



**Achievable Local Housing
Efforts in the North Tahoe-
Truckee Region:**

***A Status Report on
Housing Supply and
Funding Programs***

October 30, 2018

About HEC

Hansford Economic Consulting (HEC) provides planning, economic, and financial services for public and private clients in the Western United States. The sole proprietorship, located in Truckee, CA and founded in 2005, is owned and managed by Catherine Hansford, an applied economist with more than 20 years of experience. HEC clients include regional agencies, counties, cities, towns, special districts, non-profits, private entities, and homeowner associations.

HEC's services include:

- Utilities Financial Plans
- Infrastructure Networks Analysis
- Agency Governance, Mergers & Organization
- Economic Development & Business Impact Analysis
- Public Facilities and Services Financing Plans
- Fee Nexus Studies
- Fiscal Impact Studies

Our high-quality work products span a breadth of land and water resource related topics that touch our human communities and environments. HEC endorses progressive and adaptive planning, understanding that plans are useful only if they are comprehensive, relevant to the specific local conditions, and lead to implementation.

The analyses, opinions, and findings contained within this report are based on primary data collected through interviews and research, as well as many sources of secondary data available as of the date of preparation of this document. Updates to information obtained for this report could change or invalidate the findings contained herein. While it is believed that the secondary sources of information are accurate, this is not guaranteed.

This report should not be relied upon as sole input for decision-making. Questions regarding information contained within this report should be directed to:

Catherine Hansford



Hansford Economic Consulting

Ph: 530 412 3676
catherine@hansfordecon.com

Purpose

This document provides a summary of the state of achievable local housing¹ efforts in the North Tahoe - Truckee region, available funding sources, and projects in the pipeline to increase the workforce housing supply, with a focus on ownership properties for the “Missing Middle” with household income between 121% and 180% of Area Median Income (AMI)².

Overview of Regional Constraints and Opportunities

Achievable local housing that has already been built in the region has been a mixed success. Rental unit projects have performed well in the region but the for-sale units built by development projects to meet inclusionary and workforce housing requirements have not been very successful. Since 2010, re-sale of units originally purchased as deed-restricted have been released by both the Town of Truckee and Placer County in recognition of hardship cases for current owners unable to sell their deed-restricted units, and generally overly burdensome restrictions. Construction costs and land prices continue to increase, making production of units at prices that the workforce can afford very challenging.

Many state program funding sources have dried up, or are not available in the region, due to inability to meet certain criteria, and the recently enacted federal tax reform law (effective January, 2018) has provided disincentives for investors to finance multi-family projects under the Federal Low Income Housing Tax Credit programs (otherwise known as 4% and 9% tax credit programs). Government subsidies that are available are only for projects up to 120% of AMI; this has displaced the Missing Middle.

Although there are many constraints to increasing the supply of achievable local housing, there is renewed vigor regionally to find solutions to this issue. The Mountain Housing Council (MHC) was formed in Spring 2017. Spearheaded by the local Community Foundation, the MHC was launched in response to the 2016 Housing Needs Assessment, which found a shortage of at least 5,296 workforce units (and up to 12,160 workforce housing units if in-commuters chose to live in the region), with the greatest unmet demand in two-bedroom units. The MHC is funded for three years by the key agencies in the region to help accelerate solutions to local and achievable housing for those that live in the Tahoe-Truckee region (www.mountainhousingcouncil.org). The MHC is currently reviewing perceived and actual barriers to local housing solutions such as governmental policies, development fees, short-term rentals, and lack of funding, as well as identifying land owned by local public agencies that could be utilized by developers to build housing at lower cost. The organization is acting as a catalyst to spur on the supply of achievable local housing in the region; however, there is no one entity pooling efforts into getting more units built.

¹ Mountain Housing Council Policy #1 defines achievable local housing as including households earning up to 195% Area Median Income (AMI).

² Note that the Missing Middle is defined by the Mountain Housing Council as those households with income between 81% and 195% of Area Median Income (AMI) which is a little broader than the focus of this report.

Despite the lack of one entity in the region coordinating achievable local housing efforts, some jurisdictions are stepping up effort to take on local housing needs in a more proactive manner.

- Placer County Community Development Resource Agency implemented a new Housing and Economic Development Unit and hired a Principal Planner to oversee programs in 2016. Additionally, the first annual Housing Work Program was approved by the Placer County Board of Supervisors that set forth preferred strategies for affordable housing priorities for Fiscal Year 2017-18.
- One of the Truckee Town Council’s current key priorities is increasing the availability of “locals” housing through policy development, prioritization of resources, identification of new funding sources, and pursuit of regional collaboration, and has been allocating resources directly to new developments for housing (such as Coburn Crossing and the Artists Lofts at the Railyards).

Regional Housing Market

The regional housing market research encompassed an overview of housing in Truckee, its immediate vicinity, Northstar, North Lake Tahoe and highway 89 corridor (Alpine Meadows and Squaw inclusive), and Donner Summit, collectively referred to as the Study Area hereafter. These areas are located in both Nevada and Placer counties.

Table 1 on the next page summarizes the total number of residential units which sold in the last year falling within the affordable purchase price for the Missing Middle. Per April 2018 MLS data, 607 residential units sold in the last year in the Study Area in the affordable purchase price range for the Missing Middle households. Of these listings, 422 were single family homes and 185 were condos. A higher percentage of all home sales were in the \$450,000 - \$549,999 range than the lower (\$350,000 - \$449,999) or upper (\$550,000 - \$600,000) price ranges. However, when only looking at condo sales, there were more sales in the lower (\$350,000 - \$449,999) price range.

The average year built of all homes sold was 1982. Single family home average unit ages ranged from 1975 to 1984; condo ages ranged from 1985 to 2002. Generally, the stock of units available to the Missing Middle are at least 30 years old. The average number of bedrooms was 2.8 and average square footage 1,354. The average price per square foot was \$355.45 for these 30-year old homes and typically homes in this range sold within 64 days of being on the market (47 days for single family homes and 105 days for condos).

Statistics for single family units with two and three bedrooms in the 1,200 to 1,500 square foot range were calculated separately and shown at the bottom of **Table 1**. The median sales price for these units was \$357.84 per square foot for homes with an average year-built of 1978. These homes sold more quickly (on average 32 days on the market rather than 47 days).

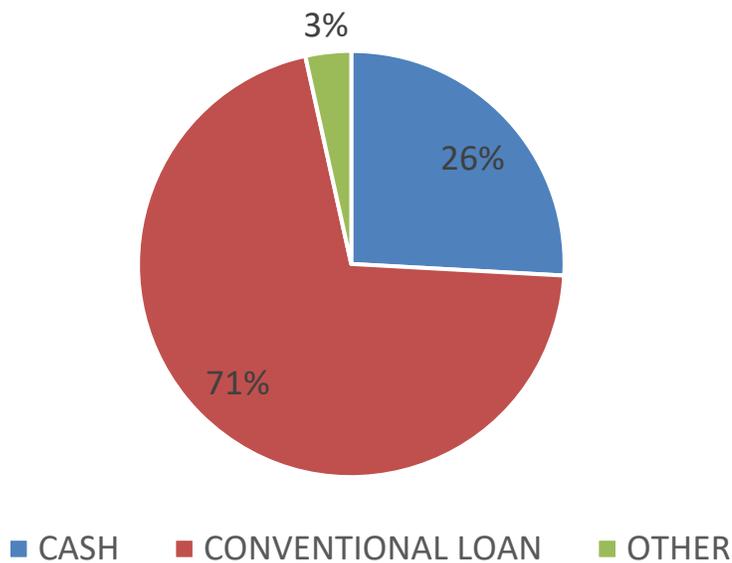
Table 1
Residential Units Sold in Tahoe – Truckee Region in Last Year

	Percentage of AMI to Qualify	Total by Price Range	Average Age of Unit	Average # of Days on Market	Average # of Bedrooms	Average Square Feet	Price per Square Foot
All Homes Sold	approx. %						
\$350,000 - \$449,999	120% - 150%	219	1981	75	2.6	1,151	\$349.09
\$450,000 - \$549,999	150% - 180%	257	1981	56	2.9	1,415	\$353.29
\$550,000 - \$600,000	180% - 195%	131	1987	64	3.1	1,572	\$367.03
Subtotal		607	1982	64	2.8	1,354	\$355.45
Single Family Homes Sold							
\$350,000 - \$449,999	120% - 150%	110	1975	49	2.6	1,105	\$366.18
\$450,000 - \$549,999	150% - 180%	203	1979	45	3.0	1,447	\$346.47
\$550,000 - \$600,000	180% - 195%	109	1984	48	3.3	1,647	\$350.50
Subtotal		422	1979	47	3.0	1,410	\$351.72
Condos Sold							
\$350,000 - \$449,999	120% - 150%	109	1985	101	2.5	1,197	\$333.17
\$450,000 - \$549,999	150% - 180%	54	1989	97	2.6	1,294	\$381.98
\$550,000 - \$600,000	180% - 195%	22	2002	144	2.4	1,200	\$479.47
Subtotal		185	1988	105	2.5	1,226	\$365.23
Single family 2 and 3-bdrm units in range of 1,200 to 1,500 square feet		128	1978	32	2.8	1,352	\$357.84

Source: Tahoe Sierra MLS, Properties Sold April 17, 2017 - April 16, 2018.

The majority of home purchases (71%) were financed through conventional loans, followed by cash, followed by other financing sources which include FHA loans, VA loans, owner financing, and private, as shown in **Figure 1** below.

Figure 1
Financing of All Residential Sales



Over half (56%) of the sales were in the Truckee sub-region, as shown in **Figure 2**. The remainder of the residential sales were spread out between sub-regions as shown in **Figure 3**.

Figure 2
Residential Sales by Price Range in Truckee and All Other Subregions

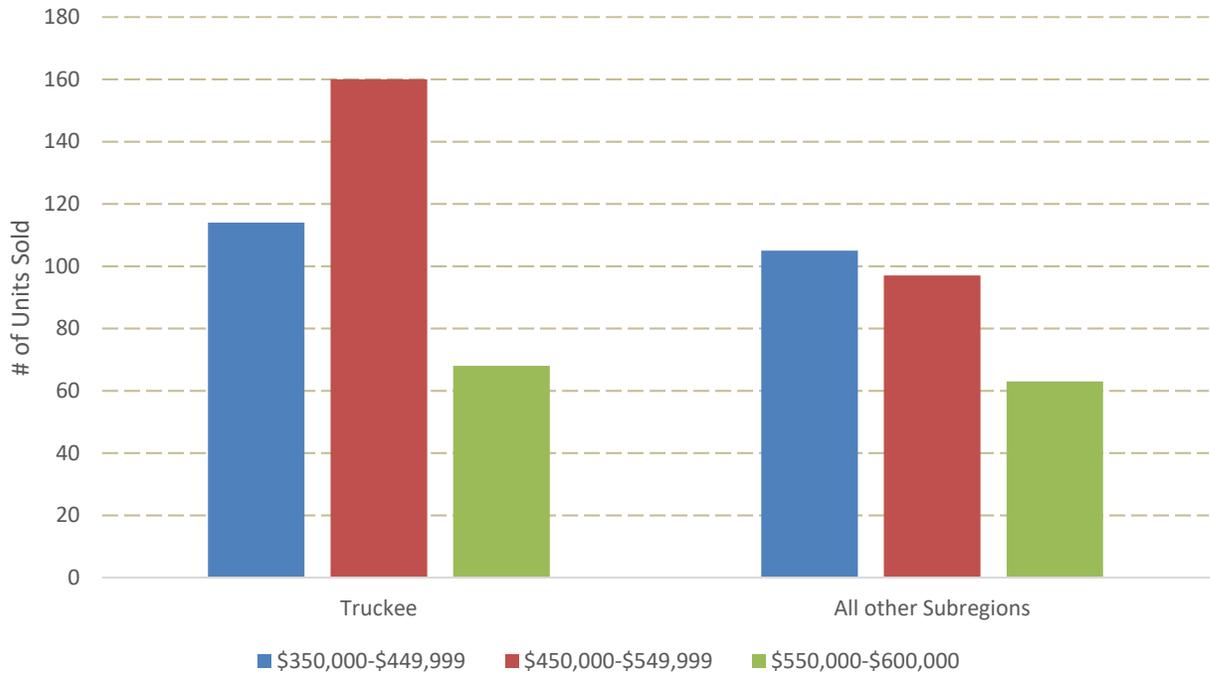
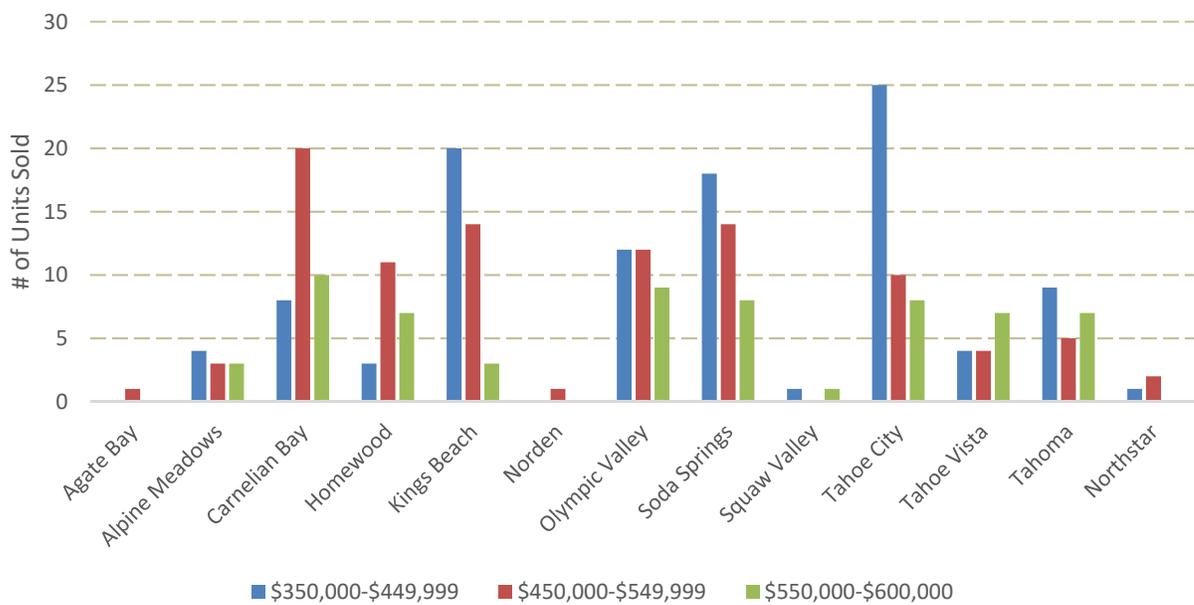


Figure 3
Residential Sales by Price Range and Subregion (Excluding Truckee)



Current Affordable Housing Stock

Inventory of existing built affordable housing in the region is provided in **Table 2** on the next page. There are approximately 644 units housing workers and families in the region that have been made achievable either through government-subsidized constructed units, developer construction, or down payment assistance programs. (This number is approximate because there are a handful of employers that have been required to provide workforce housing in one or two unit fashion that could not all be tracked down). The majority of these units (88%) are rental units that were constructed with government funding programs which restrict the units to low or very-low income households. Occupancy levels in all of the rental units are at 100% and the rental complexes are maintaining waitlists of 100 – 300 applicants with expected wait times of 2-3 years. Down payment assistance programs, which do not increase the supply of achievable local housing but enable some households to purchase in the existing stock of housing, comprise 78% of the ownership units. There are currently 17 developer-built units that are deed-restricted for workforce housing; all of which, with the exception of Hopkins Village, are in the Town of Truckee.

The affordable ownership units that were built during the tail end of the last building boom to satisfy the Town of Truckee’s inclusionary and workforce housing requirements had mixed success, as described in this report. The only affordable units built for sale in Placer County have been the four Hopkins Village units.

Potential Future Inventory

The number of potential future workforce units is more than 600 units, as shown in **Table 3** on page 7. **Table 3** includes projects that have been approved by Placer County or the Town of Truckee; the projects are grouped according to their workforce housing requirements and readiness to develop. Construction is underway on three of the projects – Spring Creek Phase II, RPL Properties, and the Railyard Artists Lofts.

The designation of income group is still to be determined for many of the projects; however, the only projects that appear to be providing for the Missing Middle are Spring Creek Phase II and the Cottages at Gray’s Crossing. Other projects may provide units in the Missing Middle income category.

Table 2
Affordable Housing Inventory

Project	Income Level			TOTAL
	Very Low	Low	Moderate and Above	
Rental Units				
Kings Beach Housing Now	44	33		77
Sawmill Heights [1]		12	84	96
Truckee Pines		60	41	101
River View Homes	32	6		38
Truckee-Donner Senior Apartments		60		60
Sierra Village	5	67		72
Hennes Flats	32			32
Frishman Hollow	92			92
Subtotal Rental Units [2]	205	238	125	568
Ownership Units				
Developer-Built Units				
The Boulders			1	1
StoneRidge		8		8
Spring Creek			3	3
Coyote Run			1	1
Hopkins Village	4			4
Subtotal Developer-Built Units [2]	4	8	5	17
Downpayment Assistance Units				
Eastern Placer County	2	3		5
Martis Fund			19	19
Town of Truckee			35	35
Subtotal Downpayment Assistance Units	2	3	54	59
Subtotal Ownership Units	6	11	59	76
Total [3]	211	249	184	644

Sources: Town of Truckee and Placer County.

"current inv"

[1] Only twelve units are deed-restricted.

[2] With the exception of [1], these units are deed-restricted for affordable housing.

[3] There are thirty units in the Town of Truckee not included in the total that have been built by employers (examples include The Auto Doctor, Kelly Brothers Painting) for their employees.

**Table 3
Potential Future Achievable Local Housing Inventory**

Project Name	Location	Total # of Workforce Units	Status	Notes
1: Projects with Income Requirements - Infrastructure under Construction				
Railyard Artists Lofts	Downtown Truckee	90	Phase 1 started, Expected Completion 2019	Multi-Family Units; 76 of which rent restricted
2: Projects with No Income Requirements but Limited to Locals				
Coburn Crossing	Truckee Cemetery	138	Approved, Unbuilt. Expected completion 2019	132 multi-family deed restricted for locals plus 6 workforce housing units
3: Projects with No Income Requirements but Rent Limits, under Construction				
RPL Properties	Sierra Drive, Truckee	22	Approved, Expected completion 2019	11 Duplexes with rental cost \$750/bedroom, increasing with CPI annually. 11 units 4-bdrm, 11 units 2-bdrm
4: Projects under Construction with No Affordability Requirements				
Spring Creek Phase II	Between Pioneer and Alder Creek Middle School	18	Under construction. Expected completion 2018	9 duplexes targeted to the Missing Middle
Subtotal New Units under Construction				
		268		
5: Existing Partially Built Out Projects with Workforce Housing Requirements Not Built				
Schaffer's Mill	Martis Valley	56	Approved, Unbuilt	56 units for employee housing
Gray's Crossing	Gray's Crossing, Truckee	129	Approved, Unbuilt	Approx. 129 units for inclusionary and workforce housing; PUD expectation is 10 income restricted, 89 for locals only, and 30 affordable by design. The Cottages (89 of total) for the Missing Middle
		185		
Subtotal Required Workforce Units by Projects Partially Built Out				
6: Workforce Housing Units Required under Entitlements, Unknown Project Timeline				
Squaw Valley Specific Plan	Olympic Valley	TBD	Final EIR certified 11/15/16, under litigation	Workforce housing required for 386 employees
Homewood CEP Project	Homewood	12	Approved, Unbuilt	12 employee housing units with 55-year deed restriction
Martis Valley West	Martis Valley	47	Approved, Unbuilt (Under Litigation)	61 workforce housing required. 47 units will be built. Developer will pay the County \$585,000 to fully satisfy the remainder of its obligation.
Northstar Highlands II	Highlands View Rd, Northstar	32	Approved, Unbuilt	32 workforce housing units
Pioneer East	Pioneer Center, Truckee	8	Approved, Unbuilt	8 deed restricted units
Coldstream Specific Plan (PC1)	Western Gateway, Truckee	48	Approved, Unbuilt	48 units of low and very low income housing
Crestwood Construction	Truckee Industrial Park	1	Approved, Unbuilt	1 multi-family, low-income unit
Mother's Nature	Tahoe City	TBD	Approved, Unbuilt	Conversion of an existing ten room motel into 9 units
Tahoe City Marina	Tahoe City	8	Approved, Unbuilt	Conversion of existing commercial space into 10 residential units
		156		
Subtotal Required New Units under Entitlements				
		609		

Source: Mountain Housing Council via information provided by Town of Truckee and Placer County Staff, Truckee Donner PUD, and Holiday Development.

Built Ownership Affordable Housing Projects

StoneRidge

This townhome project included 77 units total, of which 11 were originally deed-restricted for a minimum of fifty (50) years. All 11 units initially sold as deed-restricted units. Re-sales of the affordable units were extremely difficult given the availability of non-deed-restricted units affordable to the target income groups.

Homeowners could realize the increase in sales price by the percentage increase in AMI from the time of purchase plus capital improvements (not to exceed 15% of sales price). No capital improvements could be made without prior authorization from the Town (through the building permit process); additional loans could not be made against the property by the owner, nor could the owner refinance without the Town's permission. If a qualified purchaser could not be found after good faith effort³ was made to sell at the affordable price, or if the property was foreclosed upon, the Town had first right of refusal or the option to purchase the units. If the Town did not exercise its option, the owner or lender could sell the property free of restrictions; however, the difference between market price and affordable price less closing costs would be taken out of escrow and delivered to the Town.

Due to the difficulty with resale limitations, the Town agreed to let three of the units revert to market units and the deed restrictions were lifted. These units were originally financed through the Town's down payment assistance program (HCD BEGIN funds) and \$30,000 from each unit was returned to the First-time Homebuyer Assistance Program.

Spring Creek Phase I

Spring Creek Phase I duplex townhomes include a mixture of market rate and deed-restricted affordable for-sale units. Phase I included 14 affordable units; however, the developer had difficulty in selling the Phase I units. Fourteen units were initially offered for sale to moderate-income households (120% AMI or below), but only three units sold. The remaining 11 units were either sold at market rate or retained as rentals by the developer. The developers provided subsidies by selling the units to employees at affordable prices. Down payment assistance was also available, up to \$72,000 per unit. The \$72,000 was a combination of \$30,000 HCD (BEGIN funds), \$10,000 from the Town of Truckee, \$6,000 from the Town's redevelopment agency, and \$26,000 from the developer.

Gray's Crossing

As part of its development agreement, Gray's Crossing was to provide several types of affordable housing in different locations. Rental units were built at Henness Flats by East-West Partners and land was dedicated to the Town, which oversaw construction of Frishman Hollow restricted rental units. The Gray's Crossing projects were financed through a combination of California HCD programs (MHP loan, HOME grant) and 4% Low Income Housing Tax Credits. A condition of the MHP loan, used to finance Henness Flats, requires that units can only be leased to persons meeting 30% AMI. The HOME program requires both Henness Flats and Frishman Hollow units to be deed-restricted for 55 years. Both of these projects have done well with 100% occupancy and waitlists of 2-3 years.

³ No definition exists; however, the property is expected to be listed on MLS.

The developer was also required to provide 59 for-sale cottages: 20 units for moderate-income households and 39 for median-income; however, development was planned during the recession and the original developer — Gray’s Crossing LLC, an East West Partners subsidiary — filed for bankruptcy in 2010, and the units have not been built. The Mello-Roos taxes have not been paid since the 2010 bankruptcy. The Truckee Donner Public Utility District (TDPUD), which formed the Community Facilities District that issued bonds for provision of infrastructure, and pays debt service associated with those costs, has been working with planners and developers on how to reconfigure the properties and reduce the Mello-Roos debt to generate 129 affordable units and 49 market-rate units. The number of total units may change, depending on developer interest.

The Boulders

The existing stock of deed-restricted housing at the Boulders was built before the Town of Truckee adopted affordable housing controls in 2003. The Boulders voluntarily agreed to deed-restrict some units for ten years in the first phase of construction. Nine of the total 32 units built in the first phase sold with deed restrictions. A tenth unit was purchased through the Town’s first-time home buyer assistance program and is temporarily deed-restricted (until the Town’s loan has been repaid). Currently, the only deed restricted unit remaining at the Boulders is the one purchased with the Town’s first-time home buyer funds as the 10-year deed restriction period has expired for the other 9 units.

Financing Resources to Increase the Supply of Affordable Housing

In this section, seven financing structures utilized in the region are described.

1. Down Payment Assistance Programs

The Town of Truckee, Nevada County, and Placer County have had first-time homebuyer assistance programs for many years utilizing various California Department Housing and Community Development (HCD) and Community Development Block Grant (CDBG) sources of funding, such as BEGIN, HOME and CalHome. Through the First-Time Home Buyer Assistance Program, local jurisdictions provide assistance in the form of deferred payment loans to qualifying applicants for the purchase of a home. The home becomes deed restricted until the loan term becomes due, usually 30 years, or the home sells to a new owner and the program is paid back for its investment (down payment plus interest). The Town of Truckee and Placer County have had moderate success with funding home purchases in the region while Nevada County has only successfully funded home purchases in the Western portion of the county. A more detailed description of each entities’ program is described below.

1.1 Town of Truckee --- not currently available

In November 2009, the Town of Truckee created a new Town First-time Homebuyer Assistance Program. Taking advantage of the dip in real estate prices due to the recession, the Town program allowed home buyers to meet the down-payment requirements to get into homes listed on the market and turn them into temporary affordable housing units. The units became temporarily affordable because, as a requirement of receiving the ‘silent

second' loan from the Town, the units are recorded as deed-restricted, but when the loan is repaid the restriction is lifted.

The Town program had an open application period between December 2009 and February 2010. Funding was appropriated for 20 loans. While the program was generally agreed to be a success by the administrators and real estate agents, the Town did not renew funding for the program. *The Town still has funding available through its BEGIN and CalHome Re-Use Programs for down payment assistance, but no active grants, meaning that funding for new loans is only available as loans are repaid. As a result, there is no guarantee that funding will be available at the time an applicant is ready to purchase a home.*

The BEGIN Re-Use Program, provides down payment assistance in the form of deferred payment loans (3% annual simple interest) of up to \$30,000 for the purchase of a home. The loan term is 30 years. The home must be located within Town of Truckee limits and income is limited to at or below 120% AMI. The Town of Truckee uses Nevada County AMI levels to determine eligibility for its programs. Program requirements include:

- Must be a first-time homebuyer (cannot have been on a title for the past 3 years).
- Home must be primary residence.
- Applicant must qualify for a 30-year, fixed rate, fully amortized first mortgage.
- Home purchased with these funds must meet the program's front-end (28%-35%) and back-end (36%-49%) program requirements to meet affordability requirements.
- There is no maximum purchase price, but home must be priced to be affordable to a moderate-income buyer.

The Cal-Home Reuse Program is a bit more restrictive than the BEGIN program in that only households earning incomes up to 80% AMI (Nevada County) are eligible and there is a maximum home purchase price. Similar to the BEGIN program, this program provides down payment assistance in the form of deferred loans (3% annual simple interest) of up to \$38,000. Manufactured housing is also eligible under this program. The first mortgage term is generally 15-30 years; the Town's loan is 15 years for manufactured housing. The home must be located within Town of Truckee limits. Program requirements include:

- Must be a first-time homebuyer (can't have been on a title for the past 3 years).
- Home must be primary residence.
- Applicant must qualify for a 30-year, fixed rate, fully amortized first mortgage.
- Home purchased with these funds must meet the program's front-end (28%-35%) and back-end (36%-49%) program requirements to meet affordability requirements.
- Maximum home purchase price is \$362,790.

1.2 Placer County --- not currently available

Placer County's First Time Home Buyer Assistance Program provides down payment assistance in the form of a deferred payment 30-year loan of up to \$100,000 with 3% simple interest. The home must be located within unincorporated areas of Placer County and annual household income cannot exceed 80% AMI. Program requirements include:

- Loan cannot exceed \$100,000 and 40% of the home's value.
- Buyer must qualify for a first mortgage.
- Buyer must contribute at least 3% of home price for down payment.

- Purchase price of home cannot exceed \$390,000 (new), \$381,000 (existing), and \$185,000 (condominiums). Prices are updated annually by HCD.

1.3 Nevada County --- program limitations make use of this very difficult in Truckee-Tahoe

Nevada County's First Time Home Buyer Program provides low interest, deferred payment loans up to \$90,000 or 30% of purchase price (whichever is less) to low-income, first time home buyers for down payment. The home must be located within unincorporated areas of Nevada County and annual household income cannot exceed 80% AMI. Program requirements include:

- Buyer must be a first-time home owner.
- Buyer must qualify for a first mortgage.
- Buyer must contribute at least 1% of home price for down payment.
- Purchase price of home cannot exceed \$333,000 (new or existing). Prices are updated annually by HCD.
- Home can be a single-family home, condo, or manufacture housing on a foundation on an independent parcel (same maximum purchase price).

1.4 Martis Fund

In 2015, the Martis Fund provided a \$700,000 grant to Placer County to administer its First Time Home Buyer Program. The program was shown to be extremely successful, administering 19 loans in a couple of years, with its success attributed to its flexibility, such as expanding eligibility to households earning up to 180% AMI (Placer County) and not having a maximum sales price. However, the funding has not been renewed due a lack of staffing availability to run the program. This program provided loans up to \$50,000 or 10% of the purchase price, whichever is less, to potential homebuyers working in Placer County east of Donner Summit or the Town of Truckee and seeking to buy a home in that area. To reduce the day-to-day costs of homeownership, all principal and interest payments were deferred until the time the home is sold. Borrowers could choose between interest at a fixed 3 percent per year or pay a lump sum of the sales price proportionate to what the loan was of the purchase price.

In 2018, the Martis Fund partnered with the Sierra Business Council (SBC), providing \$500,000 to restart and revamp the Homebuyer Assistance Program. Focused on reducing costs of homeownership for locals from the City of Truckee and Eastern Placer County, the down payment assistance program is available to households earning up to 180% AMI (Placer County) where participants have not owned a home or been on title to real estate within the last twelve months. As described on the Sierra Business Council's website, the program works by providing loans of up to \$50,000 or 10% of the purchase price, whichever is less, to qualifying households. A qualifying household must provide proof that at least 51 percent of household income is from employment in Placer County east of Donner Summit or in the Town of Truckee. Borrowers must invest a minimum of 3 percent of the purchase price towards the sales transaction and secure a fixed rate loan of at least 30 years.

Borrowers choose between two loan program repayment options; (1) a fixed 3% interest rate per year compounded annually and all payments deferred for at least as long as the primary loan, or (2) shared resale value based on the loan's share of the home's appreciation at the time of sale.

1.5 Golden State Finance Authority Down Payment Assistance (GSFA)

GSFA is a government entity that provides affordable housing finance options for low-to-moderate income individuals and families throughout California. Any potential homebuyer in the region would be eligible for the program which provides down payment assistance, in the form of a forgivable second mortgage, sized up to 5% of the first mortgage amount to low-to-moderate income individuals and families. The down payment assistance is forgiven after three years. Income eligibility is determined by the type of loan being used to finance the purchase of the home. Currently, the income limit for FHA, VA, and USDA first mortgages in Placer County is \$86,480. The income limit for Freddie Mac first mortgages is \$111,840. Eligibility is based on qualifying income rather than household size, so smaller, moderate income households may be eligible. In addition, there is no first time home buyer requirement. Program requirements include:

- Applicant must intend to live in home as a full-time resident
- FICO credit score must be 640 or greater

As described above, the majority of First Time Home Buyer Programs that are currently operating have many constraints which make it difficult for potential home owners in the region to benefit from the programs. One of the major barriers is when the program has a maximum home purchase price. The maximum home purchase price is set by HCD and updated annually. It is based on the median home sale price for the entire county which includes the Eastern and Western portions the county. The median home sales price is much lower in both Nevada and Placer Counties' Western Regions, bringing down each countywide median home sale price to below the market rate home prices in the region. To successfully utilize these sources of funding, new construction would need to subsidize the cost of the new housing to the level that the home sale price did not exceed the countywide median home sale price which is currently \$390,000 for Placer County.

Another constraint is that many of the programs have a maximum income eligibility of 80% AMI. With the high prices of homes in the region, households earning at or below 80% AMI will not qualify for a first mortgage. As a result, in the Town of Truckee, the majority of successful loans are provided for manufactured housing, as the home prices are usually lower.

2. Public - Private Partnership / Leveraging

There are various loan and grant programs, primarily through HCD, that a jurisdiction can apply for on behalf of, or to complement / leverage funding sources secured by developers, but these programs are limited to low and very low income ($\leq 80\%$ AMI) units only. These programs include BEGIN (for new construction only), CalHome, and others. The Town of Truckee partnered with Pacific West Communities (for Gray's Crossing requirements Henness Flats and Frishman Hollow) and StoneRidge to obtain such funding.

2.1 Kings Beach Housing Now (77 Units)

An example of a public-private partnership used to leverage available funding is the newest affordable housing units project in the region, Kings Beach Housing Now, in which Placer County Redevelopment Agency (RDA) took a very active role. The RDA (no longer in existence since California disbanded redevelopment agencies in 2012) embarked on a multi-year

project to purchase property (vacant and built) in Kings Beach and worked with a non-profit housing corporation to secure additional funding to create 77 new affordable rental units. The units were completed in 2012 on five separate properties.

Funding for the units included significant government subsidies, and the total cost per unit was high at approximately \$419,000 per unit. Total funding sources for the project are shown in **Table 4**.

**Table 4
King Beach NOW Funding Sources**

Public Funding Sources		
Placer County RDA		\$7,918,300
HOME		\$2,000,000
HCD Infill Infrastructure Grant		\$3,314,400
Tax Credit Equity (9%)		\$16,272,756
Placer County Fee Waivers		\$75,000
Subtotal Public Funding	92%	\$29,580,456
Private Funding Sources		
Alliant Capital Permanent Loan		\$1,995,900
General Partner Equity		\$1,627
Deferred Developer Fee		\$675,000
Subtotal Private Funding	8%	\$2,672,527
Total Project Cost	100%	\$32,252,983
Cost per Unit (rounded)		\$419,000

Source: Housing and Urban Development (HUD) Case Study

To qualify for the 9% LIHTC program, 30% of the units have to be leased to low and very low-income persons. The units have one, two, and three bedrooms. The HOME program requires the units to be deed-restricted for 55 years; however, TRPA has overlaid a restriction of affordability in perpetuity.

2.2 Artists Lofts – Railyards (90 Units)

Another example of a public private partnership is the Artists Lofts Railyard project which comprises 76 income-restricted units and 13 market-rate units. The Town applied for Proposition 1C funding “Catalyst Projects for California Sustainable Communities” on behalf of the Railyards. The Project was selected as a Silver Catalyst, which gives it technical assistance and bonus points when applying for State funding programs. This project also includes significant government subsidies, and the total cost is estimated at \$347,000 unit.

Total funding sources for the project are shown on **Table 5**.

Table 5
Artists Lofts - Railyards Funding Sources

Public Funding Sources		
CalHFA Perm Loan [1]		\$10,744,577
CalHFA Gap residual receipt loan [1]		\$2,500,000
Holliday - HCD Infill Funds/off & on site [2]		\$1,281,600
Town of Truckee residual receipt loan		\$1,650,000
Tax Credit Equity (4%)		\$9,121,245
TTAD residual receipt loan (pending approval) [3]		\$500,000
Subtotal Public Funding	83%	\$25,797,422
Private Funding Sources		
Inclusionary Land Contribution from Holliday		\$1,681,000
Martis Foundation residual receipt loan		\$1,650,000
Lester Family residual receipt loan		\$750,000
Deferred Developer Fee		\$1,317,815
Subtotal Private Funding	17%	\$5,398,815
Total Project Cost	100%	\$31,196,237
Cost per Unit		\$347,000

Source: Holliday Development

[1] CalHFA: California Housing Finance Agency

[2] HCD: California Department of Housing and Community Development

[3] TTAD: Tahoe Truckee Airport District

2.3 Sawmill Heights

Sawmill Heights is an employee housing project located at Northstar. The project was completed in 2006 and of the 96 units, 84 are unrestricted, marketed to the moderate-income level, and 12 units are restricted to the low-income level. To assist with financing the project, the Placer County Board of Supervisors approved a \$350,000 loan from the County Housing Trust Fund. When this development experienced financial setbacks in 2010, the County Board of Supervisors approved waiving the \$350,000 debt in return for extending the deed restriction on the 12 units to ensure affordability from 20 to 55 years.

The Town of Truckee was an active partner, acting as the financial facilitator for the bond funding that helped build the project. Additionally, the Northstar Community Services District (CSD), deferred impact fees for utility hook ups in the form of a loan in exchange for Sawmill Heights providing housing at no cost to the CSD’s employees. This arrangement benefitted Sawmill Heights in having to pay fewer development impact fees and Northstar CSD in providing housing for employees. Northstar CSD has stated the exchange has been very beneficial, allowing employees to save money for a down payment on a home purchase.

3. In-lieu Fee Programs

The Town of Truckee and Placer County have the flexibility to use affordable housing in-lieu fees for construction of the types of units in shortest supply, and that best fit parcel configuration, location, and other factors where the units are to be constructed.

The Town of Truckee's in-lieu fees can also be used to support other housing programs, such as down payment assistance and housing studies; they need not necessarily be used for construction of new units⁴. The Town's in-lieu fee is based on a market to affordable unit cost recovery gap, and the fee is currently \$87,718 per unit. Placer County does not currently have a set in-lieu fee, but in-lieu fees are an option to satisfy affordable housing requirements. to be paid based on a negotiation between the developer and the County.

As of November 2017, the Town of Truckee had collected \$1,911,049 in in-lieu fees in addition to designating \$2,500,000 of General Fund money for housing, as well as \$124,238 of CDBG miscellaneous income, bringing the total available for housing to \$4,535,417. The majority of these funds have been committed to projects already, such as the Artists Lofts (\$1,650,000) and Coburn Crossing (\$2,000,000), in addition to some smaller studies and participation in the MHC (\$222,800), leaving a balance of \$662,000 available for other projects. When the Town Council set aside \$2,500,000 million in Town General Fund money into a housing opportunity reserve in its FY 2016/17 budget, the intent of these funds was to facilitate the construction of "locals" housing but projects do not have the strict affordability restrictions attached to them as do the Town's housing set-aside funds.⁵ This is demonstrated by the Town's commitment of \$2,000,000 for the Coburn Crossing project which has the deed restriction of locals only, but no affordability requirements.

Placer County established a Housing Trust Fund (HTF) in 2009 to increase the supply of affordable housing. The County primarily uses the HTF to provide "gap" financing and leverage funds for the construction of affordable housing projects. The HTF is currently supported by in-lieu fees. The incomes of households occupying the units in a project currently cannot exceed 120 percent AMI for ownership and 80 percent AMI for rental housing.

4. Developer Financing

As described on page 9, Spring Creek Phase I was funded by the developer and Town of Truckee. Spring Creek Phase II includes an additional 18 units to fulfill the developer's affordable housing requirements; these units are targeted to the Missing Middle; there are no deed-restrictions or income requirements imposed. No additional subsidies are being provided in Phase II beyond those provided by the developer.

5. Martis Fund

Established in 2006, the Martis Fund supports programs to conserve open space; manage and restore habitat and forest lands; and promote opportunities for workforce housing and related community purposes in the Martis Valley Region. The Martis Fund's revenues are generated by a 1% transfer fee payable on all real estate sales in Martis Camp.

⁴ See Resolution No. 2009-13 Exhibit B Section 7.

⁵ The Housing Crisis in Truckee, Town of Truckee, 2017

The Martis Fund primarily accomplishes its mission by making grants to qualifying non-profit organizations active in the region. Its Workforce Housing Fund supports projects that promote workforce housing development (including planning, design, construction, development, repair, maintenance, and/or reconstruction); transit (including transit operational expenses); passive recreation and management and enhancement of open space serving workforce housing; or related community purposes. The Workforce Housing Fund currently has a balance of more than \$6 million which has been generated by one-quarter of the 1% transfer fee and the sale of land to the Tahoe Expedition Academy. The land that was sold to the Tahoe Expedition Academy was donated to the Martis Fund by DMB Highlands Group.

Criteria for projects to be eligible for funding by the Martis Fund include (per martisfund.org):

- The applicant is a 501(c)3 organization.
- The project is located in eastern Placer County or elsewhere in the region or will build capacity serving Workforce Housing Fund objectives in eastern Placer County or elsewhere in the region.
- The applicant is working with appropriate partners (e.g., Placer County, transit agencies, others) and is seeking matching funds from other sources or demonstrated that such partnership would not benefit the proposed project.
- The project or program will:
 - increase the supply of permanent affordable workforce housing and/or increase the number of workforce households that can afford housing in the community thereby reducing their commute;
 - improve transit serving workforce housing including transit operational expenses to relieve traffic congestion and improve transportation choices;
 - improve passive recreation and/or management and enhancement of open space serving workforce housing;
 - provide workforce housing-related community services such as child care facilities or community centers;
 - build capacity for long term institutional support for workforce housing; and/or
 - leverage or develop and expand existing institutional capacity and other funding sources supporting any of the above objectives.

6. Truckee Tahoe Airport District

In February 2018, the TTAD Board approved the MHC's policy recommendation to adopt the definition of Achievable Local Housing which expands the definition of affordable to include moderate and above moderate-income households earning up to 195% AMI.

The current Truckee Tahoe Airport District (TTAD) Board has set aside \$500,000 annually in its budget to fund housing projects. In addition, the TTAD Board has provided one-time funding to subsidize 22 new workforce housing units to be constructed by RPL Properties on Sierra Drive in west Truckee. RPL Properties will limit the maximum rental cost to \$750/month per bedroom and will offer first right of refusal to airport district employees. To make the project financially feasible, RPL requested a \$30,000 per unit subsidy from the TTAD, for a maximum total of \$660,000. Subsidy payments will be made incrementally as construction advances.

7. Development Fee Waivers and Deferrals

To encourage development, not restricted to traditional affordable housing income limits, Placer County has a fee deferral program. Article 15.70 of Placer County Code, 15.04.090, allows for deferral of traffic impact, capital facilities, and parks and recreation fees until a request for final building inspection or certificate of occupancy on the home, or the end of the maximum fee deferral period set forth in the executed fee deferral agreement. Eligibility for the program requires submission of a fee deferral application.

Instead of deferrals, another possibility is the utilize Statewide Community Infrastructure Program (SCIP), a financing program that enables developers to pay most impact fees and finance public improvements through an acquisition agreement that qualify under the 1913/1915 Act (excluding school fees) via tax-exempt bond issuance proceeds. SCIP can be used to directly prepay impact fees prior to obtaining a permit or, alternatively, to reimburse the developer after fee payment. The program may alleviate the need for a fee deferral program by providing the local agency with necessary funds and eliminating the risk of nonpayment by the developer. To participate, the local agency where fees are due needs to be a member of California Statewide Communities Development Authority (CSCDA). Placer County is a member. None of the other agencies serving the Martis Valley are members.

Key Findings

Key findings from this memorandum include:

- **The majority of affordable housing projects built in the region have been rental housing targeted for households earning below 80% AMI because they have been partly funded by government programs that restrict income levels of occupants.** As demonstrated by full occupancy and waitlists of 100 – 300 applicants with expected wait times of 2-3 years, it is clear that there is a great demand for this type of housing product. Conversely, there is no government funding available for Missing Middle housing projects for households with incomes greater than 121% of AMI, but there is also great demand for housing in this income group.
- **Rental unit projects are built with tremendous government subsidies, and the cost per unit is very high.** While government programs can make a rental project financially feasible to build, total costs are still high. As demonstrated by the Kings Beach NOW and Artist Lofts at the Railyards, per unit development costs are at least \$350,000 per unit, depending on configuration of the units, price of land, regulatory hurdles/costs, and other factors.
- **For-sale units built by development projects to meet inclusionary and workforce housing requirements have not been very successful.** The majority of these for-sale units have been released from their deed restrictions due to difficulty with initial or re-sale. Most of these units were initially deed restricted for low or moderate-income households ($\leq 120\%$ AMI) rather than the Missing Middle. People who could qualify for homes wanted to buy unrestricted units to be able to realize the increase in value of their unit when they sold.

- **Homes purchased in the last year by the Missing Middle are mostly in Truckee, and they are old.** Existing housing that is achievable for the Missing Middle is typically more than 30 years old. Spring Creek Phase II is the only new development targeting the Missing Middle.
- **The only housing assistance programs targeted for the Missing Middle have been payment assistance programs, only one of which is currently operating.** The Town of Truckee’s program, funded initially by in-lieu fees, has not been given any additional resources by Town Council, and can now only provide assistance as payments from existing loans come in. The Martis Fund has funded two rounds of down payment assistance; the first with Placer County (complete), and the second with Sierra Business Council (ongoing). Both programs were successful in getting buyers into homes that they would not have otherwise qualified for.
- **There is momentum to find ways to fund Achievable Local Housing (up to 195% AMI).** With the formation and work of the MHC, there is greater regional recognition of the shortage of affordable housing, including housing for the Missing Middle. An example of this recognition, is the Town of Truckee’s only restriction on Coburn Crossing to restrict housing to locals (rather than requiring income qualification restrictions and/or deed restrictions).
- **There is no entity coordinating the development of achievable local housing in the region.** While the MHC is a very positive collaboration of key agencies and stakeholders who together can make a difference in enabling the supply of regional achievable local housing to increase, there is no coordinating entity to pool efforts into getting more units built.