

# S. Tahoe council re-enters 'convention center' fray

By Kathryn Reed

While the South Lake Tahoe City Council has always said the convention center project is not a city project, all of a sudden the electeds want to be involved with filling in the hole.

City staff has been on the periphery as the project languished in bankruptcy for more than two years. The council, though, has not publicly been involved until now.



It's unknown if the concrete and rebar at the hole are structurally sound.

Photo/LTN file

Councilmen Hal Cole and Bruce Grego on Tuesday were appointed to an ad hoc committee with City Manager Tony O'Rourke and City Attorney Pat Enright. They have been tasked with conversing with the parties involved with the defunct project near the state line about how to get a plan together before permits expire.

Had a performance bond been required for what was supposed to be a \$410 million project, the city might not have the eyesore it has.

The July 11, 2006, Owner Participation Agreement – the contract between the city and Lake Tahoe Development Company – says, “It is typical of development projects like this one for cities/agency’s [sic] to request the participant to have performance and labor & materials bonds. This insures [sic] that the project once started will be completed. However, the developer is concerned that this will add to the overall cost of the project and point out that the agency will have no financial obligation if the convention center and public improvements are not completed. In addition, the participant’s construction lender will be monitoring the project very closely and will help assure that the project will be completed. The requirement for obtaining these bonds is not included in this agreement.”

Cole, who is a contractor by trade, told this reporter years ago there is no such thing as a performance bond. This was when he was on the council before this stint and while agreements were getting approved.

### **Market study**

Cole along with then Councilman John Upton are the only two councilmembers who are known to have seen the market study that was done in 1995 that “proved” South Lake Tahoe needed a convention center.

The document was not released to the media until last year.

This study is what the electeds based their decision on to go forward with the project at the time – a study the majority never saw. It’s a study that was commissioned by Lew Feldman, the attorney for the developer. Coopers & Lybrand out of Texas put it together.

While in many ways reporting on the study is old news, *Lake Tahoe News* is the first news source to do so.

It is important to know what has happened in the past and who was involved so perhaps history doesn't repeat itself.

It's possible the town is better off with an empty lot instead of more empty buildings. After all, no one saw the recession coming – at least no one associated with this project.

From 470 surveys of regional-state-national event planners this is what they said of the likelihood of having an event in South Lake Tahoe:

	<b>National</b>	<b>Regional</b>	<b>State</b>	<b>Corporate</b>
Definitely yes	10%	15%	22%	15%
Highly likely	4%	16%	7%	8%
Possibly	29%	20%	25%	28%
Unlikely	29%	16%	21%	20%
Definitely no	28%	33%	25%	29%
Source: <i>Coopers&amp;Lybrand</i>				

Those are some of the numbers used by city officials to say a convention center was a must-have building for South Lake Tahoe.

The study says 79 percent of the reasons entities would not choose South Lake Tahoe – like air service, gambling next door, preference of a large city – could not be overcome.

The city was supposed to have a 50-year lease to operate the convention center. This was going to be how it made money in addition to the increase in hotel and sales taxes.

But the market study says, "... the potential convention facility in South Lake Tahoe is estimated to incur an operating deficit in its fifth year of operations, the first year of stabilized operations, of approximately \$67,000 (1995 dollars). This level of operating shortfall is consistent with or slightly less than the results of similar facilities

throughout the country. Furthermore, the financial analysis assumes a significant level of spectator events held in the facility. Without the income that could be generated by such activity, the annual operating deficit could increase by up to \$250,000.”

What was released to the public and is in the report is the \$11.4 million per year that was anticipated in spending by people using the facilities – on hotel rooms, food, entertainment and transportation.

The study further states half of the dollars spent would be in California and half in Nevada.

Event organizers, according to the study, ranked room quality and size, number of rooms, and food service quality as top criteria for determining where to have a convention or meeting.

Something that was never budgeted is money to lure conventions to South Lake. But it was a component of the study.

“The marketing of conventions, trade shows and other events requires a substantial amount of time and resources,” the study says.

The South Shore doesn't have a convention bureau.

With the Reno airport being a little more than an hour away – without traffic and snow – that, too, could be an issue with potential attendees, the report says.

Had the project been completed, it was expected to compete with mid-sized state and regional facilities.

The project was sold to the public as though the center would be available for community events. The study called for 60 events (national-regional association events, corporate meetings, state association events, public shows, spectator events) that would cover 204 days. The public shows equaled

two events over seven days.

As the process went on, parking was never resolved. The project never had enough spaces to store the number of vehicles expected at the site. Harveys was going to be the place to park. But that agreement was never secured even though construction began.

The study says, "The availability of adequate parking is an important factor in accommodating local and state conventions, trade shows, public shows and certain corporate events. A relatively high percentage of attendees within the local and state event market would likely drive to a convention facility."

### **Current day issues**

Once the project emerged from bankruptcy court earlier this year the clock on the Tahoe Regional Planning Agency permit started ticking. It runs out at the end of the year. To start that process all over will be costly and time consuming; potential roadblocks to a developer.

While the 11-plus acre parcel near Harveys and Heavenly Village has sat idle for years because Lake Tahoe Development Company filed bankruptcy in 2009, the future is murky.

Randy Lane of LTDC still owns nine of the parcels. The entire project is 29 parcels because the city allowed concrete to be poured without a final parcel map on file. Sixteen have been foreclosed on, with four in the process. A notice of default has been filed on two of those four, with the sale slated for June 1 in Placerville.

Another twist to the case is the lawsuit filed late last year by Harry Segal who believes he should be a primary creditor and not secondary. That case will be heard in Placerville in El Dorado County Superior Court.

At the April 3 council meeting it was agreed the five want to have a public session with the key players at the second May meeting to hash out what can be done with the property. Cole asked for staff to provide an update on the condition of the concrete and rebar as well as details about the TRPA permit.

He said it's critical decisions are made this summer about the future of the site.

But the city doesn't own the land – which at one time with the improvements that are in place had a value of more than \$100 million – nor does it have the wherewithal to buy it. So, while the property is in the city limits, the council has as much control over getting movement on the site as it does to resolve the tenant issues at the Y.