



**TRUCKEE TAHOE AIRPORT DISTRICT
BOARD OF DIRECTOR STAFF REPORT**

AGENDA TITLE: Consideration and Possible Action on a Housing Agreement between TTAD and RPL Properties for the construction of workforce/professional housing in Truckee.

MEETING DATE: June 28, 2017

PREPARED BY: Kevin Smith, General Manager for the Regional Housing Ad Hoc Committee (Dir. Stephens and Morrison)

RECOMMENDED ACTION: The Ad Hoc Committee and Staff recommend approval of the Housing Agreement between TTAD and RPL properties for the construction of workforce/professional housing in Truckee.

DISCUSSION: RPL Properties LLC, owned by Mr. Rick Lee, has the Lizondo Property in the Town of Truckee in escrow. RPL has submitted a Preliminary Review Application to the Town of Truckee for the construction of 11 duplexes¹ on Sierra Drive. Each unit shall have 2 separate dwellings; a two bedroom dwelling and either a 3 or 4 bedroom dwelling.

RPL is prepared to construct and hold for rental the 22 units with approximately 66 bedrooms and limit the maximum rental cost to \$750 per bedroom initially, with annual CPI increases. This rental limitation would be for 15 years. RPL will offer units to TTAD employees for a limited “first look” period of time when new units are constructed as well as when a unit becomes available for rent for the first 15 years. In addition, other renters would have to be employed within the Airport District boundaries to be eligible to rent units.

With land and construction costs in Tahoe/Truckee and the rental rate restriction, the project does not “pencil”. Therefore, RPL is willing to commit to proceed with the project, if TTAD is

¹ Although duplexes are not permitted in this zoning, it does allow “single family dwellings with attached secondary residential units”, but we will refer to “duplex” for the sake of brevity.

willing to subsidize the construction cost per residential unit in the amount of \$30,000. This payment would be made to RPL upon issuance of a Certificate of Occupancy for each unit, after the units are completed and ready for rental. This amounts to a TTAD commitment of \$660,000. RPL Properties has up to 4½ years to complete 4 phases of the project. Therefore, the TTAD commitment would be spread over time and again only paid when the units are ready for rental.

Construction costs are a key to the success of this project. Rick Lee is a manufacturer; he plans to manufacture the duplexes out of shipping containers which arrive in the USA by the thousands and are not returned to the point of origin. MWA (Kurt Reinkens) is the architect for this project. Mountain Modern is its architectural style. The containers will be clad in wood and finished inside with high quality finishes and fixtures.

At the May 24, 2017 Board of Directors meeting, the Board consensus was to have the Ad Hoc Committee and staff prepare an Agreement between RPL Properties and TTAD to gain better understanding of the details of the proposal. Staff and the Ad Hoc Committee have been working with RPL properties and have prepared the attached Agreement for Board consideration and possible action. Some of the highlights of the agreement are as follows:

- RPL agrees to build up to 11 duplexes in 4 phases, 1 duplex in phase 1, 2 duplexes in phase 2, 6 duplexes in phase 3, and 2 units in phase 4. This is a total of 22 separate living quarters.
- Note that 1 phase will be on a parcel near, but not part of the Lizondo property.
- Each duplex will have 2 separate living quarters, a 2 bedroom and either a 3 or 4 bedroom unit.
- When a Certificate of Occupancy is issued for a duplex (2 living units), TTAD pays RPL \$30,000 for each living unit, or \$60,000 per duplex. The maximum amount the District would be obligated to pay is 22 units X \$30,000 per unit, or \$660,000.
- In return, employees of TTAD have a right of first refusal to rent a completed unit as each unit is completed.
- For 15 years, if a unit becomes available, TTAD employees have a right of first refusal on available units.
- For 15 years, all units must be rented to a tenant that is employed within TTAD boundaries.
- For 15 years, the maximum rent is \$750 per bedroom, subject to cost of living increases, which cannot occur during the first year of that tenant's occupancy.
- We can terminate the Agreement (but the restrictions continue on the completed units for 15 years after those units are completed) if he doesn't complete phase 1 within a year of the Agreement, or if he doesn't complete any of the remaining phases within 3 ½ years after the Certificate of Occupancy is issued for phase 1 (at most, 4 ½ years from the date of the Agreement).
- We have a right to audit to ensure proper rent is being paid and only eligible tenants are renting.
- Each party's obligations end 15 years after first C of O is issued for the specific dwelling.

It should be noted that the District's obligation is applied only when units are completed and ready for occupancy. Mr. Lee is responsible for all entitlements and permitting for these units. If he is unable to secure these approval requirements, the District's obligation is negated. It is not staff or the Ad Hoc Committee's intention to insert the District into the entitlement or permitting process. That will be Mr. Lee's sole responsibility.

WHAT'S NEXT: If the Board chooses to move forward with the Agreement, staff will finalize the Agreement with RPL Properties and include the District's future obligation into upcoming Budget cycles.

FISCAL IMPACT: The District will be committing up to \$660,000 over 4½ years. The District has set aside \$250,000 in FY2017 for regional housing initiatives. \$50,000 of those funds are committed to the Mountain Housing Council. If the Board approves the Agreement, staff will allocate the appropriate funds each year to this housing initiative to meet our obligations.

PUBLIC COMMUNICATIONS: This specific project was discussed at the May 24, 2017 Board Meeting. The District has been discussing the importance of regional housing at various public meetings. The District was the first public agency to commit to the Mountain Housing Council and has not been shy about advocacy of workforce housing. We have also formed an Ad Hoc Committee to further advance the issue and find solutions to our regional housing crisis.

SAMPLE MOTION(S): I move to (approve, continue, deny) the proposed Housing Agreement between TTAD and RPL properties for the construction of workforce/professional housing in Truckee and authorize the Board President to sign Agreement (list any amendments if applicable).

ATTACHMENTS:

Location map of the property

Site Plan of proposed project

Elevation of one of the duplexes

Floor plans of one of the duplexes

Construction Cost summary

Project Pro-forma