

South Tahoe redevelopment may cost other entities millions

Updated Jan. 16 5:40pm: *The meeting with the city staff and STPUD board has been moved to Feb. 18.*

By Kathryn Reed

To some it might look like a shell game. Or maybe it's robbing Peter to pay Paul. Or maybe it's all on the up and up.

The problem with projected redevelopment areas is that nothing is guaranteed.

South Lake Tahoe believes it will generate \$178 million in tax increment in the 45 years that the latest project area is slated to be on the books.

South Tahoe Public Utility District believes \$54 million in property tax dollars are at risk if the plan is approved by the City Council.



The area in blue is the proposed redevelopment area in South Lake Tahoe.

El Dorado County, although it won't put a dollar figure on potential lost revenue, knows it will be hit the hardest if

the plan goes through.

Lake Tahoe Unified School District and Lake Tahoe Community College receive property tax money, too, but with how laws are written the state would have to backfill any dollars that are lost. Where the state comes up with that money when it is facing a \$20 billion deficit is difficult to pinpoint.

Other agencies to be impacted are the local cemetery district, county Office of Education, county Water Agency, and county Abatement District.

If the redevelopment area is approved, then the property tax these entities receive is frozen instead of going up 2 percent each year. The city's Redevelopment Agency gets that money.

But the city contends in the long run everyone will be better off. This is because if the value of properties goes up in the redevelopment area, property taxes are higher and therefore every entity shares in the growth.

The city is projecting 7 percent growth in the 3,100-acre redevelopment area that covers much of Emerald Bay Road and then goes down Highway 50 to Glenwood Way.

"Because you have more growth you have more property tax paid. Those agencies will get more over time," said Gene Palazzo, city redevelopment director.

He compared it to putting money in a retirement account, that at first it doesn't amount to much, but over time the pot grows.

South Tahoe PUD wants to see more concrete numbers. Palazzo and City Manager Dave Jinkens are scheduled to speak to the STPUD board on Jan. 20.

"We don't want to be seen as obstructionists if the community feels this is good," STPUD spokesman Dennis Cocking said of the redevelopment plan. "That (\$54 million) is all essentially

capital improvement dollars. By law it cannot be used for wages. If we lose property tax dollars, it has to be made-up elsewhere.”

The district has limited revenue sources – ratepayers, property taxes, borrowing money or issuing bonds, and state and federal grants.

The district could raise its connection fees, but with so little construction going on, that might not amount to much.

The 127-page draft EIR and all the documents related to the proposed redevelopment area are at www.ctcip.org.

The City Council is expected to take action on all the documents in early March. Meetings will be scheduled before then to gather public input, according to Palazzo. He has spoken to the Lake Tahoe Visitors Authority board and will be at the South Lake Tahoe Lodging Association meeting Thursday at 9:30am at Tahoe Bowl.

Meetings are also scheduled for Feb. 11 at 2 and 6pm at Lake Tahoe Airport.

One of the benefits to redevelopment would be to use some of the tax increment money on improving the dilapidated Lukins Brothers Water Company. Palazzo, though, said this is not designed to be the sole source to fix the ancient infrastructure of the company whose 953 customers are mostly off Highway 89.

Lukins also services businesses at the Y and doesn't have adequate fire flow.

“We can't get new commercial in there if don't get (Lukins) upgraded,” Palazzo said.

Lukins has a franchise agreement with the city that the city hasn't managed well considering it didn't insist the company reinvest money in capital improvements.

Some city residents question having taxpayer dollars pay for upgrades to a private company. People are also questioning if the city is going to such lengths for a private business to cover itself legally so Lukins customers don't sue the city for not protecting them through the franchise agreement.

It's unknown if the city would be held responsible if a catastrophic fire occurred that Lukins water supply could not handle.

El Dorado County Board of Supervisors plans to hear from city staff at the Feb. 2 meeting.

"There's a very strong view among counties in general that redevelopment is not helpful because of the way it works with redevelopment agencies reaching in and grabbing a percentage of property tax," said Mike Applegarth, EDC senior administrative analyst. "I don't think anybody has been able to assess the overall benefits or burdens of redevelopment."

Applegarth said for the current fiscal year the county budgeted zero growth in property tax and said it is likely to go negative. This is because people are reappraising their property and it's coming back lower than what they paid, and houses are selling for less than what the previous owner paid.

He isn't sure if the board will take a position on the city's proposal.

"Tax increment financing is an obscure way to make infrastructure improvements," Applegarth said.

Deb Yates, chief financial officer with Lake Tahoe Unified School District, knows how the rules are now that the state will backfill any property tax dollars the district could lose in redevelopment. But those dollars come from the state's education pool of money, which keeps dwindling.

"We don't know in these times how the state is going to deal

with the current budget. This would certainly add a little bit to the state issues as far as education goes," Yates said.

Palazzo said the city's goal is to create a financing tool.

But is it a hammer to clubber other entities in town?

The city will try to answer that question and others in the coming weeks.