



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

AGENDA TITLE: Modification of the Housing Agreement between TTAD and RPL Properties for construction of workforce housing proposed by Rick Lee.

MEETING DATE: November 28, 2018

PREPARED BY: Rick Stephens, Board of Directors

RECOMMENDED ACTION: Review and potentially approve modification to Lazando Housing Agreement between TTAD and RPL Properties per the proposed amendments. Please review the attached modified Agreement.

DISCUSSION: On July 18, 2017, the parties (TTAD and RPL) entered into an Agreement relating to RPL constructing and renting dwelling units and TTAD reimbursing RPL a portion of those construction costs. Phase 1 of the project has been completed and is now rented and RPL has been reimbursed \$60,000 by TTAD for that Phase 1. RPL encountered various unexpected construction costs (containers did not work well), the Town of Truckee and the various special districts were unwilling to differ fees, and the architectural costs were significantly higher than projected. Yet Rick Lee continues to pursue solutions to continue with the Project as initially contemplated (except for the changes amendments noted below) and TTAD identified certain rental provisions (no dogs and lack of notice to rent) that made it more difficult for its employees to be able to rent those dwelling units. For the next 3 Phases of the Project to proceed, Rick Lee wishes to amend that July 18, 2017 contract.

Mr. Lee proposes to alter the project for Phase II, III and IV as follows:

- a. 4 duplexes (2 three bedrooms each) stacked directly on top of each other for construction cost efficiencies.
- b. Mr. Lee will use Josh Rupert as the general Contractor and a Reno based building designer.

- c. Mr. Lee proposes allow all TTAD employees to have 1 dog in units rented by employees.
- d. Mr. Lee proposes to give TTAD 6 months' notice of availability of the units for lease and deliver the apartments on that date with 45 days leeway either earlier or later and Mr. Lee would give 3 months' notice with 30 days leeway either earlier or later.
- e. Mr. Lee will pay the building fees as scheduled.
- f. Mr. Lee proposes that instead of TTAD paying him \$30,000 per apartment, TTAD would pay RPL Properties \$40,000 per apartment upon issuance of Certificate of Occupancy.
- g. Phase III would be 5 units (10 apartments) and Phase IV would be the 1 unit (2 apartments) on Sierra Street.
- h. All ground breaking and completion dates remain as in the current contract.
- i. IF TTAD agrees to these modifications submit his subdivision map to the Town of Truckee in December 2018 and start construction in Spring of 2019. All of the Phase II, III, and IV would be under the rent restrictions of the current agreement. \$750 per month per bedroom (annual CPI increases), renting to people who work in the TTAD district, First right to Lease to TTAD employees and TTAD affiliates (on Airport companies).
- j. In addition to (i) above, RPL properties will provide TTAD Employees a first year reduced rent: each TTAD employee will be eligible for a 12 month rent reduction of \$270 per month for the 3 bedroom from the approved \$2250/month limit (CPI adjusted). 2020 first year rent will be \$1980 per month. After 12 months this one time reduction will expire and the rent limit will revert to up to \$2250 per three bedroom unit or \$750/ bedroom (as adjusted for CPI) for each structure as they come on line. This one time reduction is on each three bedroom unit. In case there is more than one TTAD employee in one three bedroom unit, this one time first twelve month \$280/month reduction will expire for each TTAD employee renting said unit.
- k. All TTAD remedies remain as written in the existing agreement

Director Rick Stephens recommends this amendment due to:

- i. a more efficient construction cost due to stacking 2 three bedroom units directly on top of each other.
- ii. a firm construction bid with a contractor who employed the design professional (Josh Rupert Construction)

- iii. TTAD Employees will be allowed to have 1 dog in rented units.
- iv. a willingness to reduce the initial rent for TTAD employees
- v. a willingness to give TTAD 6 months' notice to rent and an update at 3 months, enabling TTAD employees to plan ahead and commit to rental in coordination with their current lease.

The completed project worked well for renters. Attached is a video of the completed units. No TTAD employees or Airport affiliates rented the units possibly due to the short notice of availability (30 days) and Mr. Lee's no pets policy. Both of these issues have been addressed in the Amended Agreement. Mr. Lee had an open house and secured 5 qualified tenants (without pets) in the 1-hour open house. The units are fully leased.

FISCAL IMPACT: There would be a \$200,000 housing funding commitment for the CY2020 Budget. There is no fiscal impact to the District related to the CY2019 Budget.

TTAD has paid RPL Properties \$60,000 per the contract for the Phase I. TTAD has approved an additional \$600,000 for future phases. IF TTAD agreed to Mr. Lee's proposal the commitment would be for an additional \$200,000 or \$800,000 total for 10 units (20 apartments).

SAMPLE MOTION(S): I move to (approve, continue, deny) the modification to Lazando Housing Agreement between TTAD and RPL Properties per the attached amended agreement.

ATTACHMENTS:

- Original Lazando Housing Agreement of July 2017
- Proposed Amended Agreement of November 2018
- RPL Properties Contractor Bid and Costs
- RPL Proforma/ROI
- Phase I Images
- Video: <https://youtu.be/YR5qyEHYDCE>