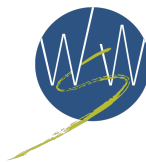


South Shore Region Housing Needs and Opportunities

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Summary of Findings and Recommendations

Many factors have contributed to the current condition of the housing market in the South Shore Region and the decreasing ability to house local residents and employees.

Jobs, Housing and Population Trends

The most prominent trend that is at the base of the local resident housing problems in the South Shore Region is the loss of resident-occupied homes in the Region both in number and percentage. *(See Section 3 – Housing Inventory)*

- Resident-occupancy dropped from 61% in 2000 to 54% in 2010 and 46% in 2017.
- The number homes occupied by year-round residents has declined – residents now occupy over 700 fewer homes than they did in 2010. Resident owners increased by 200 households, but resident renters dropped by 930 households.
- Second homeownership has been increasing at a rate of over 1% per year – 4,420 vacant and second homes have been added since 2010.

While this decline in resident households started during the recession, as the economy has rebounded, the South Shore Region has seen a character shift. It now has more vacant and second homes than resident-occupied units.

Many factors contribute to the inability for residents to come back and compete for homes as strongly as second homeowners:

New Development

- An average of about 100 new homes per year have been developed in the South Shore Region since 2010. The majority (75%) is valued over \$550,000, which is higher than the vast majority of locals can afford - production is not meeting the needs of local residents.
- One income-restricted affordable rental project was built since 2010: The Aspens. This provided 48 new multi-family rental units for residents earning up to 60% of the AMI. It opened for occupancy in 2014, leased up at a rate of one room every two days and has since had 0% to 1% vacancy. The project has a waitlist of 150 households.
- Current under-construction or planned development is market-rate or luxury development. No local resident homes priced under \$500,000 are proposed.
- Development caps are in place in the Tahoe Basin. While this inarguably serves an important environmental purpose in the Basin, it also reduces the ability for

the housing market to produce more units in reaction to strong under-supply. The caps apply equally to market-rate and local resident housing, albeit 1,119 bonus units are set aside for the latter use. *(See Section 3 – Housing Inventory – Recent and Pending Development; Section 8 – Land, Resources, Costs and Constraints).*

Loss of Units

The growth caps, combined with the fact that the market is not producing many units for local residents, makes it even more important to track the loss of, and better yet, prevent the loss of, the existing local resident housing stock.

- About 75% of the long-term rental housing stock in the South Shore Region is from individually owned homes and other attached product; about 25% are managed apartments. While this offers housing choices for residents, it also breeds a comparatively unstable renter housing stock. Renters occupying apartments, unlike those in individually owned units, generally do not need to worry about owners selling their rental or converting their home to a short-term rental. In the South Shore: *(See Section 3 – Housing Inventory)*
 - As the housing market has rebounded and home sale prices are now near pre-recession peaks, owners that were renting their homes during the recession are now selling. Over the past five years, 15% of resident renters (about 970 renter households) were forced to move because the owner sold the rental.
 - Short-term rentals also have an impact. About 10% of renters (625 total) were forced to move over the past five years because their unit was converted to a short-term rental. While property managers noted that this trend has slowed in recent years, in a tight housing market and, in particular, one in which the ability to provide more supply is limited, every unit counts. *(See Section 5 – Housing Problems – Forced to Move)*
- Redevelopment and condemnations have had an impact on local resident housing, although no jurisdiction was found to comprehensively track this information. Some known losses include: *(See Section 5 – Housing Problems – Loss of Units)*
 - The removal of the 155-unit Tahoe Shores mobile home park that was fully vacated in 2015. As required mitigation, the developer purchased existing apartments (54 units). While the units are now income-restricted for households earning under 80% AMI (39 units) or 120% AMI (15 units), this did not produce any new units to replace the 155 homes that were removed.
 - A condemnation in the City in December 2018 displaced 6 families. While this is necessary for health and safety reasons, displaced households have few, if any, options to relocate within the South Shore Region.

Housing Prices and Condition

The combination of being unable to produce enough local resident housing to meet needs and losing existing housing stock causes an already tight housing market to become tighter. This results in rising home prices and rents and does not provide any incentive for rental property owners to keep up with repairs. (See Section 4 – Housing Costs and Availability)

- Home sale prices have increased an average of 8% to 12% per year since 2012. Rents remained relatively stable until 2014/15, when they began rising up to 20% per year in some years. Incomes have increased 2.5% per year. Homes, both rental and ownership, are becoming less affordable for local residents.
- Median home sale prices require an annual household income of \$134,000 to afford a single-family home (about 200% AMI) and \$111,420 to afford a condominium or townhome (about 160% AMI).

Typically attached product offers more affordable options for residents than seen in the South Shore Region. In the South Shore, most condominiums are either built for second homeowners/vacation use or are predominately owned by second homeowners, making them undesirable to local residents that want neighbors and a sense of community. Realtors noted there would be demand for attached product that is built with the local resident in mind (e.g. garages, storage, low HOA, etc.).

- Rental vacancy rates have not topped 2% over the past several years. In the winter, most properties interviewed are at 0% vacancy. Rentals are considered to be in short supply when vacancy rates drop below 6%.
- When renters are always available, property owners have no incentive to keep up with maintenance – resulting in a cycle of rising prices and decreasing quality of units. The lack of new product being built precipitates this pattern. About one-third of renters are dissatisfied with the condition of their unit and 20% reside in units with deferred maintenance.
- The for-sale market has softened beginning this summer, but prices are still rising. There is a 4.5-month supply of homes priced under \$400,000 – the primary local resident price point. When the supply of homes is below 6-months, this is a seller's market – there are more buyers than homes available. More homes priced for local residents are needed.
- Second homeowners compete for homes with residents at all price points. It is difficult for local residents getting into their first home to compete with cash buyers from out of the area.
- Homes priced under \$300,000 are typically small and need repairs, if not complete renovation. Homes around \$400,000 are of mixed condition. Most local residents search for homes priced under \$400,000. Down payment and

home renovation assistance programs can help local residents get into homes and have some financing to do needed repairs.

Families

When local resident households get squeezed by the housing market, this changes the demographic and dynamic of the community. *(See Section 1 – Population and Household Demographics)*

- Couples without children and persons over 65 years of age are the fastest growing demographics. This indicates the area is becoming more of a retirement area through a combination of aging and migration. Realtors indicated that about 25% of buyers are retirees interested in coming to the Region.
- Households with children are not just declining in percentage they are declining in number; this is true of the South Shore Region as well the entirety of El Dorado and Douglas Counties. School enrollments since 2010 are reflective of this trend, showing an over 18% decline in the South Shore Region of Douglas County and relatively flat K through 12 enrollment in the Lake Tahoe Unified School District in El Dorado County.
- A comparatively high percentage of residents that want to move into a different home in the South Shore Region and in-commuters that want to move to the South Shore have children in their household (40%) compared to current resident households with children (29%). This speaks to the difficulty these households have finding suitable homes for their family, but also their desire to stay in the Region.

Employers and Commuting

A declining resident base also impacts employers, their ability to recruit and retain employees, to provide high levels of service and function profitably. *(See Section 2 – Jobs, Seasonality and Commuting)*

- Employers felt that more housing for all employees is needed, but housing for year-round renters and for first-time home purchasers topped the list. Rentals allow new employees to come to the community to fill jobs; ownership promotes stability in the employment base. Both help to reduce employee turnover, improve customer service, and increase the year-round resident base. One-half of employers surveyed had employees leave or refuse a job offer because they could not find or lacked suitable housing.
- About 56% of employers responding to the survey already provide some type of housing assistance for their employees. The highest percentage assist with the housing search (19%), 12% provide temporary/relocation housing and 10% purchased units to rent to their employees. Master leasing units to rent to

employees is also done by about 7% of employers. A low percentage has converted old hotels into housing (2%). Many employers indicated the need more information to understand available assistance options, meaning education of employers may boost their willingness and ability to participate.

- An estimated 25% to 31% of employees commute into the South Shore Region for work. About 40% of in-commuters would prefer to live in the South Shore Region. In-commuters are prone to grow weary of commutes and search for jobs nearer their place of residence if they cannot relocate nearer their job. About 39% of employers have had employees leave for a job outside of the area; 13% of employers have had employees leave because employees grew weary of the commute.
- Between 4,480 and 5,555 in-commuters travel to work in the South Shore Region. This costs in-commuters an average of about \$7,500 per year and results in a combined 58.2 million to 72.2 million vehicle miles traveled each year by employees commuting to work. Aside from employer and employee benefits, reducing in-commuting also decreases vehicle miles travelled, reduces green house gas emissions and benefits air quality in the Region.

Housing Problems

When homes prices rise faster than incomes, this increases the difficulty for many households to afford home payments (including utilities) along with other life necessities including food, clothing, transportation and health care.

- Households are considered to be cost burdened if their housing payment, including utilities, exceeds 30% of their income (before taxes). In the South Shore Region, 41% of households are cost burdened, including 48% of renters and 34% of owners. *(See Section 5 – Housing Problems)*
- Homelessness is on the rise in the South Shore Region and even affects persons holding jobs. Since 2017, homelessness increased 1.8% in El Dorado County to 613 persons, with 18% (110 persons) in the South Tahoe Region. The overnight winter emergency shelter in the City of South Lake Tahoe averaged 25 homeless persons per night last winter, for a total of 3,044 shelter bed nights. About 21% of persons using this service had jobs. *(See Section 3 – Housing Inventory – Special Assistance)*

Housing Need and Demand

About 3,290 housing units are needed to address current housing shortages for South Shore Region residents and employees and keep up with future demand through 2026. This averages about 550 units per year, which is 5-times more than the average that has been constructed each year over the past 10-years. While additional homes are needed, the Region will not and should not solely build its way out of its housing problems.

Also, the Region may not feel that all demand segments of the resident and employee housing market are priorities, which will affect how much housing is needed. The relative priority of housing for each of the below resident and workforce segments, and how much, will need to be considered during the Action Plan process.¹

About 57% of the housing needed should be priced lower than prevailing market prices: 1,880 units (about 300 per year).

- This means a choice of ownership housing priced below about \$400,000 that do not need significant repairs. This will address households earning less than 150% AMI (below \$100,000 per year) and
- Rentals priced below \$1,000 for one-bedrooms and \$1,250 for two-bedrooms per month for households earning 80% AMI or less (below \$50,000 per year).

Summary of Housing Needs

Summary of Housing Needs	
Catch-Up	2,085
Overcrowded Households	165
In-commuters that want to move	1,245
Unfilled jobs	675
Keep-Up	1,205
Retiring employees	630
New jobs	575
TOTAL through 2026	3,290
Market rate (43%)	1,410
Priced lower than market (57%)	1,880

See Section 9 – Current and Projected Housing Needs for details on each section of this table.

An estimated 38% of new units should be for ownership and 62% for rent. This takes into account that most new employees moving to or filling jobs in the Region will rent (70%). It is also consistent with employer observations that “more year-round rentals are needed.” The precise ratio, however, is dependent upon the community’s desired direction and housing policy. This will be a consideration during the Action Plan process.

¹ See Section 9 – Current and Projected Housing Needs for a full overview of local resident housing needs.

Summary of Housing Needs by Own/Rent Through 2026

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Units needed through 2026	3,290	100%
Ownership	1,265	38%
Rental	2,025	62%

Ownership housing should be provided based on the income distribution of households living and employed in the South Shore Region. In other words:

- About 60% of the homes needed for local resident ownership should be priced lower than prevailing market prices, generally ranging between \$200,000 and \$400,000. This would provide ownership opportunities for households earning between \$50,000 through \$100,000 per year (between about 80% to 150% AMI).
- Local residents are willing to make trade-offs on product type to afford homes. Product missing from the market for local residents are townhome-style attached units with garages. Primarily 2- and 3-bedroom homes are needed.
- Subsidies will be needed to construct homes that are priced below \$400,000. Providing or expanding programs to help local residents purchase existing, older homes and subsidize repairs should be considered as well.

Homeowner Income Distribution Compared to Availability of Homes

Income Level	Maximum Affordable Sale Price	Owner Income Distribution	All Listings
Under \$20,000	Under \$100,000	3%	1%
\$20 to \$39,999	\$150,000	18%	1%
\$40 to \$49,999	\$200,000	7%	0%
\$50 to \$59,999	\$250,000	7%	0%
\$60 to \$74,999	\$300,000	13%	4%
\$75 to \$89,999	\$350,000	7%	6%
\$90 to \$99,999	\$400,000	8%	9%
\$100 to \$124,999	\$500,000	13%	16%
\$125,000 or more	Over \$500,000	23%	62%
TOTAL	-	Units needed: 1,265	100%

NOTE: Shading indicates where there is a shortage of housing supply for residents and employees. The lighter shade indicates that a gap exists, but providing ownership priced under \$200,000 will require significant subsidy; rentals are more typical.

There is a shortage of rentals at any price in the area and, of those available, there is a shortage of units in good condition. Programs to improve upkeep and renovation of the existing rental stock are needed along with the production of new units to provide suitable rentals for residents and employees. More and better rentals are needed.

Based on the income distribution of renters and lack of available rentals on the market:

- About 55% of rentals need to be priced for households earning below 80% AMI.

The bulk of units needed would be priced from \$500 per month for a room or studio up to \$1,250 for a 2-bedroom. This would be affordable for households earning from \$20,000 to \$50,000 per year (about 30% to 80% AMI). Filling units priced for households earning below 50% AMI can be difficult – households earning more than one income often cannot qualify.

- There is also a shortage of rentals priced up to about \$1,700 per month for 2-bedroom and \$1,900 for 3-bedroom units for households earning about 100% AMI. Quality units at this price could attract residents that are currently paying this amount or more for older, lower quality units. This would provide some competition on the market and begin to improve rental conditions for locals.
- Renters need 1-, 2- and 3-bedroom units; they prefer either individual homes or exterior-entry attached units (as opposed to apartments with interior halls); prefer in-unit laundry, extra storage and garages or covered parking. Many have pets, mostly dogs.

Renter Income Distribution

	Maximum Affordable Rent	Renter Income Distribution	Available Rentals*
Under \$20,000	\$500	8%	0%
\$20 to \$39,999	\$1,000	26%	13%
\$40 to \$49,999	\$1,250	13%	11%
\$50 to \$59,999	\$1,500	8%	7%
\$60 to \$74,999	\$1,875	17%	16%
\$75 to \$99,999	\$2,500	13%	39%
Over \$100,000	Over \$2,500	15%	14%
TOTAL	-	Units needed: 2,025	100%

NOTE: Shading indicates where rental housing falls below the market for residents and employees.

Opportunities and Next Steps

Despite the challenges ahead, the South Shore Region has significant momentum around the housing problem, with multiple entities engaged in trying to work toward solutions. Specific paths forward are summarized in Section 8 – Land, Resources, Costs and Constraints, but generally:

Political commitment is strong. Housing is a top priority for the City of South Lake Tahoe Council, El Dorado County Board of Supervisors and Tahoe Regional Planning Agency (TRPA) Governing Board.

Many partners are on board. Examples include:

- The Tahoe Transportation District Board has made a commitment to produce 200+ local resident units in the Region;
- The California Tahoe Conservancy is actively reviewing asset lands for their suitability for local resident housing;
- The St. Joseph Community Land Trust hired a new director and is working to increase activity in the Region;
- Lake Tahoe Community College recently completed a master lease agreement to house students and is reviewing options to add more student housing options;
- The El Dorado County Housing Authority received substantial additional funding for its homeless program and is working with the Tahoe Coalition for the Homeless to identify participants and coordinate entry for homeless assistance. This program also has support from Barton Health; and
- El Dorado Community Foundation is exploring opportunities to bring financing to address housing issues in the South Shore Region.

Advocates are engaged.

- The South Tahoe Chamber and Tahoe Chamber of Commerce have both been active advocates of the efforts of area partners to facilitate housing;
- The Tahoe Prosperity Center has brought together area partners to engage in the housing conversation and educate the public on the issues; and
- The League to Save Lake Tahoe has been a voice in support of community redevelopment, including housing for local residents.

The Task Ahead

All of the above components are central to ensuring success in addressing housing needs in a community. Even with strong commitment, however, providing local resident housing will be hard. A combination of new development, redevelopment, repurposing of existing homes and other structures, renter and homeowner assistance programs, among other creative solutions, are needed, each with their own challenges.

- Estimated subsidies that will be needed to construct a single-family home for \$400,000 are upwards of \$50,000 per unit *including* also getting the land for free. A multi-family home can be built for under \$400,000 if the land is provided at no cost and there is no cost for development rights or coverage, but will likely need a subsidy of about \$65,000 to sell at a price of \$300,000. (See Section 8 – Land, Resources, Costs and Constraints – Cost to Develop).
- Additional development capacity in the Tahoe Basin is limited. The Tahoe Basin is 93% built-out based on total development potential established through 2032. A total of 3,826 residential allocations and bonus units remain to be distributed throughout the entire Tahoe Basin. The ability to convert development rights from commercial or tourism uses to residential uses adds flexibility to “find” more residential development potential in the Basin. Flexible use of banked and pooled development rights that have already been issued, but are currently not utilized, also offers more residential potential. Moving forward, it will be important to monitor the use of remaining development capacity if ensuring sufficient provision of local resident housing is a primary goal of the Region. (See Section 8 – Land, Resources, Costs and Constraints – Development Capacity)
- Local resident households are declining in number. Expanded programs that help local residents get into existing homes, keep their homes, and conduct needed renovations and repairs are needed. Redevelopment and renovation to improve the housing stock for residents is also needed to address housing conditions and suitability. And creative options for redevelopment to at least ensure more local resident housing is not lost, and preferably gained, are needed.

With the complexity of regulations, multiple codes, jurisdictions, approving parties and the development rights system in this Region, significant creativity and re-thinking of historic norms will be needed.

None of this will be successful, however, without coordination on a common vision for meeting housing needs and on priorities and strategies to get there. This is the primary goal of the Action Plan process – to develop a common vision for meeting existing and future housing needs, prioritizing strategies to make an impact, and creating the partnership framework necessary to successfully address housing in the South Shore Region. Just as no one strategy can address the needs; no one jurisdiction or entity can either.

Introduction

Purpose

This Housing Needs Assessment quantifies current and future housing needs for residents and employees in the South Shore Region and identifies where the market is not addressing those needs. It answers questions such as how much, what type and at which price points housing is needed to support South Shore Region employees, employers and residents. The report also provides a general overview of land, resources and opportunities to provide housing in the South Shore Region that is affordable for local residents and employees.

The purpose of this information is to help the community establish housing strategies and policies that will provide more opportunities for local employees to live in the South Shore Region and help support the local community character and economy. It is intended to be part one in a two-part process for the South Shore Region in developing a local housing strategy:

- Part 1: *Housing Needs Assessment* - This study provides the data on demographic, economic and housing trends and quantifies local housing needs.
- Part 2: *Housing Action Plan* - We will use this study as a base to develop a South Shore Region Housing Action Plan. The Plan will identify specific housing goals, priorities, strategies, needed coordination, and necessary implementing partners to provide the housing necessary to support a thriving community in the South Shore Region – housing to support businesses, economic development, community vibrancy, residents and visitors alike.

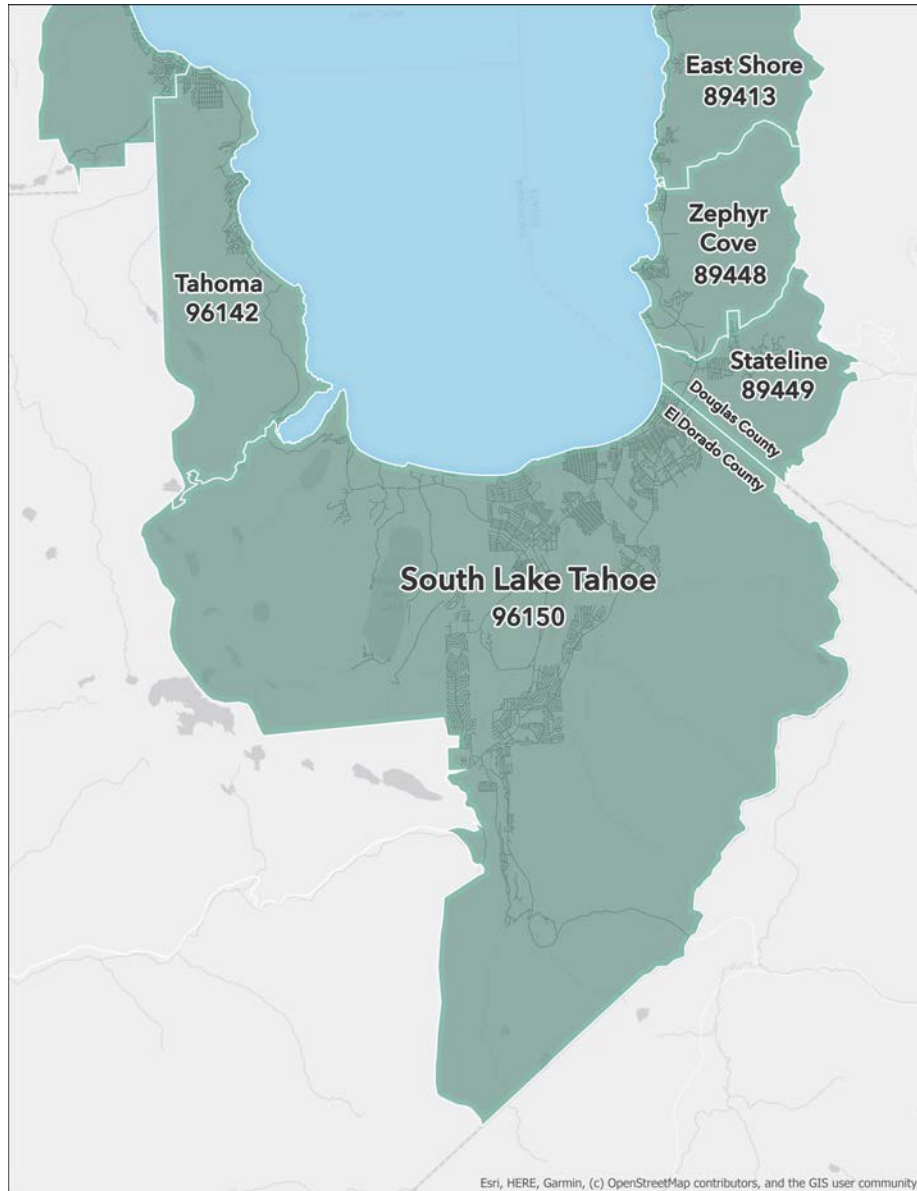
This information can also be an important resource to help obtain financing for housing projects. Most private, federal and state lending institutions require demographic and housing cost information to support loan or grant applications. Information presented in a housing needs assessment may be used to support a proposed development with different funding agencies.

Throughout this report, the term “local resident housing” is used to define housing that is affordable and suitable for employees and year-round residents of the South Shore Region.

Study Area

This study covers the South Shore Region, defined by the zip code areas shown in the map below, including Tahoe regions of Douglas County, the City of South Lake Tahoe and unincorporated areas of El Dorado County, including Tahoma, in the South Tahoe area. Throughout this report, the term “South Shore Region” is used to indicate this area.

South Shore Region



Graphical Source: TRPA GIS Department