includes additional components specific to that region, as described below in the Program Overview.

Background/Need

Placer County faces housing challenges as home prices rise and employee incomes fail to keep pace. There are few subsidies available for workforce households or households that earn more than 60 percent of area median income (AMI). Meanwhile, there are no federal and very few state and local subsidy programs which provide financial support for housing programs serving households earning more than 80 percent of AMI and there are no government subsidy programs for the Above Moderate (>120 percent AMI) income level households. In the east Placer-Truckee area, The Mountain Housing Council Policy Brief recommends that local jurisdictions adopt a new definition of Achievable Local Housing to include the "missing middle" (moderate and above moderate income households from 120 percent to 195 percent area median income). In 2018, the Placer County Board of Supervisors added diversity of achievable housing as one of nine countywide Critical Success Factors in its Strategic Planning process.¹²

Renters in Placer County need to earn \$32.40 per hour – 2.7 times the State minimum wage – to afford the median monthly asking rent of \$1,685¹³. Placer County needs 7,319 more affordable rental homes to

meet current demand¹³. Between 2018 and 2040, Placer County has a potential need for up to 19,563 new single-family homes and up to 4,295 new multifamily homes¹². Central and West Placer is expected to need between 8,203 and 18,895 new single-family homes and between 1,059 and 2,577 new multifamily homes¹². East Placer is expected to need between 290 and 668 new single-family homes and between 746 and 1,718 new multifamily homes¹².

While housing needs are great countywide, they are distinctly different between the East Placer/North Tahoe region and the rest of the county. In the west Placer region, more of the homes are occupied by full-time owners or renters. In the east Placer region, the opposite is true as only 12 percent of the homes are owner-occupied, with the remaining 88 percent owned by second homeowners and used for vacation homes, short-term rentals, or long-term rentals.

Over the last two decades, the North Tahoe region (specifically the North Tahoe Basin, Alpine Meadows, and Squaw Valley specifically) has experienced a declining housing supply and increasing housing costs affecting the local workforce, resulting in impacts to the community, businesses, and tourism. Between 2000 and 2018, North Tahoe lost about a third of its population, or an estimated 4,620 residents, while the remaining East Placer areas outside the basin and near Donner Summit saw slightly increased population⁷. With a population of about 12,000 residents and about 15,000 existing housing units⁸, East Placer has enough housing units to meet the residents' needs. They just aren't available or attainable to a majority of the local workforce.

Although housing costs in North Tahoe decreased by 33 percent during the Great Recession from 2006 to 2011, the median home price rebounded and increased by 51 percent to more than \$600,000 from 2011 to August 2017¹. As of March 2020, the median single-family home price for the North Tahoe markets was close to \$721,000, with an average single-family home price of \$1.2 million³. That price range is out of reach for much of the local workforce. A housing needs assessment for eastern Placer County conducted in 2017 categorized housing needs for the existing residents by for-sale price range, with just under 60 percent of estimated housing needs falling under \$400,000, 12 percent in the \$400 to \$500 thousand range, 17 percent in the \$500 to \$700 thousand range, and 14 percent above \$700 thousand¹. As such, since 2015, of all the homes sold in eastern Placer County, only six percent were sold to primary residents, down from 10 percent in 2010⁸. Meanwhile, the number of second homes in Eastern Placer County rose from about 52 percent of all homes in 2000, to 67 percent in 2018⁴. This trend has decreased the stock of housing units available for local residents, resulting in increased sales prices and rents for housing in the region. Therefore, permanent residents and seasonal workers must compete for an increasingly limited supply of available rental units, and those wanting to buy must compete with buyers purchasing vacation homes.

The lack of affordable and/or available housing at the lakeside has negatively impacted local businesses both in the form of retaining employees and in keeping a viable year-round community to help businesses thrive. In 2016, 82 percent of respondents to employer surveys in the North Tahoe-Truckee region reported that the lack of availability of suitable housing for workers negatively impacts employee recruitment and retention. In the North Tahoe-Truckee region, 59 percent of the workforce (or nearly 7,000 workers) commute from outside the area.² Over half the respondents in a 2018 poll of likely voters in eastern Placer County identified the lack of affordable housing as a critical community issue⁵.

Having a strong, healthy, thriving workforce is critical to the regional economy, and workforce housing is a key piece of that infrastructure.

Program Overview

The Workforce Housing Preservation Program would provide a countywide option for developers to satisfy their employee housing mitigation requirements or pay an in-lieu fee that could go into a housing trust to be used to pay for future deed restrictions. The program includes an additional component for the East Placer region, described below, with a goal of preserving the existing housing stock for the local workforce. This program would support new homeownership and rental opportunities for low, moderate, and achievable income households countywide. Consistent with the state of California's legal framework for housing, the program would deed restrict the use of the property for 55 years. The Board could consider an option to restart the 55-year term with each transaction/point of sale. In return for payment from the County, the deed restriction would be legally recorded, appear on the property title and be passed to future owners for the duration of that term.

Countywide:

- The program is eligible to those earning equal to or less than 120 percent of the area median income.
- The program would be available at the point of sale on a single-family home or multifamily unit.
- At least one occupant must work at least 30 hours per week at an employment site in Placer County.
- At least one occupant should work no more than 20 driving miles from the residence in order to encourage reduced vehicle miles traveled. A 20 percent administrative variance to allow an employee to live further than 20 miles from their work location is available to accommodate area roads and transit options.
- The residence must be located in unincorporated Placer County.
- Retired individuals are not eligible.

East Placer:

- There is no income cap on the occupant(s).
- There would be a maximum cap on the value of the deed restriction.
- The program is available to new homebuyers, sellers, or existing property owners.
- At least one occupant must work at least 30 hours per week at an employment site located within the Truckee Tahoe Unified School District geographical boundary to ensure the program benefits workers in this region.
- At least one occupant should work no more than 20 driving miles from the residence. A 10 percent administrative variance is available to accommodate area roads and transit options.
- The residence must be located within the Truckee Tahoe Unified School District geographical boundary.
- A retired individual, 60 years or older, who has worked a minimum of seven years in East Placer for an average of thirty (30) hours per week on an annual basis, may qualify for the program.
- Program participants who retire from employment would not be required to move or refund payment, but the home would remain deed restricted upon sale or transfer to a different owner.

- The residence can be rented on a short-term basis for no more than 30 days each year.

Monitoring and Adaptive Management

In order to ensure program effectiveness, the County will monitor the program annually to monitor and evaluate data and trends such as:

- Types of housing units & prices of housing units in program
- Frequency of how often units sell
- Owner or renter occupancy
- Participation by home buyers or existing homeowners in East Placer/North Tahoe
- Changes to workforce population in East Placer/North Tahoe
- Changes to percentage of owner-occupied units in East Placer/North Tahoe

Staff will evaluate that data to gauge effectiveness of the program and adapt and update the program on an as-needed basis.

Value of Deed Restrictions and Economic Impacts

In times of competing community investment priorities and alternatives, it is crucial that the benefits of government housing investment are quantified and understood by the community and its leadership. Because the deed restriction will restrict how the property may be used, the future value of the property will be impacted by the deed restriction. Placer County is conducting economic analyses to determine the following:

- Formula to determine the value of a deed restriction
- Maximum deed restriction value (tied to maximum home price eligible for program) for countywide and East Placer options
- Estimated economic and community benefit to the county and the East Placer region for providing deed restriction program (e.g. quantify returns in sales tax, local spending, filled positions in the workforce, State-returned funding, etc.)
- What criteria, if any, should be included for a house to be eligible for the program (e.g. condition of house based on property inspection, type of housing unit, avalanche hazard location, etc.)
- Estimated impact on home value and housing market caused by program participation
- Maximum amount of deed restriction

Deed Restriction Process

The Board of Supervisors may approve all deed restrictions or may choose to follow the protocols established in the County's First Time Homebuyer Assistance Program. Due to the fast-paced nature of homebuying and to allow for program funds to assist homebuyers with down payments, the Board of Supervisors approved the First Time Homebuyer Assistance Program guidelines, which include approved parameters for program participation and allow the Board of Supervisors to delegate authority for approving and recording deed restrictions to the Community Development Resources Agency Director or designee.

The CDRA Director or designee review a specific set of criteria, as described above, to make a determination on a property and its deed restriction value. The CDRA Director may approve an outside

entity as a designee to administer the program. An outside entity (e.g. housing trust or other community-based organization) may be approved to administer the program, including processing applications and to monitor and expend funds as well as monitor program participants.

Once a request has been approved, a Notice of Deed Restriction Purchase Agreement will be signed by the applicant and Placer County. The deed restriction document would be executed and recorded before funds are transferred. The County will work with the applicant regarding when and how funds are routed.

Annual Compliance

Placer County will monitor the deed restrictions each year. By February 1 each year, each deed-restricted property owner and occupant shall provide the following information as proof of occupancy requirements.

1. Occupant's W-2 or most recent pay stubs
2. Occupant's tax returns
3. Occupant's lease agreement, if applicable

If any of the above required information is not available, the applicant shall provide other documentation as requested by the County. The sufficiency of any such alternative documentation will be determined by the County at its sole discretion.

All Owners shall verify on their application that all information provided is true and accurate. If any of the information is determined by the County to be inaccurate or non-verifiable, the applicant may be subject to disqualification by the County from the application and/or approval process.

Failure to comply with the annual verification will result in notification of violation with a deadline for compliance, followed by additional County enforcement.

Property Requirements

Each property owner with a deed-restricted property under this program shall be required to maintain the home, including landscaping, in good repair and in a neat, clean and orderly condition and in accordance with all applicable laws, rules, ordinances, orders and regulations of all federal, state, County, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials. The owner will be required to make all repairs and replacements necessary to keep the home in good condition and repair.

Annual Goals

The initial program goal is for the County to secure \$1 Million to fund the first year. After that, the annual goal would be to acquire 50 deed restrictions per year countywide, with 40 of those in East Placer to return to 2010 levels when about 10 percent of all east Placer homes sold annually were sold to fulltime occupants. That goal is estimated to equate to about \$3 Million in deed restrictions annually. Depending on funding sources and community partner conversations, the annual goal could be increased.

Program Funding and Regional Collaboration

This program is intended to provide opportunities for regional collaboration. The program will be funded through the existing Housing Trust Placer and an east Placer County housing trust to be established. The trusts are anticipated to be funded with County funds, including Transient Occupancy Tax, as well as community partner contributions.

Program Costs

Staff will continue to estimate program costs, which will include:

- Program start-up cost
- Estimated FTE to manage program, including new net county cost
- Administration/monitoring costs
- Annual deed restriction allotment

DRAFT

SOURCES

- ¹ Eastern Placer County/Tahoe Region Workforce Housing Needs Assessment, (Beacon Economics) December 2017
- ² Truckee North Tahoe Regional Workforce Housing Needs Assessment (BAE), August 2016
- ³ Westall Real Estate Market Report, May 2020, <https://www.westallrealestate.com/lake-tahoe-real-estate-q1-2020-market-report/>
- ⁴ Short-Term Rental White Paper: Short-Term Rentals (STRs) in the North Tahoe-Truckee Region (Mountain Housing Council, Project of Tahoe Truckee Community Foundation), March 2019
- ⁵ Placer County Voter Survey Results, June-July 2018
- ⁶ Economic Value & Community Benefits of Resident Housing Investment 2019
- ⁷ Census Population Data 2000-2010, Placer County GIS
- ⁸ Placer County Assessor Data
- ⁹ Affordable Housing Funding and Investment Strategy (BAE), May 2019
- ¹⁰ Eastern Placer County Nexus-Based Affordable Housing Fee Study, Hansford Economic Consulting, October 17, 2018
- ¹¹ Placer County GIS
- ¹² Placer County Housing Strategy and Development Plan, BAE, 2019
- ¹³ Placer County's Emergency Housing Update, California Housing Partnership, August 2019