

S. Tahoe trying to not default on parking garage

By Kathryn Reed

South Lake Tahoe is about to extend how long it will take to pay off the parking garage debt at Heavenly Village as it attempts to refinance the bonds so the overall payment is less.

It's not a straightforward transaction because the state Department of Finance is involved because the garage is in part an asset of the now-defunct city Redevelopment Agency. The garage had been owned by the city and RDA, while the land is the city's. The revenue goes to the bondholders. With the state dissolving RDAs, the successor agency is the partner with the city in owning the garage.

The original bond was for \$9 million. There are 14 years left to pay off the debt, which today is \$7.3 million. That's just the principal.



The parking garage at Heavenly Village is saddled with debt. Photo/LTN file

"It will likely have a longer life. Part of what we will try to do is not extend it any longer than is necessary even

though the rates are low," Bob Gamble told *Lake Tahoe News*. He estimates seven to 10 years will be added to the life of the bond.

Gamble works for PFM Group in San Francisco, the entity handling the refinancing of the bond. He was at last week's City Council meeting to get that group's approval to go forward. Councilwoman Brooke Laine was the lone vote against the plan. She preferred an option that would have the bond paid off sooner.

"We are trying to avoid defaulting or a general fund subsidy," Gamble told the council as to why refinancing is necessary.

In 2007, the 2001 special tax bonds were refinanced. That five-year subsidy has run its course and is creating a greater urgency to finance the main bonds.

While the interest rates will be lower, to what extent remains to be seen. The overriding need to do this is to keep from defaulting on the loan.

The garage has been in technical default since Day 1 because there was never enough income to pay the debt.

The bond payment is about \$550,000 a year. While the garage is taking in approximately \$650,000 a year, it costs about \$200,000 to manage and operate it. This means there is a gap of \$100,000.

The community facility district, better known as PADMA, is mostly responsible for that shortfall. Park Avenue Development Maintenance Association is the organization formed in 2002 to maintain Heavenly Village. The two Marriott properties pay 55 percent collectively, Heavenly Mountain Resort 20 percent, South Lake Tahoe 20 percent, Trans Sierra Investments 2.5 percent, and Cecil's 2.5 percent for the upkeep for the entire center.

However, according to the city staff report from May 7, projections are that without refinancing the bonds revenues would be short \$200,000 to pay the debt.

One day all the debt will be paid. But no one knows who will own the garage because of the dissolution of the Redevelopment Agency.

“Statewide there are a lot of those assets in that situation,” Gamble said.