

Lack of affordable housing nothing new in Tahoe

Publisher's note: *This is one in a series of stories looking at the affordable housing issue in the Tahoe-Truckee area.*

“For any community, the quality of life experienced by its residents depends, to a great extent, on the quantity and quality of available housing.”

*– 20-20 Committee
report to the South Lake Tahoe City Council, Jan. 2, 1979*

By Joann Eisenbrandt

The lack of affordable housing for many of South Lake Tahoe's permanent residents, for homebuyers and renters, has been a clearly recognized but largely unsolved problem for decades. Recently, El Dorado County District Five Supervisor Sue Novasel put together a Housing Task Force to revisit the issue and hopefully identify some realistic solutions.

South Lake Tahoe was incorporated on Nov. 30, 1965. Laurel Ames, an active participant in that incorporation process, spoke about the new city's high hopes in a **March 2015 article for *Lake Tahoe News*** celebrating the city's 50th anniversary. She explained the city hired a land use planner and began a yearlong effort called 14,000 Planners. It was called 14,000 Planners because that was the city's population at the time. The idea was that everyone had a role to play and a voice in the process. South Lake Tahoe, as Ames put it, “could have any kind of community it wanted, provided they could articulate and agree on a picture of what that vision was.”

In the decades since, a number of exterior forces and geographic constraints have influenced the city's ability to create such a cohesive vision. This is especially true when it comes to the development of affordable housing.

A statewide issue

Affordable housing is not just a Tahoe basin or El Dorado County issue. Providing affordable housing is a statewide requirement and a statewide problem. Each governing body in California is required to adopt a general plan outlining the long-range physical development of their jurisdiction. The Housing Element is a mandated part of that plan. It must show how local governments plan to meet the existing and projected housing needs of all economic segments of their population.

At the local level



For some time, the city's affordable housing issue centered on those who work in the service industry sector. This is what many call "workforce housing." More recently, however, the affordability question has moved up the income scale to include established middle-income professionals and college-educated millennials.

At the Oct. 25, Board of Supervisors meeting, Novasel requested \$15,000 in El Dorado County transient occupancy tax) funds to contract with consultant Michael Ward of High Bar Global Consulting. The plan is to create the framework for a group of stakeholders to meet and develop strategies to

address what Novasel terms South Lake Tahoe's "affordable housing crisis."

She told the supervisors that at the lake the Tahoe Regional Planning Agency had created commodities/development rights to control growth. These, she said, had the effect of driving up construction and rehabilitation costs and creating a barrier to redevelopment of the city's aging infrastructure. There are a limited number of tourist accommodation units available for new construction. TAUs have value and can unrealistically escalate the purchase price for motels or the transfer of those units. Vacant or deteriorating properties still dot the landscape, too expensive to rehabilitate or rebuild as affordable housing. Like all construction, affordable housing must pencil out economically or it will not get built.

"Our housing is in a critical mass right now," Novasel insisted.

TRPA is taking a hard look at many of its regulations and standards for the first time, commodities among them. It is anticipated this process will take several years. Novasel doesn't want to wait. Her goal is to have her newly-formed group composed of representatives of the California and Nevada jurisdictions at the lake, "sit down and start a real direct discussion to see what we can do." The first six organizational meetings will involve mainly public agencies with additional groups such as nonprofits, real estate agents, employers, social service agencies and local residents brought into the process after that.

Participants share their views

TRPA is represented on the task force by Executive Director Joanne Marchetta and COO John Hester. The bi-state agency's public information officer Tom Lotshaw told *Lake Tahoe News* that TRPA supports Novasel's effort.

"We wouldn't want Sue (Novasel) to wait for our (Development

Rights) Strategic Initiative to be completed. The commodity system is creating some friction for the affordable housing process. The Strategic Initiative is a major undertaking and it won't change things overnight," Lotshaw said.

He added, "We are there to help ... to come up with a menu of potentially viable solutions to take back to each jurisdiction around the lake and apply them situationally. We are excited and optimistic to see what's happening." Novasel is a member of the TRPA Governing Board.



"What we have is a lack of adequate housing at all economic levels."

– **Wend David**, *South Lake Tahoe mayor pro tem*

What city leaders say

South Lake Tahoe Mayor Austin Sass attended the first meeting of Novasel's group in November. He told *Lake Tahoe News*, "I don't know how much blame you can put on TRPA. This is a very desirable tourist destination. In comparison to Aspen and Vail it is affordable, so people from the Bay Area have bought second homes here. These people may not be willing to rent out these homes at affordable housing rates."

Sass, who is also a member of the TRPA Governing Board, said the city has 350 rent-controlled or affordable housing units that were built before redevelopment money was taken away by the dissolution of redevelopment agencies by Gov. Jerry Brown in 2012. "These types of projects don't pencil out now for any city. El Dorado County has zero affordable housing units in the unincorporated area of the Tahoe basin."

"I'm a pragmatic guy," Sass explained. "I want to know how we

are going to get it done and where we are going to get the money from. The purpose of this group is to put our heads together to find out if there is money in places we don't know about."

South Lake Tahoe Mayor Pro Tem Wendy David also attended the task force's initial meeting. She told *Lake Tahoe News*, "We have a gorgeous lake that must take priority in protecting, but along with that has come very strict building restrictions and availability. It's a very delicate balance that we've tried to maintain."

David is encouraged that TRPA is now "sitting at the table with us. It is important to work together with the regulatory agencies to see how to address the housing issue. That is a very positive thing that is happening."

David noted that city housing prices have surpassed their highest peak in 2006. She sees vacation rental properties as a contributing factor.

"We are seeing an increase in the percentage of single-family homes that are being sold and then used primarily as vacation rentals. How people are vacationing has changed and that has led to a lot of commercial activity in residential areas," David said.

She noted that the City Council just recently revised the city's Vacation Rental Ordinance to ban future vacation rentals in multi-unit complexes, one of the main sources of affordable housing for low- and moderate-income residents.

According to David, "workforce housing" is not the full extent of the problem. "What we have," she insists, "is a lack of adequate housing at all economic levels. If professionals take jobs here and then find they cannot find a home in their price range, they will eventually leave. At the other end are young professionals just starting out as well as the lower-income residents who just want to live the dream of Tahoe and are

willing to be a bartender or a dishwasher.”

David is hopeful the involvement of basinwide elected decision-makers will lead to agreement among agencies and jurisdictions on what needs to be done and what the first steps should be.

Affordable housing and economic development

Novasel believes it's appropriate that TOT money is being used to help finance her efforts. TOT is charged to those renting lodging in the county or the city for less than 30 days. Renters pay it to property owners as a percentage of the rent charged. Property owners then pay that money to the local jurisdiction.

The county's 2004 General Plan loosely defines how TOT money can be spent. “The majority of transient occupancy tax generated revenue shall be directed toward the promotion of tourism, entertainment, business, and leisure travel in El Dorado County.”

Novasel said, “This is economic development. We want millennials. We want our workforce to find homes to live in. If employees can't find housing, then businesses can't have employees.”



Housing stock varies throughout South Lake Tahoe.
Photos/LTN

The 20-20 viewpoint

14,000 Planners was South Lake Tahoe's first attempt at strategic planning, but it was certainly not the last. In 1976, 11 years after the city's birth, the 20-20 Committee was formed. It was called the 20-20 Committee because each of the five city councilmembers chose four community members to help identify significant issues and provide 20-year-long solutions. There were a number of public meetings to encourage community input. In December 1979, the group presented its final report to the City Council.

Barriers and solutions

Among the group's objectives was to, "Improve the quality of residential life by ensuring that adequate housing is available to all residents."

A number of barriers were going to make this difficult. “Due to the lower salaries and seasonal nature of employment in the region,” the report concluded, “the available housing is beyond financial reach of the majority of residents.”

It found the community had a high transiency rate and those service-industry employees who did live in town, “appear to accept a ‘natural’ lowered standard of living by virtue of living in such a unique area.” This, the report noted, can lead to intense negative reactions to tourists generated by, “a feeling of being a ‘second-class’ citizen.”

The lack of affordability of housing led to overcrowding in rental units, many of which were substandard or dilapidated. The group believed the city needed to update its Housing Element to encourage more affordable housing and create a housing advisory committee to administer solutions. A public/private partnership was essential, as was the need for Nevada’s large employers to produce “adequate and available housing for their employees.”

The 20-20 Committee felt, as 14,000 Planners had, that South Lake Tahoe first needed to decide what type of town it wanted to be. It recognized the need to preserve the basin’s beauty given tourism as the prime industry.

“At the same time,” they insisted, “the needs of residents must be met to assure a cohesive, happy community, and enhance the quality of the visitor experience.”

“Affordable, desirable and appropriately configured housing for all residents is central to a community’s social and economic vitality.”

-- Renaissance 90|

The labor pains continue

In the late 1980s, Renaissance 90 hoped to accomplish what 14,000 Planners and the 20-20 Committee had not. Of these earlier efforts, Renaissance 90's Strategic Plan noted, "Inexperience with strategic planning and the timing of both efforts have resulted in some unmet expectations."

The group's effort to achieve a "Tahoe rebirth" was spearheaded by then City Manager Kerry Miller. It was divided into six committees—among them Economic Development and Land Use, Well-Being and Housing. It was a mix of public officials, community leaders and ordinary citizens, including this reporter who served on the Housing Committee. The final report was presented to city leaders in June 1989.

The Housing Committee found that affordable housing remained a pressing issue. It thought prior efforts had focused too much on planning and not enough on action. However, it agreed with them that there needed to be "significant citizen involvement in planning for the city's future." Before such planning could take shape, city leaders needed to ask, "Where does the city want to go?" Renaissance 90 hoped its Strategic Plan would "establish a sense of direction for the community as a whole."

Need for meaningful planning

Apart from the new redevelopment area, the group noted that the city had no economic development program or meaningful land use planning. The city's population had a high per capita education level and there was a high quality of life to attract workers and businesses, but there was also a transient local population and a high percentage of small business failures.

The committees suggested "champions" to implement the strategies they proposed. The Housing Committee identified the city and an as-yet-to-be-formed nonprofit housing group as "champions" for the development of more low-income housing.

The committee carried out a detailed analysis of the city's

housing inventory, condition and availability through street-level physical surveys and interviews. It concluded that a “substantial number” of residents were low income, given the preponderance of low-wage jobs at the casinos, resorts and ski areas. These residents had to spend a “disproportionate amount” of their income for housing or choose to live in overcrowded multi-family units that were in “poor to substandard condition.”

The lake’s complex regulatory environment took some of the blame. “The area’s history of stringent building constraints and complex inter-agency oversight functions, combined with economic infeasibility, has led to delays in both new construction and rehabilitation or reconfiguration of existing residential units, especially in the median to lower income ranges.”

The final report pointed to past failures to, “include the psychological needs of residents in the planning process.”

It recommended an ongoing forum be created to evaluate progress and provide opportunities for citizen input, finding that, “Affordable, desirable and appropriately configured housing for all residents is central to a community’s social and economic vitality.”

Chamber takes on the issue

As the affordable housing shortage began to affect local businesses more substantially, they also became involved in trying to solve the problem. In March 2001, the South Lake Tahoe Chamber of Commerce had an Affordable Housing/Work Force Housing forum at Harveys. An employee/labor pool survey had been distributed in the weeks prior to the meeting asking chamber members for employee statistics and issues related to affordable housing.

Questions the survey asked included: “Do you feel that your employees are able to live in our region comfortably with the

wage/salaries that you pay?" and "Do any of your employees have housing problems?" One hundred-twenty businesses responded to the survey.

Attorney Lew Feldman, who led the discussion for the chamber, said, "The quality of the resort is the quality of the people who live and work in the resort." Steve Teshara from the Gaming Alliance told the group that lower-end casino employees could not live on their wages unless they were a two-person household. The casinos were going out further and further into other communities to recruit—often as far as Europe and Mexico. Andrew Strain of Heavenly said that housing supply and demand was "out of balance." He referenced people living behind the loop road in the woods underneath the Heavenly gondola. He said affordable housing must make "bottom line sense" to happen, pointing to the negative impact of the "local and regional regulatory maze."

Kathy Southern, president of the Board of Realtors, noted a decline in the low-income housing pool and the subsequent rise in rental prices. Investors found developing moderate income properties in Tahoe "stifling." She said that 10 percent of the market pool of housing was "lost to second homes and vacation rentals." She pointed to the conversion of older motels into employee housing as one possible solution.

Hal Cole, South Lake Tahoe mayor, said, "We're becoming a more elitist community like Aspen. Workers are bused in and Tahoe is only enjoyed by the rich."

The survey showed that 82 of the responding businesses had from one to 20 positions unfilled; 52 of them believed that the lack of affordable housing affected their ability to hire and retain employees. The majority of employees had salaries in the \$6-\$10/hour range. Fifty-five business owners said their employees were not able to live in the region comfortably with the wages they paid, and 61 respondents said their employees were experiencing housing problems.

Looking toward tomorrow

In 2002, Tahoe Tomorrow, a volunteer group of local businesspeople and community leaders addressed the same issues the chamber had identified the year before. They sought to help create “a better tomorrow for everyone.” Their board of directors included familiar faces like Feldman, Jeff Tillman of South Tahoe Refuse, chamber Executive Director Duane Wallace, Lakeside Inn owner Mike Bradford, former South Lake Tahoe City Attorney Dennis Crabb and marketing consultant Carl Ribaud. They created task forces to identify community issues. Action teams would then implement solutions.

The Building a Stronger Community Task Force focused on affordable housing. Their data showed that 56 percent of South Lake Tahoe households qualified as low-income or lower and that 25 percent of the housing stock was owner-occupied with 75 percent being rentals or second homes. They found the “significant shortage of affordable housing, decent rentals, and starter homes—with ever-escalating costs of real estate,” came to a large degree from “a lack of shared vision and proactive multi-jurisdictional leadership.”

Tahoe Tomorrow only lasted a few years. “It was a volunteer group,” Ribaud told *Lake Tahoe News*. “It fell apart because of lack of funding.”



“We can’t solve all the housing problems. We can solve specific issues within the housing problem.”

— **Sue Novasel**, *El Dorado County supervisor*

Study and more study

Over the years, a number of housing condition studies were conducted and reports prepared by the city to determine the extent of the affordable housing need and the best way to spend the required 20 percent tax increment funding in the redevelopment area as well as how to allocate Community Development Block Grant money and funding from other sources such as the state Rental Rehabilitation Program.

The city's Housing Authority had a housing priority workshop in July 1996. At its next meeting that August, city Housing Coordinator Patrick Conway noted that, "Approximately 40 percent of the housing stock in the city is considered substandard." His report focused on the question of what was South Lake Tahoe's "fair share" responsibility to provide housing when a significant portion of the city's housing stock is used to support those who work in Douglas County. He referenced the Douglas County Population and Housing Element which showed that the city provided housing for 4,667 workers from Douglas County, but only 640 Douglas County residents worked in South Lake Tahoe.

In February 2003, the Parsons division of P&D Consulting prepared a report for the city entitled, Housing Issues and Challenges. It found, "Local workers, both service sector employees and professionals such as teachers, government employees, and social service agency staff, can no longer afford housing in South Lake Tahoe."

Rental prices were lower than in urban areas, but when these rates were compared to incomes, rental rates in the city were "high." Additionally, the least expensive housing stock is, "old, not well-maintained, substandard, and owned by absentee landlords who are not responsive to tenants' complaints."

In 2016, the city hired the consulting firm of Michael Baker International to conduct a vacation home rental economic

impact study. The proliferation of vacation rentals in the city has been frequently mentioned as a contributing factor to the affordable housing shortage. An online survey is available on the city's website. The first public meeting was Nov. 16, 2016, with the second one scheduled for Jan. 25. According to the city's website, the goal is, "to find out how (vacation rentals) affect you and your neighborhood."

Councilmembers Sass and David formed South Lake Tahoe's subcommittee that studied vacation rentals for the last year and a half. Sass called it a "socio-economic study looking at how vacation home rentals are affecting our town." He believes the study will give the city needed information to come up with a long-range solution. He told *Lake Tahoe News* the finished report should be ready in April or early May.

Hard to kill

Despite the fact that it has been studied to death by a plethora of public and private agencies, the affordable housing problem in South Lake Tahoe lives on. In her **October 2016 monthly column**, "Working Together on Lake Tahoe's Housing Problems," TRPA's Marchetta acknowledged that median home prices of nearly \$400,000 on South Shore are, "simply too high for our region's low wages, putting the cost of home ownership and even rent out of reach for many working people."

She referenced a study on affordable housing by the Tahoe Prosperity Center. Heidi Hill Drum, executive director of the Tahoe Prosperity Center, is a participant in Supervisor Novasel's affordable housing task force. In the October 2015 Measuring for Prosperity report, the Prosperity Center agreed that "second home ownership rates are increasing in the region and there is little market momentum currently for additional workforce housing. However, even in 2010, TRPA reported that housing affordability in the Tahoe basin was more challenged than in the San Francisco Bay Area, primarily due to lower wages in relation to housing prices. The more recent trends

have widened the affordability gap.”

They reported that Tahoe has lost close to 7,000 jobs since 2008, has an unemployment rate higher than the state average, has seen declining school enrollment and a drop in prime working-age adults between 25 to 44 years as a proportion of the total population. Drum told *Lake Tahoe News* she agrees with the emphasis Novasel’s task force is putting on regional solutions.

Novasel wants to see her group, “go beyond our specific little silos and collaborate because that’s how we are going to see real progress.” She acknowledges the long history and complexity of the affordable housing issue. “We can’t solve all the housing problems,” she emphasized. “We can solve specific issues within the housing problem. It’s like saying you are going to solve poverty. It’s too big of a moving target. If we can wrap ourselves around an issue or two, we can get that done now.”

The group’s next meeting is expected to take place in early February.