The Economics of Land Use

Hearing Report

Economic Development Incentives for North Lake Tahoe Town Centers

Prepared for:

Placer County

Prepared by:

Economic & Planning Systems, Inc. (EPS) with
Joe DeCredico Studios (JDeS)

February 2015

EPS #142064

Economic & Planning Systems, Inc.
2295 Gateway Oaks Drive, Suite 250
Sacramento, CA 95833-4210
916 649 8010 tel
916 649 2070 fax

Oakland
Sacramento
Denver
Los Angeles

www.epsys.com

Table of Contents

List of Tables

List of Figures

List of Maps

Project Team

The County of Placer served as the project administrator and contracted with EPS to serve as the project manager, with JDeS providing planning and policy analysis support.

David Zehnder, EPS

Joe DeCredico, JDeS

Ellen Martin, EPS

Mark Polhemus, EPS

Jennifer Merchant, County of Placer

Paul Griffith, County of Placer

Special thanks to Walter Kieser and Ben Sigman, EPS Strategic Growth Council Project Team

Persons Interviewed

John Hester, TRPA

Shannon Eckmeyer, Esq., League to Save Lake Tahoe

Patrick Wright, CTC

Crystal Jacobsen, Placer County Planning

Richard Eiri, Placer County Public Works

Dan Dottai, Placer County Public Works

Tim Ferrell, Consultant

Sandy Hall Evans, NLTRA

Carl Hasty, TTD

David Tirman, JMA

Samir Tuma, Kila LLC

Brian Helm, Consultant

Wyatt Ogilvy, Consultant

Meea Kang, Domus Development

Dave Ferrari, Crown Resort Owner

EXECUTIVE SUMMARY

Introduction and Background

Placer County's (County) Tahoe Basin Town Centers of Tahoe City and Kings Beach have served as lakeside hubs of tourist activity for much of the last century. As the development boom of the 1950s and 1960s gave way to awareness that Lake Tahoe's fragile ecosystem and unique alpine lake environment was not only the region's key tourist attraction, but at risk of suffering irreparable damage, state and national interests aligned to create strict land use regulations to protect remaining assets and restore those that had been unintentionally damaged.

In 1987, the Tahoe Regional Planning Agency created its first Regional Plan to protect environmental resources. Since that time, significant investment of public dollars has been made in infrastructure improvements that achieve TRPA environmental standards for water quality, air quality and other threshold measurements. Placer County, together with other public partners dedicated to making environmental improvements, has allocated over $200 million in public funding toward projects that meet environmental and economic development goals, such as stream zone restoration, public gathering places, bike trails, sidewalks, transit projects and service expansion, and wayfinding signage improvements. And while that public investment provides a foundation for private sector investment interest, significant investment in new commercial properties, including tourist accommodations in the Placer County Lake Tahoe Basin Town Centers of Tahoe City and Kings Beach has not taken place for more than 50 years.

At the same time, communities located just outside the Lake Tahoe Basin have been the focus of vast investment, creating comprehensive village-style resorts that capture visitor interest and revenue, but for the most part lack full-time residential populations that provide an authentic community atmosphere. This investment phenomenon has further diverted or flattened tourism market share from the once thriving lakeside Tahoe basin communities.

Substantial reinvestment in existing Tahoe basin properties has also been limited. As the existing stock of tourist accommodations and retail venues continues to deteriorate, the communities become less and less attractive and improvements critical to protecting Lake Tahoe's environment are not realized. One of the fundamental intended outcomes of TRPA's 2012 Regional Plan is "pairing ecosystem restoration with redevelopment activities to promote mixed-use Town Centers where people can live, work, and thrive." As such, the Regional Plan allows for some code changes within Town Centers including increased coverage, density, height, transfer ratios from sensitive lands, and reduced parking, if those code changes are coupled with additional investment in environmental improvements. It is important to note that these code changes are allowed only as components of approved sub-regional "Area Plans" that meet the primary goal of ecosystem restoration. Placer County's Area Plan for Tahoe Basin Communities is currently underway. This report identifies Placer County's unique set of challenges and outlines strategies to further TRPA and Placer County's shared objectives of environmental and economic sustainability.

The County retained Economic & Planning Systems, Inc. (EPS) and Joe DeCredico Studio (JDeS) to analyze the current economic health of the Town Centers and reasons for lack of private investment to date, and to develop policy recommendations designed to stimulate the desired strategic development in its two Town Centers. It also provides an analysis of development opportunities and constraints, economic circumstances facing private investors, policy options for incentivizing desired development in the Town Centers, opportunities to form stronger partnerships with other agencies within the region, organizational changes necessary to effectively process developments, and public-private financial strategies to overcome feasibility obstacles. Together, these make up the framework for a business plan the County should develop and implement to achieve desired environmental and economic gains in the Tahoe Basin.

Key Findings and Recommendations

The following findings and recommendations are immediate action steps on which the County should focus its efforts:

- **Finding**—Alignment of the land use development process among key agencies is a critical step to realizing the redevelopment necessary to achieve desired environmental and economic sustainability in the Tahoe Basin. Disconnects and lack of process clarity between the County, TRPA, and other jurisdictional agencies has led to a protracted and "subjective" project approval process that can take between 4-5 years, regarded by many of the stakeholders interviewed as a "project killer."

- **Recommendation—Immediate**

  — The County should take responsibility to lead and manage process improvements to facilitate desired environmental redevelopment projects to a targeted timeline of about two years, including California Environmental Quality Act (CEQA) analysis and Improvement Plans.

  — A multi-agency process map is needed and should include a complete breakdown of costs and fees (e.g., coverage mitigation fees, traffic impact fees), timelines showing all agency approvals needed at each step of the process, with a focus on eliminating the need for multiple submittals or duplicate information.

  — Because of the complex nature of the existing process, at least in the in the mid-term, an expert staff member or consultant is recommended to more effectively project manage larger scale projects. This person must have an in-depth knowledge and understanding of the requirements of all of the approving agencies in the Tahoe Basin.

- **Finding**—Development risk in North Lake Tahoe is too high relative to potential investor return. The probability that returns on investments will be eliminated, interrupted, or less than projected is extremely high throughout the Lake Tahoe Basin. As a result, few private sector projects can absorb costs inherent with redevelopment in the Tahoe Basin. These high costs include land, holding costs related to the complex and protracted process, acquisition of TRPA-required commodities such as Tourist Accommodation Units (TAUs), Commercial Floor Area and Coverage, up-front fees, potential infrastructure costs such as parking, environmental improvements, and generally higher construction costs due to weather, remoteness, and a short building season.

- **Recommendation—Immediate**
  - Each project will have unique commodity requirements, but most redevelopment involving accommodations will require the acquisition of TAUs. It is recommended that Placer County immediately initiate a program to obtain, bank and make TAUs available to projects that meet desired environmental and economic objectives. Depending on project circumstances, the value of the County's contribution in this regard could possibly be recouped through any number of techniques (e.g., Transient Occupancy Tax [TOT] and/or a surcharge, overnight parking fees associated with overnight stays, and other approaches).
- **Recommendation—Mid-Term**
  - It is also recommended that Placer County continue its participation in ongoing efforts by TRPA to critically evaluate its hard and soft coverage mitigation system, including advocating for code changes that facilitate environmental redevelopment, and working with existing land banks such as the California Tahoe Conservancy to ensure availability of coverage for desired projects.
- **Finding**—Existing parking policies are outdated with regard to current California practices in mixed-use centers and further exacerbate project feasibility challenges. The region is still perceived as a "drive-up" market. This driving-based daytime economy leads to an under-representation of activity usually accompanying summer resort operations, such as high-end evening dining, entertainment, and other local activities relying on a lodging base. Creation of new lodging and mixed use commercial product in the Town Centers to encourage walking, biking, use of public transit and other activities typically seen in economically vibrant mountain communities will assist in changing this dynamic. However, code changes and improving walkability alone will not fully ameliorate the high cost of parking in the Tahoe basin. Given the scarcity of available land, structured parking is likely necessary in the Town Centers.
- **Recommendations—Immediate**
  - Shared parking, centralized parking, in-lieu fees, and peak time-of-use analysis should be given strong consideration in the forthcoming Area Plan, and mixed use parking requirements tailored specifically to future needs in the Town Centers. Work underway on the Area Plan update should be meaningful and is of high importance to ensure a more up-to-date code is implemented.
  - Public financing, such as Enhanced Investment Finance Districts (EIFD), should be further explored by the County's business plan as a step that will make development more feasible by reducing extraordinary parking-related costs borne by the private sector. This step should facilitate the successful culmination of public-private partnerships involving projects needing structured parking, which is an important feature in key infill locations, where visitors seek walkable communities and environmentally progressive design features.

Conclusion

Effecting change is difficult. Despite the demise of its redevelopment agency, the current regional regulatory and economic climate is ripe for Placer County to invest resources to make long-needed improvements and seize today's opportunity to incentivize investment in its Tahoe Basin Town Centers of Tahoe City and Kings Beach.

While the recent improvements to regional regulations have, along with some measure of economic recovery, led to investor interest in environmental restoration and redevelopment projects, the level of risk remains high in comparison to investor upside potential. Despite significant public investment in what most investors would consider important foundational infrastructure, prevailing economics, processes, and policies have failed to produce successful private investment.

Placer County must prioritize making significant improvements to its land development process within the Tahoe basin. Unless it is substantially streamlined and shortened, even leveraging TRPA incentives, banking and distributing TAUs, and improving parking opportunities, it will remain extremely challenging for infill and environmental redevelopment projects to succeed in North Tahoe's Town Centers. Concurrently, Placer County should move forward to secure Tourist Accommodation Units needed to facilitate creation of new lodging product in the Tahoe basin. Because parking has been identified as a cost impediment, modern code requirements should be put in place concurrent with area wide planning and investment in parking that will facilitate desired environmental redevelopment that attracts non-auto-centric visitation.

In order to ensure both environmental restoration of the Lake Tahoe Basin and a vibrant economic future for the Tahoe Basin Town Centers of Tahoe City and Kings Beach, Placer County must take an active lead role in breaking down process barriers and creating incentives to attract desired private investment.

1. *KEY ISSUES AND REPORT ORGANIZATION*

In Placer County, the 2012 TRPA Regional Plan identified Town Centers for both Tahoe City and Kings Beach. Those two communities are the focus of this analysis. Most importantly, in each of these communities, opportunity sites for catalyst mixed-use projects have been identified.

As used in this report, a catalyst project is a significant mixed-use project that will encourage additional redevelopment of the community in support of environmental enhancement, economic development, and community goals. Catalyst projects are most likely to be located within a set of "opportunity sites," characterized by strategic infill/redevelopment locations in the Town Centers of Tahoe City and Kings Beach. Both have sites that are antiquated and/or blighted and in need of substantial reinvestment. The strategic position of these sites makes them good prospects for stimulating additional projects once they are developed.

Issues

The recent efforts in both of these communities to upgrade infrastructure in support of capturing new tourist accommodations, upgrading retail stock, and adding new full-time residential uses have been constrained by several policy and competitive issues:

1. **Numerous policies and practices of the County significantly inhibit development in North Lake Tahoe.** In the County, there are current regulations that do not take into consideration the unique urban/rural character of the basin and project approval process that is both uncoordinated and overly complex. These include cultural aspects of County organizations and staff that has not adequately supported development in the basin, coordinated their efforts between departments and labor divisions, and has not effectively shared information.

2. **Alignment of goals and policy initiatives among key agencies is a critical step to effecting change.** The disconnect between the County, TRPA, North Tahoe Fire Protection District (Fire District), public utility districts and the various community and activist organizations in the area has led to a protracted project approval process that has even the most strident developers asking themselves why they would risk millions of dollars on a proposal that will take between 4 years and 5 years to entitle, in a jurisdiction that cannot provide a complete breakdown of either fees or timeline, generates onerous mitigation demands, and requires multiple submittals in a subjective process. Unless this process is shortened to a period of about 2 years, including California Environmental Quality Act (CEQA) analysis, development will remain "dead in the water."

3. **In many cases, project economics preclude the private sector's ability to absorb Tourist Accommodation Unit (TAU) acquisition, other commodities, and infrastructure costs.** Since all new accommodation projects will require TAUs, they are a good starting point for the County to immediately begin a program to acquire, bank and make TAUs available to catalyst projects. However, because of prohibitive project economics, few projects can absorb the simultaneous impact of TAU acquisition, up-front fees, potential infrastructure needs such as parking, and the cost of other commodities that may be needed (Coverage, Commercial Floor Area). Depending on project circumstances,

the value of the County's contributions in this regard may be recouped through any number of techniques (e.g., transient occupancy tax [TOT] and/or surcharge, parking fees associated with accommodation overnight stays and other potential approaches).

4. **Parking policies are outdated with regard to current California practices in mixed-use centers.** Although the County is examining improved parking ratios and shared parking concepts, the region is still perceived as a "drive-up" market. Changing this dynamic will require a bold approach to new development, including a strong addition of overnight accommodations to encourage walking, biking, use of public transit and other activities typically seen in successful mountain communities. Shared parking and centralized parking solutions must be tailored specifically to each community.

5. **Development in North Lake Tahoe is expensive to the point of being infeasible.** As an example, and in addition to the other inherent higher costs of developing in the Basin, structured parking spaces, which cost approximately $25,000 per space outside the Tahoe Basin, are estimated to cost between $35,000 and $70,000 per space in the Tahoe Basin. This has a devastating impact on any project seeking a compelling mix of uses in a higher density format requiring structured parking—exactly the type of project sought by targeted consumers. In addition, the short construction season and other locational factors make development in North Lake Tahoe very costly.

6. **Development rights must be viewed from a regional perspective to work properly.** In the Tahoe Basin, all development rights/mitigations are viewed and sold as commodities. The lack of central commodity banks, and a fundamental lack of buy-in or understanding that the commodities should be accessible as a basin-wide resource to incentivize redevelopment that makes environmental gains throughout the Basin and as targeted under the TRPA regional plan, makes identifying and purchasing commodities both difficult and risky. In the communities of Tahoe City and Kings Beach, which need TAUs, Commercial Floor Area (CFA),), and Coverage to make mixed-use projects work, this disconnect has amounted to a fatal flaw as far as new investment is concerned.

7. **The TRPA's current Commodity Bonus Pool policy needs to be creatively modified.** The TRPA is exploring ways of increasing the TAU bonus pool. This would allow for the possibility of having more than just one or two projects to use the bonus program in support of retiring sensitive sites.

A bold approach to remediating the above-referenced conditions can deliver successful projects. If the project approval process can be shortened and simplified and effective strategies for reducing the costs of commodities, infrastructure (such as structured parking), and mitigation fees can be found, redevelopment can be made feasible again and environmental goals will be achieved.

Organization of Report

Following this introductory chapter, a summary of economic and policy issues drawn from **Appendices A** through **E** is provided in **Chapter 2**, followed by the recommended Policy and Financial Incentive Action Plan in **Chapter 3**.

Five appendices provide supporting analysis:

- **Appendix A provides an overview of Tahoe's economic composition and key trends** and reviews the composition of hotel stock in other relevant communities to inform targets for TAUs and CFA in the County.
- **Appendix B provides an assessment, critique, and path forward for improving the regulatory environment** affecting development prospects in North Lake Tahoe.
- **Appendix C provides an evaluation of development economics** confronting development in North Lake Tahoe to inform potential business planning priorities.
- **Appendix D provides a comprehensive and detailed set of key financing mechanisms** and other strategies for infill development appropriate in the North Lake Tahoe study area.
- **Technical Appendix E illustrates fiscal benefits that can be realized in exchange for well-targeted public investment** needed to close feasibility gaps confronting mixed-use projects, the potential funding delivered by Infrastructure Financing Districts, as well as TOT-related strategies.

2. SUMMARY OF ANALYSIS

Community Economic Context: Market Failure

The regulatory climate throughout the Lake Tahoe Basin has effectively established and maintained stringent barriers to market entry. In and of itself, this is not a problematic condition: development standards and environmental practices must be held at the highest levels to maintain and improve the natural beauty and allure of the Lake Tahoe Basin. Investors and developers entering this market must do so with full awareness of these sensitivities and be prepared to "pay to play."

Clearly stated and achievable standards can maintain and even strengthen environmental protections. Governing development with transparency and predictability, with a clear and demanding set of project requirements, is superior to the present system, where the uncertainty and risk of development in North Lake Tahoe is too high relative to potential investor income. The probability that returns on investments will be eliminated, interrupted, or less than projected is extremely high throughout the Lake Tahoe Basin.

Economic barriers to entry in North Lake Tahoe are most acute at the predevelopment stage, in which projects often are financed by "the bank of friends and family" for some of the few select developers who have entered the local market. To a certain degree, the situation presents protection for those developers and related investors who have the time and inclination to work with the coalitions and evolving regulatory techniques intended to protect the lake and its environs. Unfortunately, despite valiant attempts, the market has failed to produce viable lodging next to or near North Lake Tahoe for several decades. Most of North Lake Tahoe's lodging stock was developed before 1970, with only minor improvements to existing properties occurring since that time (see **Table 1**).

Present conditions are ideal for investment from the standpoint of market recovery and public investment. Continued economic recovery is increasing room rates and rents in general, providing more strength to developer pro formas on the revenue side. At the same time, the County and other public agencies are "setting the table" for private-sector investment in Kings Beach and Tahoe City through installation of the Kings Beach Commercial Core Improvement Project and potentially the Tahoe City "Wye" reconfiguration, respectively:

- **Kings Beach.** The Kings Beach Commercial Core Improvement Project is underway, with the objective of changing the current automobile-dominated section of State Route (SR) 28 that passes through the heart of Kings Beach to a pedestrian- and bicycle-friendly corridor. The project is scheduled for completion in 2016.

- **Tahoe City.** The SR 89/Fanny Bridge Community Revitalization Project is in environmental review by the Tahoe Transportation District (TTD) and is expected to address existing traffic congestion and poor bicycle/pedestrian conditions in the Fanny Bridge area through a new state highway alignment to the west of the existing bridge. This improvement would unlock

Table 1
Tahoe Basin Town Center Investment Incentives and Business Plan
North Lake Tahoe Town Center Hotel Stock

Item	City, State	Zip Code	Open Date	Rooms
Kings Beach, CA [1]				
Crown Motel	Kings Beach, CA	96143	Jun 1956	71
Falcon Lodge	Kings Beach, CA	96143	Jun 1958	25
Big 7 Motel	Kings Beach, CA	96143	Jun 1976	22
Stevenson`s Holliday Inn	Kings Beach, CA	96143	Jun 1978	22
Sun N Sand Lodge	Kings Beach, CA	96143	Jun 1997 (Expansion)	26
Hostel Tahoe	Kings Beach, CA	96143	NA	7
Kings Beach Subtotal				**173**
Tahoe City, CA [1]				
Americas Best Value Inn Tahoe City	Tahoe City, CA	96145	Jun 1960	46
Lake Of The Sky Motor Inn	Tahoe City, CA	96145	Jun 1960	23
Pepper Tree Inn	Tahoe City, CA	96145	Dec 1970	51
Tahoe City Inn	Tahoe City, CA	96145	Jun 1991 (Expansion)	33
Mother Nature's	Tahoe City, CA	96145	NA	8
Tahoe City Subtotal				**161**
Total Kings Beach and Tahoe City Town Center Stock				**334**
Truckee, CA				
Hampton Inn Suites Tahoe Truckee	Truckee, CA	96161	Jun 1978	64
Truckee Donner Lodge	Truckee, CA	96161	Mar 1984	42
The Cedar House Sport Hotel	Truckee, CA	96161	Jun 1984	100
Donner Lake Village	Truckee, CA	96161	May 1999	64
Hotel Truckee Tahoe	Truckee, CA	96161	Jun 2005	109
Inn at Truckee	Truckee, CA	96161	May 2006	42
Ritz-Carlton Lake Tahoe	Truckee, CA	96161	Dec 2009	170
Truckee Subtotal				**591**

hotel stock

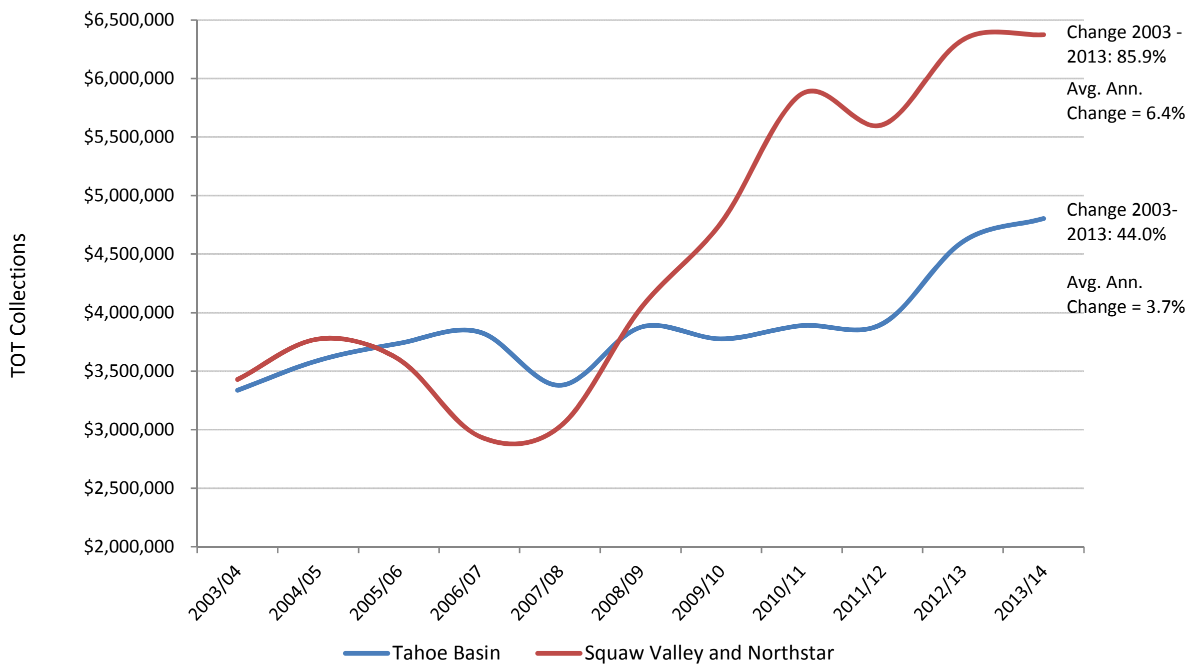
Source: STR; Placer County; EPS.

[1] Reflects units within Town Centers only. In Kings Beach, there are an estimated additional 90 units outside of Town Centers. Tahoe City includes an estimated 135 hotel rooms outside of Town Centers.

commercial development potential by resolving existing traffic congestion and hazards that limit the walkability of the Fanny Bridge district and set the stage for environmental revitalization along the Truckee River corridor.

It is well known that the periphery of the basin has grown over the last two decades to accommodate the lodging base needed to sustain a functional resort economy, primarily through projects undertaken at Squaw, Northstar, and in the Town of Truckee, because of simplified approval and environmental restrictions. This lodging base has enabled areas outside the basin to participate in the economic recovery to a greater degree than TRPA-regulated areas, as demonstrated by **Figure 1**, which shows TOT revenue generated by communities within the Basin versus key areas of growth outside the basin. TOT revenues provide an appropriate proxy measurement for other key performance metrics such as total rooms, occupancy rates, and overall visitation.

Figure 1 TOT Revenue Comparison



Given the lack of adequate viable accommodations in the North Lake Tahoe Basin, visitors must (1) camp or accept substandard lodging, (2) drive from close-in locations outside the basin (e.g., Squaw or Northstar), or (3) drive up for a day visit. This driving-based daytime economy leads to an under-representation of activity usually accompanying summer resort operations, such as high-end evening dining, entertainment, and other local activities relying on a lodging base.

Other key findings of the community context analysis include the following items:

- **The Lake Tahoe Basin is a primary tourism area in Northern California**, drawing vacationers from throughout the entire United States, as well as international visitors. The basin comprises a fragmented geography of jurisdictional boundaries, comprising portions of five counties and one incorporated city across two states.

- **The Lake Tahoe Basin will continue to be a major destination for tourism**, building on current visitation of approximately 1.6 million per year in the South Shore and approximately 3.0 million visitor days annually in the North Lake Tahoe area.

- **Future prospects for future visitation in the North Lake Tahoe area are strong.** EPS expects visitation in the North Lake Tahoe area to grow approximately 3 percent to 5 percent per year. This projection may be supported or bolstered by the successful implementation of several planned initiatives.

- **Further environmental and economic degradation of Tahoe City and Kings Beach** is occurring as tourism-related market share is lost. Lakeside development can complement and reinforce continued investment and expansion of attractions such as Northstar and Squaw Valley outside the basin to the benefit of the larger region. A two-pronged strategy of offering financial incentives in concert with regulatory refinements will facilitate the involvement of capable investors willing to commit to projects that can compete in the middle- to upper-end market place, meeting the needs of today's visitors.

- **Out-of-date product fails to address regional needs**, including the region's appropriate share of destination-oriented national and international tourists. Continuation of current drive-up trends and related severe congestion could threaten the viability of the overall Tahoe experience and may contribute to environmental degradation.

- **It is anticipated over the next 20 years that there is a need for between 300 and 500 new hotel rooms in Tahoe City and Kings Beach combined.** Some of these are likely to be replacements of existing older motel rooms. Revenue projections and other financial calculations in this report are based on the assumption a net new addition of 400 rooms will be necessary between the two communities over the next 20 years. Market conditions will require these assumptions be re-evaluated on a periodic basis.

- **The area could need between an estimated 75,000 square feet and 100,000 square feet of net new commercial floor area over the next 20 years**, assuming the net addition of 400 new rooms during this period. This estimate is based on evaluations of comparable communities and a review of projected consumer expenditure patterns.[1]

Appendix A provides an assessment of local economic conditions, including a review of current hotel stock, typical relations between hotel stock and commercial area observed in comparable communities, and analysis of local spending patterns and supportable retail.

Transfer of Development Rights Policy

- **There are more TAUs in the basin than will ever be needed.** Essentially, the constraint is liquidity. There are too many TAUs in some places and not enough in others. The geographic limitation on the transfer of commodities outside a city or a county as a consequence of jurisdictional veto power makes the process more challenging and the

[1] Note that the technical analysis presented in later sections of this report utilizes the upper end of this range for purposes of estimating associated funding sources, revenue availability and other calculations.

unpredictability inherent in the project approval process makes pre-purchasing TAUs very risky. Updating the TRPA database that identifies and stores data regarding the location of TAUs, particularly on sensitive sending sites, may be warranted to help determine the supply and location of commodities available at any given time.

- **Density bonuses involving TAUs are ineffective without a reasonable supply.** Markets typically are less efficient if supply is allowed to decline to zero. A reasonable (10-year) supply could be established by policy.

- **A larger strategy for the County's acquisition and subsequent distribution of TAUs must be developed.** The California Tahoe Conservancy and other strategic partners can help define larger strategies for making TAUs available to the County and other entities on a predictable and reliable basis. This involves the evaluation of approaches to capitalizing a revolving loan fund, with potential financial partners, including institutional entities with interest in "triple bottom line" outcomes.

- **Stabilize TDR Mechanisms and Related Commodity Markets.** The process for acquiring a TAU is arduous and time consuming—every seller has unique requirements. Building on ongoing efforts to improve the transparency of land use commodities exchange is critical in the short term, and an open and flexible approach must be taken.

Feasibility Evaluation

Appendix C provides an assessment of development economics in North Lake Tahoe. Key findings include:

- **Despite improving economic conditions, existing property and business owners have little incentive to upgrade buildings or to redevelop property.** The economic explanation for this situation is straight-forward: the value of existing uses generating even modest cash flow can exceed the prospective value of new investment. This is primarily because future revenue projections are discounted by a large factor as a result of undue project risk caused by current regulatory practices.

- **Risk derives from several sources.** Market risk factors include the economic cycle and related access to financing. In addition, local economic dynamics, weather, traffic congestion, and other concerns can affect visitation patterns. In this very difficult backdrop, high levels of uncertainty remain regarding the time and cost of obtaining project approvals for compelling, high-investment projects that promise the advent of improved lodging and related uses.

- **Investors demand clarity and certainty in the permitting and project approval cycle.** The time and cost of receiving approvals and addressing any required environmental mitigations must be predictable. The ability to prepare accurate cash flow projections is an essential component of a project's risk profile, and the inability to do so will reduce the interest level among otherwise appropriate and qualified developers interested in building quality projects.

- **Although challenging, infill development is critical to fulfilling future prospects for community development in the context of Kings Beach and Tahoe City.** Infill development is important to the structure of both communities, and the benefits of providing a community nucleus to anchor subsequent, complementary development (the "catalytic" effect) warrants the effort. Moreover, these projects are expected to generate property tax that can fund infrastructure and community facilities, as well as TOT and sales tax volumes that exceed likely public contribution to TAU acquisition, off-site infrastructure (such as parking), and other cost relief that may be necessary to allow these projects to move forward.

- **Infill development has the dual challenge of funding project commodities and demolition at the outset of the project.** While demolition and adaptation of existing infrastructure is a normal facet of infill development, the additional cost of acquiring TAUs comes out of the value of the land or developer profit. Moreover, the acquisition of such development rights comes with a steep cost (up to $70,000 per TAU but averaging about $15,000 based on recent findings) but does not provide any right to develop. As a result, private financing of TAU acquisition is a risky endeavor and typically originates from developer equity, which is a very expensive source of project funding.

- **Tahoe's cost structure is further affected by challenges of seasonality and remote location.** These factors generate an overall cost of up to $250 per square foot for basic structures,[2] not including land acquisition. Costs at this level mean any operational interruptions caused by inclement weather, severe traffic congestion, and other factors can have a substantial impact on business viability. This, in turn, affects the revenue projections associated with new development concepts, putting further pressure on the need to ensure all unnecessary constraints to development and operations are removed as soon as possible.

- **Parking costs are beyond the reach of many developers.** With costs per space substantially above the cost of the expensive Bay Area at an estimated $45,000 to $70,000 per space (depending on specific conditions and design features), it is probable that projects will need some type of outside funding to realize the benefits of mixed-use projects dependent on structured parking.

- **Innovative combinations of funding sources and techniques are needed to overcome barriers, assuming that other project approval issues are resolved.** The ability to offset TAU and parking structure costs through public private partnerships is critical. Property tax increment through Enhanced Infrastructure Finance Districts (EIFDs), TOT, and other revenues can be allocated to move critical projects forward. However, it is imperative that such actions occur quickly to capture development in the current economic cycle. As illustrated in **Appendix C**, various mixed-use prototypes are shown to be feasible where certain extraordinary costs and timelines are eliminated.

- **County fiscal benefits warrant public investment in Opportunity Area development.** Public participation in unusual cost coverage is warranted from a public policy standpoint, providing a catalyst for opportunity area investment. For example, research indicates that as strategic County involvement offsets extraordinary costs related to project approvals and parking, accommodations and other mixed use projects are capable of producing transient

[2] Includes hard and soft costs excluding land, site preparation, acquisition of commodities such as Tourist Accommodation Units, developer fee, and contingency.

occupancy tax (TOT), retail sales tax, and property tax revenue that likely exceed public contributions to projects. Public participation to offset costs should be determined on a case-by-case basis, taking into account the project's anticipated fiscal benefits.

Key Funding Sources and Techniques

In the case of North Lake Tahoe and other parts of the Tahoe Basin, one pressing financial challenge is the provision of required land use commodities to new infill projects in the Town Centers. Another, even more difficult, challenge is the cost of providing structured parking to serve higher density projects.

The analysis described above, as well as interviews with active and prospective developers indicate there are steps the County can take to assist with funding up-front costs to realize near-term development.

A comprehensive treatment of leading conventional resources is provided in **Appendix D**, and typical financial incentives available to infill and other projects in California are summarized in **Table 2**.

The following sources and techniques appear to have specific potential to help resolve the above-referenced challenges confronting projects in North Lake Tahoe.

Near-Term Sources

General Fund

The County is exploring the possibility of funding a portion of the acquisition of TAUs from a General Fund reserve. This should be used to seed initial County investment as a primary short-term source of fund capital for acquiring TAUs.

TOT Revenue

As discussed in **Appendix C**, assumed Town Center growth targets (i.e., new hotel rooms) could generate between $1.8 million to $2.1 million in net new annual TOT revenue (summarized in **Table C-3** in **Appendix C** and detailed in **Table E-1** in **Appendix E**). These estimates indicate that this revenue source is a viable and primary source of gap funding for key projects in North Lake Tahoe.

Mid-Term Sources

Property Tax Increment though EIFDs

This funding source is emerging as a leading candidate for infrastructure investment in infill settings as a direct result of the dissolution of redevelopment agencies in California. It provides a viable option for offsetting County contributions toward extraordinary capital outlays for critical facilities such as structured parking, which in many cases will be necessary to realize allowable densities under TRPA's Regional Plan Update (RPU). New legislation (Senate Bill [SB] 628) has made this a more viable funding and financing mechanism, eliminating the voter requirement to form the district and requiring just 55 percent voter approval to issue bonds.

DRAFT

Table 2
Tahoe Basin Town Center Investment Incentives and Business Plan
Funding Finance Options Matrix

Mechanism	Description	Application
Enhanced Infrastructure Financing District (EIFD)	Local agencies can establish an Enhanced Infrastructure Financing District (IFD) for a given project or geographic area of the jurisdiction. The EIFD captures incremental increases in property tax revenue from future development otherwise accruing to the county's General Fund that can be used for to finance public capital facilities or other specified projects of communitywide significance, including, but not limited to, brownfield restoration and other environmental mitigation; the development of projects on a former military base; the repayment of the transfer of funds to a military base reuse authority; the acquisition, construction, or rehabilitation of housing for persons of low and moderate income for rent or purchase; the acquisition, construction, or repair of industrial structures for private use; transit priority projects; and projects to implement a sustainable communities strategy.	Requires approval by every local taxing entity that will contribute its property tax increment and also requires 55 percent voter approval to issue bonds (landowner vote if less than 12 registered voters in jurisdiction).
Mello-Roos Community Facilities District (CFD)	Allows cities to create assessment districts and raise funds through special property taxes. Provides financing for public capital investment and operating improvements within the district through tax-exempt bonds sponsored by a public agency.	Requires a 2/3rds approval in a resident (or land owner) vote to allow CFD special taxes to be collected.
Business Improvement District (BID)	Provides a structure for business owners to pay special assessments (and/or other funds) earmarked for public improvements and services within a business district, such as street cleaning, security, and capital improvements.	County adopts a resolution to form a BID and establishes the BID through an ordinance, given property owner support.
General Fund Contributions / Dedications	A dedication of General Fund property or sales tax revenue, low interest loans, one-time contributions, and other discretionary financial contributions.	General Fund contributions are part of County's annual budget appropriations process and must be approved by the County Board (does not require voter approval).
Municipal Lease Financing	An agreement to lease a public facility, with shares in the flow of lease revenue sold as a means of generating upfront revenue for the facility.	Lease payments would come from the County's annual budget and must be approved by the County Board (does not require voter approval).
Voter-approved Tax Measures	Voters can approve parcel or sales tax increases for a specific purpose or general revenue purposes.	Requires 2/3rds voter approval for special tax and majority approval for general tax.
Disposition of Public Land / Assets	County may dispose of its property assets (through sale or ground lease)	Requires county asset appropriate for disposition and County Board approval, subject to a number of requirements.
Development Impact Fees	One-time fees charged to new development to cover "fair share" infrastructure cost needed to accommodate growth.	Approved by the County Board vote (does not require property owner approval).
Other Fees & Exactions (including "in-lieu" fees)	There are a number of other mechanisms such as project-specific fees and exactions that could be used as funding mechanisms.	These can be negotiated on a case-by-case basis (e.g., Development Agreement) or approved generally for areas within the County, subject to a number of requirements.

matrix

Source: EPS.

Local agencies can establish an EIFD for a given project or geographic area of the jurisdiction. The EIFD captures incremental increases in property tax revenue from future development otherwise accruing to the taxing entity's General Fund that can be used for financing bonded debt for project-related infrastructure. Tax increment financing may be used to fund infrastructure and other projects demonstrating communitywide benefit, pursuant to completion of an infrastructure financing plan and the agreement of the affected taxing entities. Because projects that implement a sustainable communities strategy are specifically permitted under the EIFD statute, completing the Tahoe Sustainable Communities Strategy may facilitate EIFD funding for certain projects.

This mechanism appears to be relevant particularly to the provision of parking and other costly infrastructure. However, allowable uses also include environmental mitigation. As TAU acquisition directly relates to TRPA's overall plan for TDR and restoration of sensitive habitat, a case could be made that TAU acquisition also could be funded through EIFD-related property tax increment.

California Infrastructure and Economic Development Bank

The California Infrastructure and Economic Development Bank (I-Bank) may be a viable source for relatively near-term replenishment of County TAU or other outlays, provided it can make a compelling case that other options are limited.

I-Bank provides accessible low-cost financing options to eligible applicants for a wide range of infrastructure projects through the Infrastructure State Revolving Fund (ISRF Program). ISRF Program funding is available in amounts from $50,000 to $25,000,000 with terms of up to 30 years.

Applications for loan funds are accepted on a continuous basis but are subject to fairly stringent lending criteria, including a 5-year history of stable property tax collection for land-secured debt. Other loan repayment options include Enterprise Fund Revenues, General Fund lease revenues, and other voter-approved General Fund debt.

Economic Development Administration—Economic Adjustment Assistance Program

These funds are available to create a Comprehensive Economic Development Strategy (CEDS), as well as implementation grants to support infrastructure, site preparation, rehabilitation, and other activities germane to Town Center development in North Lake Tahoe. This may be a useful supplemental or gap-funding resource to fund the implementation of business planning recommendations.

Economic Development Administration—Public Works Program

This program is intended for economically distressed communities seeking to revitalize, expand, and upgrade their physical infrastructure. Eligible improvements include infrastructure and facilities that "implement regional economic development strategies" and "enable communities to become more economically competitive and clearly lead to the creation or retention of long-term jobs." This source may have potential for improvement of marina facilities, as well as brownfield remediation in the Basin.

Longer-Term Sources

EB-5

EB-5 funds have been deployed successfully to catalyze resort development. The EB-5 program was established by the federal government to bring new investment capital into the United States and create new jobs for U.S. workers. Immigrant investors must invest at least $1 million in capital in a new commercial enterprise that creates no fewer than 10 jobs, based on $1 million in EB-5 funds invested. The investment threshold is lower for targeted employment areas—in these high unemployment areas, immigrant investors can invest $500,000, but must still demonstrate the creation of 10 jobs associated with their investment. Meeting this job creation threshold typically requires leveraging EB-5 funds with other sources of capital, often traditional private financing.

The Statewide Community Infrastructure Program

The Statewide Community Infrastructure Program (SCIP) is a program of the California Statewide Communities Development Authority that makes use of a local government's ability to create land-secured financing districts. The SCIP "pools" debt obligations to gain a comparatively lower interest rate and issuance costs (particularly if the issue is small). SCIP benefits developers because it provides low-cost, long-term financing of fees and improvements, which can otherwise entail substantial up-front cash outlays.

Funding Techniques

The following techniques may be used in strategically exploring capital sources and partnering with the private sector to deploy them.

Public Private Partnerships

To the extent the County contributes TAUs or other public assets to a development project; it can position itself as an equity partner in the project. Agreements between the County and specific developers may be developed that produce sources of repayment to the County. There are two derivatives of this Public Private Partnerships (P3) concept that may be applicable in North Lake Tahoe:

1. **TOT as a Key Incentive.** The present TOT rate in the North Lake Tahoe portion of the County is 10 percent. A 12-percent TOT could generate as much as $2.1 million additional annually, based on an increase of 400 rooms in North Tahoe. If additional resources are needed on a deal-by-deal basis, an approach to leveraging this resource includes a self-imposed TOT surcharge. Property owners would use a Development Agreement to establish a higher TOT rate imposed on a project-specific basis to compensate the County for the value of TAUs contributed. As an option, a credit against annual payment from the developer to the County could be applied.

2. **Sale-Leaseback.** Some governmental agencies/jurisdictions have raised capital by selling specific assets to one or more private-sector entities and leasing them back, thereby realizing a lump sum of working capital from the sale. Use of this approach would require investigation of what, if any, real estate assets the County owns that it might be willing to sell and lease back. If any exist, it would then require a more specific evaluation of the relative value of the asset(s), the cost and source of leaseback payments, and the recognized quantitative and qualitative benefit from the application of sales proceeds. It should be

noted that this funding tool is most often used in cases where aggressive expansion is contemplated and/or other capital resources are not readily available.

Strategic Alliances with Key Agencies

The California Tahoe Conservancy (CTC) is working to create a regional solution to the acquisition and dissemination of commodities to the benefit of its California constituents. The CTC stands to derive an estimated $15 million out of the Statewide Water Bond Initiative, approved in November 2014. This could provide vital, if limited, funding for continued acquisition of development rights and subsequent restoration efforts. Larger efforts to partner with and assist the CTC in this overall objective are recommended, particularly as continued improvement in approval processes sets the context for new categories of investors who could see the Tahoe Basin as an opportunity. For example, various institutional investors carry real estate funds partly oriented to sustainable development and may be interested in exploring this notion of "impact investing" with CTC, the County, and other entities.

Nonprofit 501(c)(3) Organization

The loss of redevelopment agencies in California can be partially mitigated by the potential use of tax increment in the form of EIFD's, as recommended elsewhere in this document. However, another advantage formerly conferred by Redevelopment was the ability to quickly and fluidly enter into public-private partnerships regarding real property disposition. The County could consider creating a nonprofit 501(c)(3) organization as an extension of County capabilities. Potential use of an Economic Development Corporation (EDC) or similar nonprofit corporation should be explored for use in Placer County's Town Center areas within the Tahoe Basin. This type of organization could be charged with not only acquisition and distribution of such commodities but also be involved in seeking other grants, low-interest or forgivable loans, and developing deal structures using a variety of funding sources and techniques. Although this approach brings the ability to coordinate public-private projects using an expanded range of revenue sources, there may also be substantial up-front time and cost implications related to the formation of the EDC and the drafting of its charter. Therefore it is recommended that the County conduct a more detailed analysis of pros and cons of EDC formation and its range of potential activities.

3. *Recommended Policy and Financial Incentive Action Plan*

This chapter is structured as a framework of options with emphasis on actions needed to resolve constraints and enhance the feasibility of beneficial projects. The following implementation actions are identified as critical to the success of developing the opportunity sites. The accompanying Implementation Matrix prioritizes immediate policy actions that will directly aid redevelopment of the primary opportunity sites, and ongoing implementation actions that will continue to aid redevelopment within Town Centers in the Commercial Corridors of Tahoe City and Kings Beach.

Policy Recommendations

Goal 1 Implementation Actions—Land Development Approval Policies

- **Create a position, and hire an expert staff member or consultant,** if necessary, to be a County advocate for the development teams on the opportunity sites, initially, and for additional future economic development. This needs to be someone who understands development in the basin and has experience with all of the approving agencies. A pre-development process is strongly suggested whereby all agencies having authority are required to attend and are prepared to give the applicant clear input regarding project requirements, costs, and timelines.

- **Focus on aligning the approval process** of the County with that of the TRPA and other jurisdictional agencies to reduce redundancy, coordinate conditions of approval, and eliminate excess fees by creating a memorandum of understanding specifically for processing the opportunity sites.

- **Generate a comprehensive fee schedule** that lists all fixed fees and mitigations and provides access to fee spreadsheets for cost of project-dependent fees such as site improvement fees and building department plan check fees.

- **Streamline and coordinate all of the Agency approval processes** with a timeline such that project information can be generated in a cohesive manner and that all agencies review planning concepts, site design, and building design simultaneously, avoiding levels of design review on some aspects of the project that are unnecessarily ahead of others.

- **Strengthen the County Web information page on development in the Lake Tahoe Basin as a One-Stop Information Center** to include a comprehensive flow chart and critical path of the project approval process, all agencies involved, submittal criteria requirements, storm water management requirements, and all associated fees and mitigations.

- **Adjust the countywide rural road and driveway engineering standards** for streets without sidewalks to reflect the urban nature of Tahoe City and Kings Beach, even though some streets do not have sidewalks.

Goal 2 Implementation Actions—Commodities Policies

- **Identify targeted sites for acquisition and retirement** with sufficient TAUs, CFA, and hard coverage to support the opportunity site needs for Tahoe City and Kings Beach. There appear to be opportunities in South Lake Tahoe, but they are tied up in existing properties that are currently being used as multi-family residential or tourist accommodations.

- **Work with TRPA to increase the available bonus pool of TAUs** via conversion of CFA to TAUs, conversion of coverage to TAUs or other mechanisms Without this in place, the cost of the TAUs on a 1-to-1 basis is very problematic and not incentivizing redevelopment to achieve environmental gains.

- **Develop TAU guidelines and process for distribution.** To the extent the County amasses a "bank" of TAUs through one or more means, create an objective approach toward pricing and application to development projects based on recognition of Town Center designation; environmental considerations, proximity to transit and supporting land uses; fiscal benefits of the project; and overall recognition of economic and societal benefits (triple bottom line).

- **Improve information resources.** Coordinate with the TRPA and the CTC to identify and organize all TAU, Coverage and CFA commodities on potential sending sites, particularly those on sensitive land, into a database.

Goal 3 Implementation Actions—Parking

- **Reduce the cost of parking** assigned to new projects by reviewing and updating parking ratios based on most recent industry practices. The analysis being conducted by LSC Transportation Consultants, Inc., for the upcoming Area Plan is based on the most recent Institute of Traffic Engineers (ITE) data and should inform these ratios, which should be continually revised as new transit options are made available.

- **Encourage and assist in the development of centralized shared parking** facilities (structured) as part of catalyst project infrastructure. As part of this recommendation, remove the requirement for mixed-use projects to calculate each use's parking requirement individually and instead allow mixed-use projects to submit parking management plans for shared parking between uses and peak times of use.

PRIORITY	RESPONSIBLE ENTITY	RECOMMENDATION
Immediate Priorities		
1	County	**Catalyst Project Support** - Accrue sufficient TAUs and CFA to support all catalyst projects and eliminate competition between these projects.
1A	County/TRPA	**Increase TAU Bonus Pool** - Engage the TRPA in a process to increase the TAU Bonus pool and further eliminate competition between catalyst projects.
2	County/TRPA/Fire District/NTPUD	**Entitlement Process** - Create a pilot approval program with the TRPA and other agencies to align and simplify the project approval process so as to reduce the entitlement timeline to 2 years maximum.
2A	County	**Entitlement Advocate** - Create a pilot approach for the catalyst projects to have one County employee operate as a single point of contact for all agency reviews and to act as project advocate for the developpment team.
3	County	**Area Plan** - Commit to an efficient completion of the Area Plans and EIRs.
4	County	**Parking** - Adjust the parking requirements for the Catalyst projects to support mixed use and shared parking strategies in Tahoe City and Kings Beach as a pilot prior to overall county adoption.
4A	County	**Rural Engineering Standards** - Revise the County engineering requirements so as to not require TC and KB roads without sidewalks to conform to rural road standards.
5	County/TRPA/Fire District/NTPUD	**Fee Transparency** - Work with the TRPA and other agencies to identify all fixed fees, and provide a worksheet for all variable fees and provide this information on the website.
5A	County	**Fee Deferral/Forgiveness** - Evaluate the potential to defer or forgive front end fees on catalyst project development submittals as a means of lessening the impact of front end project costs.
6	County	**Public/Private Partnership** - Identify feasible near term partnership opportunities the County can utilize to increase the viability of projects that are financially beneficial to the communities, and the county.
Ongoing Priorities		
	County	**Public Parking** - The County should actively look for opportunities to consolidate parking within the Basin in centrally located structures and greatly reduce or eliminate the parking burden on small commercial development in the town centers.
	County/TRPA/Fire District/NTPUD	**Entitlement Advocate** - Pending successful pilot program, evaluate internal candidates along with external candidates and develop an approach to either train county staff or hire a consultant that is well versed with all agency requirements to act as project advocates.
	County/Fire District/NTPUD	**Remove Subjectivity** - Critically evaluate County design and engineering standards and guidelines to remove subjectivity and overly onerous requirements and generate predictability and transparency.
	County/TRPA/Conservency	**Commodity Identification** - Identify all commodities within the County on environmentally sensitive lands and blighted properties and create a database available to the public.

Ongoing Priorities (Cont.)		
	County	**Commodity Distribution** - Develop a larger strategy for distribution of Commodities by the County. Establish environmental, financial, and community character goals above those required for a project and potentially create a scoring system (similar to LEED?).
	County/TRPA/Conservancy	**Modify Mitigation Fees** providing disincentive to business upgrades (e.g., Excess Coverage Mitigation Fee). Work with the TRPA and the Conservancy to eliminate or modify mitigation fees on approved receiving sites within the Town Centers to encourage the transfer of coverage from sensitive sending sites.
	County/TRPA/Fire District/NTPUD	**Continue to align entitlement** - Continue to align the policies and entitlement processes of the agencies to encourage other redevelopment projects that enhance the environment, meet economic development goals, and support the goals of the Area Plan.
	County	**Consolidate and enhance web based information** - Upgrade the County web based information to include commodity information, entitlement information, links to other appproving agencies, fees, forms, plans and additional information to assist appropriate dedevelopment projects.

Recommended Financial Strategies

The County is evaluating the acquisition of several properties for their commodities. At this time, the County has several interested developers in various stages of predevelopment on key opportunity sites in Tahoe City and Kings Beach. The following approach is recommended for consideration as a high-level series of business planning concepts:

1. **Secure initial catalyst projects.** Work with property owners and interested partners in Tahoe City and Kings Beach to evaluate development economics and determine public-private deal points. These are some specific actions that fall under this category:

    A. **Qualify catalyst projects eligible for TAU and other funding assistance** using fiscal and regional economic benefit and other criteria (e.g., SB 375).[3]

    B. **Provide assistance in calculating fees** (County, TRPA, PUD, others, including all mitigation fees and connection charges) and navigating the project approval process. Developers are expending tremendous resources and are still unable to derive reliable projections of fees, connection charges, and mitigation payments confronting their projects.

    C. **Collaborate to understand specific development economics.** Work with developers to review specific issues related to project approval process, front-end costs, and other factors.

[3] Examples might include net fiscal surplus to the County or other criteria to be determined.

D. **Reduce overall cost structure** with emphasis on offsetting structured parking costs (where applicable), offsetting TAU and other commodity costs, and otherwise consolidating the project approval processing time:

i. **Offset TAU costs**, as warranted by development economics on a case-by-case basis. As discussed in this report, a very strong case can be made that the contribution of lodging boosts economic performance far eclipsing this and potentially other exorbitant front-end costs. Sources or techniques for this may include:

a. If politically feasible and warranted by public revenues created by a project, consider seed or continued funding out of County General Fund TOT or an allocation of any planned TOT increase.

b. Consider waiving County permit fees up to an amount equivalent to TAU costs (if TAUs are funded by developer).

c. If required as a public policy stance, fund TAUs as an equity injection.. Craft deal provisions with developer (e.g., enact self-imposed TOT increase) for specific catalyst projects.

ii. **Offset structured parking costs**, again as warranted by independent review of development feasibility. Sources or techniques for this may include:

a. Adopt reduced parking ratios and shared parking concepts, based on industry best practices, as well as a local commitment to enhanced transit options.

b. Conduct initial due diligence on I-Bank and EIFD instruments, including EIFD financing plan inclusive of fiscal analysis to ensure sufficient public revenues to fund public services if property taxes are diverted to EIFD.

c. Evaluate plausibility of covering any fiscal shortfalls through fiscal mitigation measures, including Business Improvement Districts (BIDs). This will require providing projections showing broad-based benefits to merchants and other business owners as a result of opportunity site development in both communities.

d. Assemble initial funding sources including I-Bank loan, augmented by sale-leaseback proceeds (pursuant to further County evaluations of candidate assets) and any General Fund or enterprise fund loans.

e. Redirect the County's North Lake Tahoe-based TOT and/or sales tax to fund lease payments resulting from sale-leaseback approach.

f. Create a single EIFD covering Tahoe City and Kings Beach.

g. As development adds to the lodging base and begins generating assessed value (AV), "take out" initial funding sources through the issuance of EIFD bonds.

h. As AV base continues to grow, subsequent tranches of EIFD debt may be issued for subsequent project assistance, including other infrastructure or commodity acquisition.

E. **Develop public-private deal structure** term sheets with initial catalyst project developers in light of specific project characteristics. Negotiate deal provisions and establish development agreement (DA)[4] regarding specific project approval and financing issues. Identify, as appropriate, terms of repayment for injection of County equity.

F. **Pursue all applicable planning and capital improvement grants** as described previously in the discussion of primary funding resources.

2. **Initiate long-term strategy to secure, bank, and disseminate needed development commodities based on short- and medium-term development expectations.** As discussed, the County has the need to acquire additional TAUs. Specific actions, some of which can be addressed on parallel bases, include:

A. **Conduct a focused market assessment/ update** as part of business planning process to refine development targets and to update and refine estimated vertical development feasibility in preparation for participation in potential public-private partnerships.

B. **Pursue regional coordination** with TRPA, South Lake Tahoe, CTC, and other organizations to establish the ability to transfer TAUs between jurisdictions and to discuss alignment of interests in the regional approach to public-private partnerships with a goal of identifying a path to greater investment certainty and engagement of potential outside investment interests. Specifically, join forces to lobby for major allocation of State Cap and Trade funding to implement the Tahoe Sustainable Communities Strategy.

C. **Determine initial and longer term County organizational structure**, capabilities, and capacity for TAU acquisition and dissemination, and public-private deal structuring. Counties are adept at regulating and providing public services, but some separation from P3 financial transactions may be warranted because these activities may be outside the County's normal realm. While running these initiatives under the County's auspices may be the most practical short-term approach, the County should review its organization to gain a better understanding of its internal capabilities and productive capacity.

D. **Initiate a feasibility analysis for a separate legal entity**, such as an EDC, to assemble all manner of financial resources and carry out public-private partnerships. Key initial issues and steps include:

i. **Scope of organization** (conduct case-study research on Civic San Diego and other leading examples). EDCs, and similar entities typically secure financing, funding, and attract private investment to secure mixed-use and commercial development

---

[4] A DA is a legally binding agreement between a local government and developer authorized by State statute (Government Code Section 65864 et. seq.). A DA is a means for a developer to secure a development land development approvals for a particular development project for an agreed-on period (often long-term approvals) in exchange for special considerations for the County, generally including infrastructure improvements or amenities or other community benefits that cannot be obtained through the normal conditions applicable to the project. DAs are entirely discretionary on the part of local government (there is no nexus requirement) and must be individually adopted by local ordinance.

projects, typically under Section 501(c) (3) of the California Corporations Code. This entity also may be used to perform ongoing property management.

ii. **Evaluation of legal and timing** aspects for establishing the entity.

iii. **Determine budget** and funding approach/sources.

iv. **Initiate formation process (as warranted).** Incorporate, create a business plan, create a board of directors, obtain insurance, obtain tax-exempt status, set up bank accounts, establish audit protocol, etc. Board of Supervisors may appoint board and may sit on board as defined by articles of incorporation.

E. **Identify seed capital replenishment sources** with candidates including:

i. **County General Fund** seed funding continuation (e.g., forgivable long-term loans from North Tahoe TOT reserve).

ii. **Conduct outside investor outreach** to specify timing outlook and other steps necessary to secure equity capital, grants, low-interest loans, philanthropic sources, naming rights potential, and other sources of outside funding.

3. **Longer Term Considerations:**

A. **Consider metered street parking** (smart cards/other current technology) to push demand to paid garages.

B. **EIFD Augmentation**—support SGC recommendation to augment Assembly Bill (AB) 8 property tax allocation with Educational Revenue Augmentation Fund (ERAF) allocation to increase bonding capacity.

C. **Evaluate potential to finance permits, impact fees, and mitigation fees** through SCIP, allowing front-end costs to be spread out over as many as 30 years.

D. **Consider TOT increase to 12 percent** in North Lake Tahoe, with objective of capturing large portion of increase to fund fiscal mitigation for EIFD property tax diversion (as necessary and appropriate).

APPENDICES:

Appendix A:	Community Economic Context and Resort Hotel/Lodging Composition Support Tables
Appendix B:	Regulatory Analysis
Appendix C:	Feasibility Analysis and Tables
Appendix D:	Funding Sources Detail
Appendix E:	Supporting TOT, Sales Tax, and IFD Analysis

APPENDIX A:

Community Economic Context and Resort Hotel/Lodging Composition

Appendix A: Community Economic Context and Resort Hotel/Lodging Composition

The economic context of this report is drawn from the "North Tahoe Community Plan Existing Conditions Report," 2013, which includes an economic background analysis by EPS and is hereby incorporated by reference, as is EPS's earlier work in 2006 ("Economic and Redevelopment Strategies for Tahoe City and Kings Beach"), analyzing the economic composition of North Lake Tahoe and strategies for economic improvement. In addition, the recent analysis of the economic impacts of the planned SR 89/SR 28 intersection reconfiguration on the Tahoe City community is referenced.[5]

Consumer Market: Target Demographic and Changing Dynamics

These are key findings from the 2013 EPS report "Market Study for the Bay to Tahoe Basin Recreation and Tourism Travel Impact Study":

- **The Lake Tahoe Basin is a primary tourism area in Northern California**, drawing vacationers from throughout the entire United States, as well as international visitors. The basin comprises a fragmented geography of jurisdictional boundaries, including portions of five counties and one incorporated city across two states.

- **The Lake Tahoe Basin will continue to be a major destination for tourism**, building on current visitation of approximately 1.6 million per year in the South Shore and approximately 3.0 million visitor days annually in the North Lake Tahoe area.

- **Future prospects for visitation in the North Lake Tahoe area are strong.** EPS expects visitation in the North Lake Tahoe area to grow at a rate of approximately 3 to 5 percent per year. This projection may be supported or bolstered by the successful implementation of several planned initiatives.

- **Summer-related amenities and activities are the primary keys to success in the basin**, with adjoining resort areas just outside the basin serving as key drivers of the winter economy, providing an important secondary season in the basin. The resorts outside the basin are actively expanding summer activities as a response to overall industry trends and augmented by the 2011 passage of the Ski Area Recreational Opportunity Act that allows expanded recreational options throughout the year. Several Tahoe-area ski resorts are planning or constructing new summer-time attractions such as rock climbing courses, zip-lines, mountain biking terrain, and more, which likely will help drive additional visitation to these areas.

---

[5] Economic Analysis of the State Route 89/Fanny Bridge Community Revitalization Project, EPS, May 2014.

These trends show that communities in the basin need to expand lodging to maintain market share, as the overall tourism economy continues to expand.

North Lake Tahoe

The North Lake Tahoe area is a popular visitor destination that consists of a variety of small communities spanning from the Tahoma area on the west shore of the lake, up to Tahoe City and Squaw Valley/Alpine Meadows resort, and east over to Kings Beach and the Incline Village community on the Nevada side of the state line. The North Lake Tahoe Region comprises several unincorporated communities in Placer and Washoe Counties, including Tahoe City, Kings Beach, Homewood, and Olympic Valley. The North Lake Tahoe area in the Tahoe Basin is home to approximately 12,500 residents, as shown in **Table A-1**. This permanent population base has been shrinking for many years and declined by 17 percent between 2000 and 2010.

Table A-1
Population Trends in Tahoe City, Kings Beach, and Surrounding Areas

Item	2000 Population	2010 Population	Percent Change
Tahoe Basin Communities			
Carnelian Bay	1,928	1,170	(39%)
Dollar Point	1,539	1,215	(21%)
Tahoe City	**3,997**	**3,161**	**(21%)**
Tahoma	1,282	1,037	(19%)
Homewood	840	744	(11%)
Kings Beach	**4,802**	**4,414**	**(8%)**
Tahoe Vista	669	788	18%
Subtotal	**15,057**	**12,529**	**(17%)**

community pop

Source: Placer County; TBCP Background Report dated April 23, 2013; EPS.

There also is a strong contingent of "absentee" home owners in the North Lake Tahoe area, who live elsewhere but use homes owned in North Lake Tahoe on an occasional basis for recreational or vacation purposes. As shown in **Table A-2**, more than 65 percent of North Lake Tahoe residences are used as vacation homes or second homes.

Table A-2
Absentee Ownership of Residential Units, 2012

Community	Owner Occupied	Absentee Owner	Total Units	Percent Absentee
Carnelian Bay	2,932	3,127	6,059	52%
Homewood	125	933	1,058	88%
Kings Beach	**421**	**1,623**	**2,044**	**79%**
Olympic Valley	267	1,579	1,846	86%
Tahoe City	**4,202**	**7,586**	**11,788**	**64%**
Tahoe Vista	145	642	787	82%
Tahoma	31	153	184	83%
Total	**8,123**	**15,643**	**23,766**	**66%**

absentee

Source: DRAFT Economic Significance of Travel to the North Lake Tahoe Area, prepared by Dean Runyan Associates, 2013

Tourism Profile

Tourism is the primary economic driver of the North Lake Tahoe area, which experiences approximately 3.1 million visitor nights per year (not including Incline Village or other communities on the Nevada side).[6]

Most visitors to the area come from the "drive-up" markets of the Sacramento/Central Valley and San Francisco Bay Area. Southern California residents also are a sizable market segment, which has great promise for future growth. Tourism businesses and marketing organizations are working to enhance North Lake Tahoe's appeal to destination visitors from across the United States, as well as from international markets. Recently, the North Lake Tahoe Resort Association enhanced its marketing efforts to these markets and is reportedly gaining some traction. A visitor survey administered in the summer of 2012 indicated 21 percent of visitors came from the San Francisco-Oakland/San Jose metropolitan area, 12 percent were international visitors, 10 percent came from Los Angeles, and 8 percent came from the Sacramento-Stockton, Modesto

[6] The Economic Significance of Travel to the North Lake Tahoe area, DRAFT report, September 2013, Dean Runyan Associates.

metropolitan area.[7] The balance of visitors (49 percent) originated from a variety of other places throughout California and the nation.

According to Dean Runyan Associates, approximately 42 percent of the trips to the North Lake Tahoe area are from those that are traveling just for the day (and not staying overnight). However, Dean Runyan Associates also reports that just 14 percent of the spending to the North Lake Tahoe area comes from these day travelers, while the remaining 86 percent comes from overnight travelers who are staying at a variety of accommodations types.

Older clientele, including many boaters, seem to prefer the summer season in North Lake Tahoe, according to local stakeholders interviewed. European and Asian tourists typically prefer the late summer. Overall, younger tourists appear to be more likely to depend on transit.

Special Events

Special events are a large driver of visitation in North Lake Tahoe, and the area has been successful in attracting many popular events such as the Ironman Triathlon, Tough Mudder, and Amgen Tour of California. These events have helped to fill hotel rooms and attract visitor spending—often during the "lean" shoulder months of the spring and fall. The athletic events especially have been beneficial to the local area because they fit well within the local culture, are popular with visitors and locals alike, and tend to foster "multiple" visits from competitors as they seek to conduct their training in the high-altitude environment the region offers.

Tourism Performance

Figure A-1 shows visitor spending performance in the Tahoe Basin portion of the County over time.[8] As shown, visitor spending has been slowly and steadily growing over the past 10 years at an average annual rate of 4 percent. This constant growth is quite remarkable, considering major declines in spending and economic activity associated with the Great Recession beginning in 2007, and points to the North Lake Tahoe area's popularity, strength, and resiliency as a visitor destination.

Hotel occupancy rates are another metric demonstrating fairly robust tourism performance in North Lake Tahoe. Occupancy rates in the Tahoe City and Kings Beach areas have seen substantial, strengthening on a year-over-year basis from 2012 to 2014. Despite antiquated and limited lodging stock, occupancy rates reach levels generally considered healthy for the hospitality industry and, in some cases, well exceed sustainable thresholds.

---

[7] North Lake Tahoe Visitor Survey, Summer 2012, RRC Associates.

[8] It should be noted that **Figure A-1** does not include the visitor spending from other important tourism areas in the "region," such as Truckee, Incline Village, or other areas outside the Tahoe Basin portion of the County.

Figure A-1
Total Annual Travel Expenditure, North Lake Tahoe (millions)

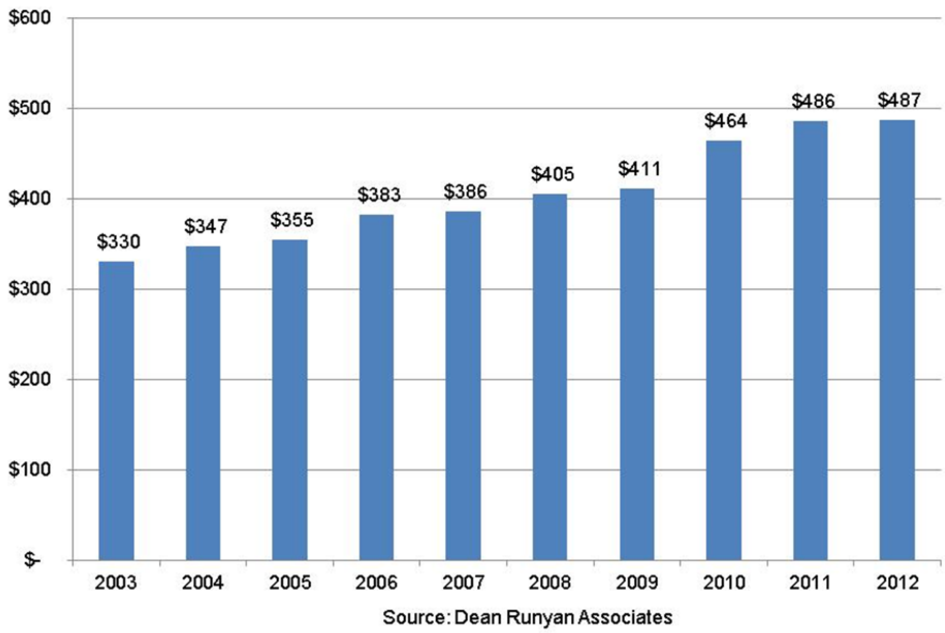


Table A-3
North Lake Tahoe Hotel Occupancy Rates

Item	Hotel Occupancy Rates		
	2012 [1]	2013	2014 [2]
Tahoe City & West Shore	57%	65%	69%
Tahoe Vista, King's Beach & Incline Village	70%	78%	81%
Squaw Valley	73%	70%	73%
Other Vacation Rentals	36%	52%	52%
Total	**59%**	**66%**	**69%**

barometer

Source: North Lake Tahoe Resort Association; EPS.

[1] Only records data from February 2012 through December 2012.
[2] Only records data from January 2014 through August 2014.

Overall Tourism Assessment

Overall, tourism and visitation to the North Shore is very strong. As shown in **Figure A-1** above, visitor spending has been growing steadily, even during the very difficult economic period associated with the Great Recession, when most tourism-oriented communities were seeing substantial declines in visitor spending:

- Visitor spending in the North Lake Tahoe area has grown at a rate of 4 percent per year from 2003 to 2012.
- EPS expects future increases in visitor spending will be similar to previous rates, and growth in visitor spending likely will range between 3 and 5 percent per year.
- Changes to North Lake Tahoe, such as development of newer lodging product and associated commercial uses, may affect its competitive position for future visitation. These changes could facilitate a "spike" in annual visitation, which could range from 5- to 7-percent growth per year.

The robust North Lake Tahoe tourist market suggests that sufficient latent demand exists for new accommodations and commercial real estate products. Based on the findings documented above, the addition of lodging or other commercial uses in North Lake Tahoe's Town Centers is unlikely to substantially shift demand from other Tahoe Basin communities. Instead, new lodging product likely will attract more visitors, bolstering overnight visitation and associated restaurant, retail, and other spending on amenities in North Lake Tahoe area, generating the revenue that will be necessary to realize environmental gains.

This assessment is based on the assumption that no major economic "shocks" occur or other significant threats to visitation materialize that have a marked impact on future tourism performance.

Local Development Conditions

According to the County's Tahoe Basin Community Plan Policy Document, the majority of development in the Tahoe Region occurred before adoption of the 1987 Regional Plan:

- Of the existing approximately 47,000 residential units, only roughly 6,500 (14 percent) were constructed after adoption of the 1987 Regional Plan.
- Commercial development is estimated to total around 6.4 million square feet, of which only slightly more than 400,000 square feet (6 percent) was constructed under the 1987 Regional Plan.
- Only 58 new tourist accommodation units have been developed, out of a total of nearly 12,400 tourist accommodation units.

The 2012 TRPA Regional Plan Update prioritizes redevelopment of existing Town Centers at higher intensities than exist in other areas of the region.[9] To evaluate the environment for Town Center development, and as an initial step in the business plan development, an opportunities and constraints matrix has been developed to introduce key dynamics in the region as they pertain to recommended investment incentives and business planning. **Figure A-2** presents an overview of existing conditions and issues germane to Kings Beach and Tahoe City.

Significant and ongoing public investments in Tahoe City (SR 89/Fanny Bridge) and Kings Beach (Commercial Core Improvement Project) are improving the private investment environment, but other constraints and liabilities continue to negatively impact the investment risk profile. In particular, the Tahoe City market would benefit from the creation of a new district near Fanny Bridge, which would provide an unparalleled opportunity to add community amenities (e.g., ice skating, riverwalk village-oriented retail, other accessible winter activities) that will complement the existing healthy tourist economy.

Kings Beach, to a greater extent than Tahoe City, needs additional recreational draws and other amenities to bolster local visitation. Lodging stock in both communities is severely underrepresented, and most of the hotel stock is decades old. Robust tourism and visitation metrics suggest there is a market for new hotel investments, which also would drive additional retail and other commercial development. As evidenced by the dearth of new investment since adoption of the 1987 Regional Plan, an overly complex project approval/TDR process and the informal market for TAUs are the key elements creating excessive uncertainty and risk that restricts further new development.

Prospective Development Targets in North Lake Tahoe

Incentivizing Town Center development in Tahoe City and Kings Beach requires development targets that take into consideration (among other factors) market demand, existing site capacity, and typical and ideal composition of resort communities. EPS has evaluated these key considerations in the context of the North Lake Tahoe development environment to evaluate and determine appropriate targets for lodging and ancillary commercial space in the Town Centers.

Visitation Trends and Market Share

As discussed previously, visitation to North Lake Tahoe is healthy and has continued to grow at a respectable pace, despite the recent travails of the Great Recession. Tourism in North Lake Tahoe and the wider Lake Tahoe Region has outperformed the State of California (State) as a whole, even despite lodging stock limitation and the lack of other amenities previously documented. Market demand for new lodging stock and associated commercial development therefore exists and likely would contribute to increased levels of visitation by accessing new market segments and expanding the overall appeal of travel to North Lake Tahoe. The ability to accommodate additional lodging units will be the primary driver of new CFA because it is the hotel uses that create the main source of additional retail and restaurant demand.

---

[9] Placer County Tahoe Basin Community Plan, Policy Document, Public Draft, May 2014, Dyett & Bhatia.

Figure A-2 Initial Opportunities and Constraints Matrix

Opportunities / Assets	Constraints / Liabilities
North Tahoe Basin	
TRPA Regional Plan update Evolving visitor mix Planned transportation initiatives Evidence of increasing private sector investment North Tahoe Community Plan NLTRA/events/tourism infrastructure	Density bonus/TDR complexity Informal market for TAUs Lack of transit and transportation options Lack of modern lodging product Absentee landlords - commercial property Underutilized second home inventory Competition from out-of-basin resorts Lack of local housing for resort/retail labor force
Tahoe City	
89 Realignment/Fanny Bridge District Henrikson and adjacent sites Golf course Waterfront park and marina Mackinaw Corridor Support from West Shore Nearby investments (Homewood) Public support/interest in place making	SB 89 Congestion from West Shore Limitations on US Forest Service land along Truckee River Chaos/confusion at present "Y" (lack of ped/bike safety) Ped crossings on 28 Lack of infill/attached housing
Kings Beach	
Commercial Core Project Consolidated development sites Strengthening economic context New affordable housing (dispersed) State Beach/Conference Center Affordable commercial rents (relative measure) Prospects for localized investments Broad cross-section of visitors Authentic community with full time residents	Remaining blight/stigma Unmet affordable housing demand Deferred maintenance (linkage to risk/revenue profile) Infrastructure location/sizing Lack of upper-end visitor appeal

Opportunity Sites and Estimated Site Capacity

Several opportunity sites have been identified as having the locational and other attributes needed to catalyze the market in the Town Center designations in Kings Beach and Tahoe City as shown in **Map A-1** and **Map A-2**. In Kings Beach, the Community Plan Public Workshops identified six opportunity sites:

- **The Kings Beach Center**, a multi-parcel bounded by SR 28 to the south, Fox and Coon Streets to the east and west, and straddling Salmon Street, represents a major opportunity to create a mixed-use, town center development on non-sensitive lands. The amalgamated sites have the capacity to develop a mixed-use project concept from 80 to 110 TAUs and 30,000 to 50,000 square feet of commercial/office/retail space, incorporating both surface parking and a parking structure.

- **The Ferrari Family Land Holdings** are a collection of antiquated motor lodges along the lake front and on the land side of the lake totaling more than 120 TAUs, complemented by a small amount of CFA and approximately 28 residential units. Over the past decade, the Ferrari Family has been actively trying to redevelop the land in several configurations. These properties represent a significant opportunity to create both a dynamic lakefront resort and generate town center housing units.

- **Central Beach Area.** Perhaps the greatest asset in Kings Beach is its beautiful central beach. Flanked on one side by an underutilized Event Center and on the other by a state park linking to the Kings Beach Center opportunity site, this long stretch of land is home to several restaurants and small retail businesses. Two significant opportunities exist for this site:

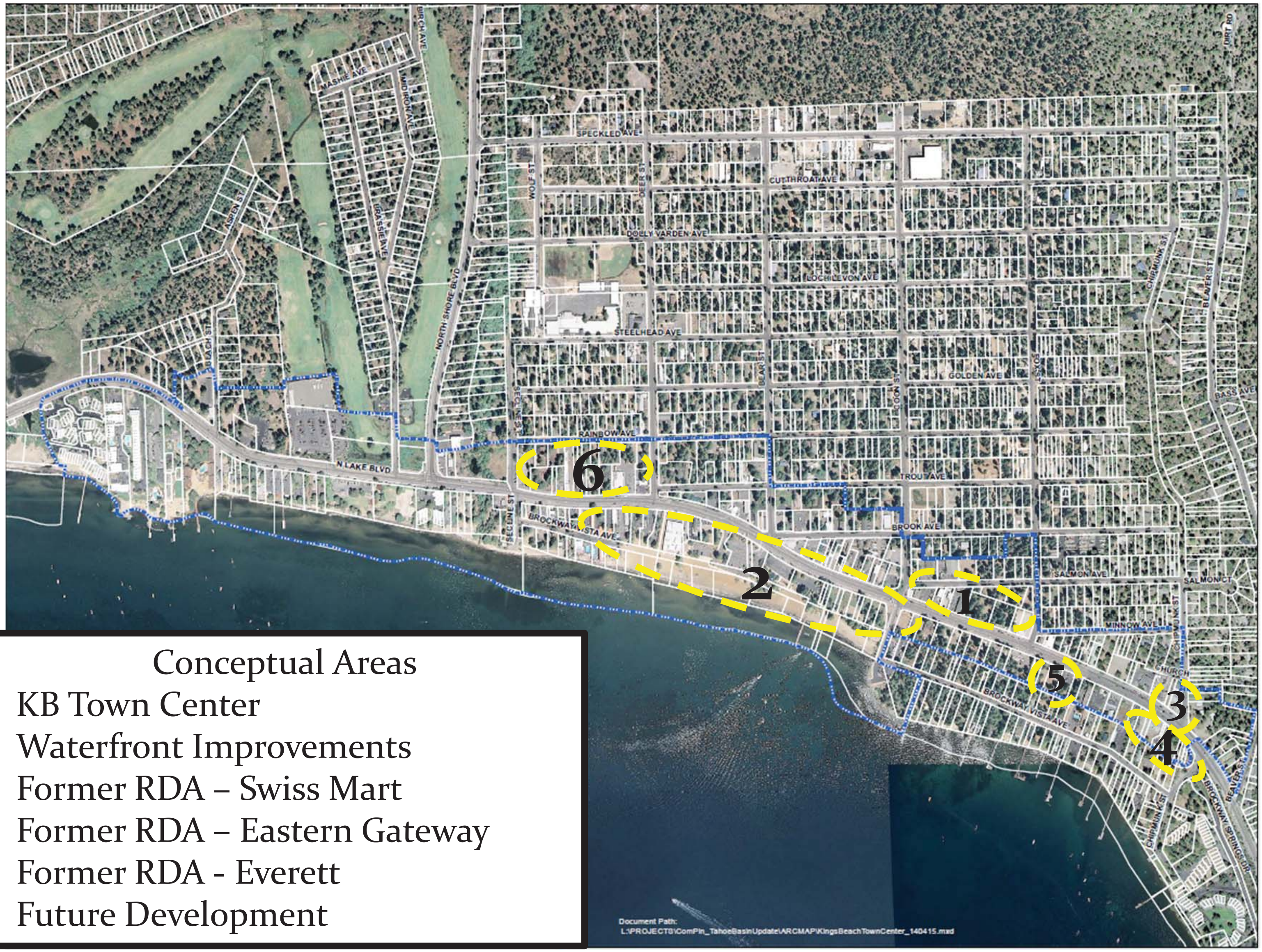
  — Construction of a new pier for both a water taxi and private watercraft.

  — Development of a modern and well-planned conference center complex.

- **Eastern Kings Beach.** There are 3 smaller sites at the eastern edge of Kings Beach that were assets of the former redevelopment agency. The properties are known as Swiss Mart, Everett, and the Eastern Gateway. Together or individually, they have the capability to be redeveloped as commercial properties. Under a shared parking scenario, and with transferred TAUs or residential units, they also have the opportunity to become small residential or tourist properties.

Map A-1

Potential Kings Beach Opportunity Sites

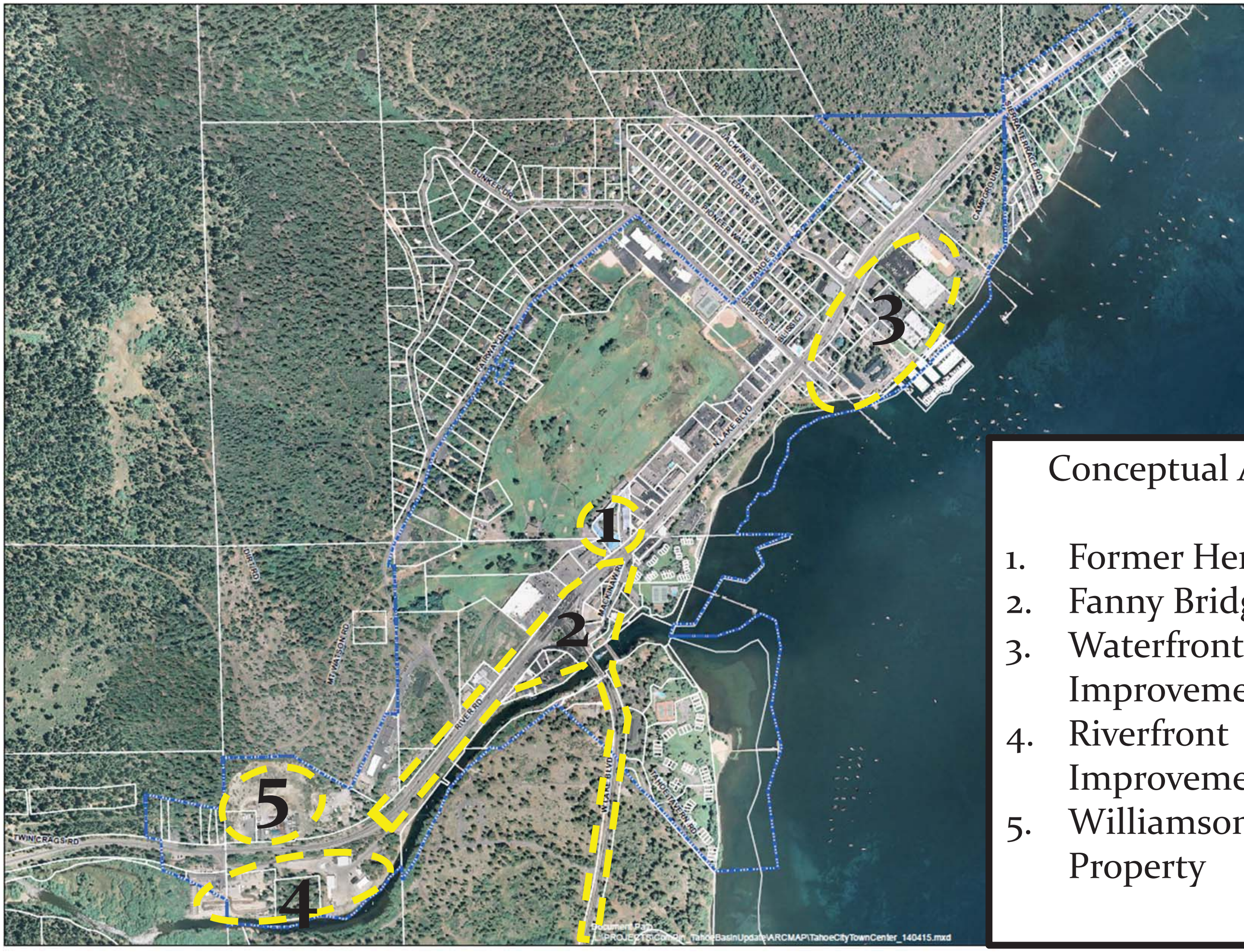


Conceptual Areas

1. KB Town Center
2. Waterfront Improvements
3. Former RDA – Swiss Mart
4. Former RDA – Eastern Gateway
5. Former RDA - Everett
6. Future Development

Map A-2

Potential Tahoe City Opportunity Sites



Conceptual Areas

1. Former Henrikson
2. Fanny Bridge
3. Waterfront Improvements
4. Riverfront Improvements
5. Williamson Property

In Tahoe City, the Community Plan Public Workshops also identified opportunity sites:

- The dilapidated former resort known as the **Henrikson Property** has the capacity to become a new Town Center project with accommodations and supporting ground floor retail space. The 1.4-acre site backs up to the Tahoe City Golf Course, presenting an opportunity to transfer coverage from the environmentally sensitive golf course.

- Although not an "opportunity site" in the sense of redevelopment, the **Tahoe City Golf Course** is an important asset for the community. The opportunity to have it be a sending site to potential opportunity sites by retiring coverage from the golf course presents possibilities to enhance both the environment and the golfing and winter sports experience.

- The realignment of SR 89 opens several possibilities for the **Fanny Bridge** opportunity site. With the potential for new roundabouts and SR 89 configuration, the area has the potential to become the Tahoe City gateway, greatly enhancing the resort/retail experience for visitors. This opportunity looks to be one of incremental transformation because there are numerous parcels and owners.

- The properties surrounding the area on **Map A-2** referred to as **Waterfront Improvements** present several opportunities to create a vibrant mixed-use and recreational area centered on a second Tahoe City hotel. Because the existing uses primarily are commercial and parking, TAUs will need to be secured and transferred to the site, but the size and existing coverage of the site will support the proposed use, parking, and at least the current amount of commercial and retail space.

- Other opportunities may exist for public improvements related to the **Riverfront Improvements** and the **Williamson Project**. At this time, however, little is known regarding development possibilities or capacities for these areas. Future efforts should focus on establishing estimated land use capacities and potential configurations for these sites.

Hotel Room Profile—Example Resort Communities

To help inform the designation of investment targets, a cross-sectional survey of mountain resort communities was conducted, noting the type and amount of hotel accommodations in the area and how evolving hotel formats respond to tourist preferences. The following section provides observations regarding these factors in a variety of resort communities in the Western United States. EPS has examined a wide range of resort communities to evaluate the type and number of accommodations in settings not affected by the TRPA overlay. Communities surveyed include Truckee, California; Jackson Hole, Wyoming; McCall, Idaho; Healdsburg, California; Mammoth, California; and Breckenridge, Colorado:

- **Healdsburg, California**, is a Sonoma County town that is highly renowned for its wine, fine food, and art gallery offerings. Centrally located to more than 100 world class wineries and tasting rooms, the town has become a close destination for many Bay Area and surrounding Northern California residents. The Town of Healdsburg features more than 300 hotel rooms and dozens of bed and breakfast inns in the surrounding area. Beyond Healdsburg's walkable downtown and plaza, visitors can enjoy hiking, biking, and other recreational activities nearby.

- **Truckee and the Martis Valley/Northstar** offer an interesting proxy for development that might appear lakeside, despite vastly different adjacencies (e.g., Interstate 80 proximity vs. lake environment). Offering a walkable environment in its downtown and other districts, the town features 478 total rooms, or 648 total rooms including the Ritz-Carlton at Northstar. Truckee represents a growing tourist market that comprises a substantial share of total Lake Tahoe area tourist and real estate sales volume.

- **Jackson Hole** is a valley formed by the Teton Range and the Gros Ventre Range located in the State of Wyoming. The valley boasts major tourist attractions such as the Jackson Hole Mountain Resort, Grand Teton National Park, and Yellowstone National Park. The region is well known for its all-season outdoor activities. The Jackson Hole area, comprising Jackson, Moran, and Teton Village, comprise more than 3,700 high-quality hotel rooms.

- **McCall** is a resort town located in northwest Idaho, situated on the southern shore of Payette Lake. Originally a logging town, McCall is now an all-season tourist destination for outdoor recreation, featuring 346 high-quality hotel rooms.

- **Mammoth Lakes** is located in Mono County, California, on the east side of the Sierra Nevada Mountains, southeast of Yosemite National Park. Mammoth Lakes is located within an approximately 7-hour drive from both San Francisco and Los Angeles. Mammoth is well known for its skiing and outdoor recreation. Summer activities include mountain biking, fishing, camping, hiking, climbing, golfing, and more. Mammoth Lakes is home to 2,034 high-quality hotel rooms.

Table A-4 provides a summary of total hotel room stock in each of these communities. Note that these figures purposely omit older roadside motels and include relatively new lodging product, providing major utility in each area. While Kings Beach and Tahoe City have roughly 300 total existing Town Center hotel units, this inventory largely is dilapidated and antiquated, as has been discussed.

Product Segmentation

Another factor to consider relative to growth targets for North Lake Tahoe is product segmentation. To maximize the capture of potential consumer market share, lodging targets across economy, middle-tier, and (relatively) upscale product should be evaluated for potential fit in each community. Typical industry standards suggest a legitimate minimum size for a commercially viable hotel, across product segments, is between approximately 100 and 120 units.

Table A-4
Hotel Room Comparison

Item	Modern/ Functional Hotel Rooms [1]
Healdsburg, CA	307
Truckee & Martis Valley, CA	648
Jackson Hole, WY	3,762
McCall, ID	346
Mammoth, CA	2,034
	rooms

Source: STR; EPS.

[1] Excludes roadside motels.

Recommended TAU and CFA Targets

Given the absence of significant site capacity and market demand constraints, targeted hotel room (TAU) development likely is to be driven more by political acceptability and environmental considerations than any other variable. Taking these and other factors into consideration (i.e., desired product segmentation), the recommended development targets are therefore approximately 300 to 500 new rooms overall. Some of these may be replacements for existing stock. For purposes of business planning and related calculations, it is assumed that 400 net new hotel units are added in the Town Centers over the next 20 years. These target assumptions will require re-evaluation periodically for market conditions.

With the addition of this missing element, in sufficient quantity and quality, it is possible to open the local market to new consumer segments, resulting in improved sales per square foot in tourism-related retail and restaurant segments. Based on ratios derived from a range of resort communities (see **Table A-5**), as well as estimated visitor spending from hotels (see **Table A-6**), the resulting additional visitor-supported retail square footage is estimated at approximately 20,000 square feet in each community, for a total of 40,000 square feet.

When adding in projected levels of future residential development, as well as gaps in local resident-serving retail primarily found in Kings Beach (see **Table A-7**), Town Center commercial demand could range from approximately 75,000 square feet to 100,000 square feet in the next 15 to 20 years. For purposes of business planning and related calculations, it is assumed that 100,000 square feet are added.

Note that the targeted CFA estimates documented above reflect provisional estimates subject to refinement and County review. It is recommended that a formal market study be conducted to verify and further develop this recommendation.

Table A-5
Tahoe Basin Town Center Investment Incentives and Business Plan
Retail Square Footage and Unit Comparison

	2014		
Item	Hotel Rooms	Retail Square Footage	Retail Sq. Ft. Per Room
Northstar Village, CA [1]	682	77,398	113
Squaw Valley Village, CA	596	70,000	117
Keystone/River Run, CO	900	90,000	100
Steamboat Springs, CO	1,808	130,900	72
Total	**3,986**	**368,298**	**92**

retail comp

Source: STR; Northstar California; Squaw Valley Resort; EPS.

[1] Northstar Village room number includes hotel rooms and condominium units.

DRAFT

Table A-6
Tahoe Basin Town Center
Investment Incentives Analysis
Estimated Visitor Spending and Supportable New Commercial Space

Item		Total
Visitation Estimates		
New Hotel Rooms		400
Days Per Year		365
Assumed Occupancy Rates		60%
Total Estimated New Hotel Stays		**87,600**
Average Visitors per Room		2.0
Total Estimated New Visitors		**175,200**
Average Length of Stay [1]		3.4
Total New Visitor Days		**595,680**
Retail Spending Estimates		
Retail Spending per Visitor Day [1,2]		$66
Total New Retail Spending (Rounded)		**$39,190,000**
Estimated Supportable New Commercial Square Footage		
Local Capture of New Retail Spending	75%	$29,392,500
Amount Expended at Existing Retail Establishments	45%	$13,226,625
Remaining New Retail Spending		**$16,165,875**
Average Retail Sales per Square Foot		$400
Estimated Supportable New Commercial Square Footage from Visitor Spending		**40,415**
Plus Additional Supportable Commercial Space	*Table A-7*	62,707
Total Estimated Supportable New Commercial Square Footage		**103,121**

sqft

Source: Dean Runyan and Associates, November 2013 and EPS.

[1] From Dean Runyan and Associates, November 2013.
[2] See Table E-6.

DRAFT

Table A-7
Tahoe Basin Town Center
Investment Incentives Analysis
Additional Supportable Retail Space

Item		Quantity
Projected New Tahoe Basin Residential Units [1]		**580**
Primary Residence	33%	191
Absentee Owner [2]	67%	389
Projected Unit Equivalents [3]		**308**
Estimated Persons Per Household		2.6
Estimated Population Growth		**801**
Local Retail Demand per Capita (Sq. Ft.)		15
Supportable Local Retail Based on New Residential Development (Sq. Ft.)		**12,011**
Existing Kings Beach Retail Leakage [4]		
Food and Beverage Stores		$15,683,678
Health and Personal Care Stores		$1,733,061
Food Services and Drinking Places		$2,861,487
Subtotal Kings Beach Retail Leakage		**$20,278,226**
Estimated Sales Per Square Foot [5]		$400
Estimated Supportable Retail Space based on Existing Leakage		**50,696**
Total Additional Supportable Town Center Retail Space		**62,707**

add

[1] Based on TRPA 2012 Regional Plan Update.
[2] Average rate of absentee home ownership for Tahoe City and Kings Beach is 67%.
[3] Assumes that units with absentee owners are occupied 30 percent of the year.
[4] ESRI Retail MarketPlace Profile for Kings Beach CDP, accessed September 5, 2014.
[5] Estimated based on evaluation of retail sales per square foot for neighborhood shopping centers from ULI Dollars and Cents of Shopping Centers.

Prepared by EPS 2/16/2015

DRAFT

Table A-8
Tahoe Basin Town Center Investment Incentives and Business Plan
Lodging Properties By Market - Truckee, CA

Truckee, CA

Item	City, State	Zip Code	Open Date	Rooms
Truckee, CA				
Inn at Truckee	Truckee, CA	96161	May-06	42
Donner Lake Village	Truckee, CA	96161	May-99	64
Hampton Inn Suites Tahoe Truckee	Truckee, CA	96161	Jun-78	64
Hotel Truckee Tahoe	Truckee, CA	96161	Jun-05	109
The Cedar House Sport Hotel	Truckee, CA	96161	Jun-84	100
Truckee Donner Lodge	Truckee, CA	96161	Mar-84	42
Ritz-Carlton Lake Tahoe	Truckee, CA	96161	Dec-09	170
Truckee Total				**591**

Truckee

Source: STR; EPS.

DRAFT

Table A-9
Tahoe Basin Town Center Investment Incentives and Business Plan
Lodging Properties By Market - Jackson Hole, WY

Jackson Hole, WY

Item	City, State	Zip Code	Open Date	Rooms
Jackson Hole Market				
Jackson, WY				
Elk Country Inn	Jackson, WY	83001	Jun-81	84
Elk Refuge Inn	Jackson, WY	83001	Jun-84	150
Flat Creek Inn	Jackson, WY	83001	Aug-05	41
Four Winds Motel	Jackson, WY	83001	Jun-97	22
Golden Eagle Inn	Jackson, WY	83001	Jun-41	59
Pony Express Motel	Jackson, WY	83001	Jun-78	57
Quality Inn & Suites 49`er Jackson	Jackson, WY	83001		23
Ranch Inn	Jackson, WY	83001	Jun-70	28
Rawhide Motel	Jackson, WY	83001	Jun-81	142
Alpine House	Jackson, WY	83001	Jun-66	105
Cowboy Village Resort	Jackson, WY	83002	Jun-71	137
Hampton Inn Jackson Hole	Jackson, WY	83001	Jun-65	49
Lexington @ Jackson Hole Trapper Inn	Jackson, WY	83001	Jun-90	90
Painted Buffalo Inn	Jackson, WY	83001	Jun-90	88
Parkway Inn	Jackson, WY	83001	Jun-90	31
Antler Inn	Jackson, WY	83001	Jun-62	24
Homewood Suites Jackson	Jackson, WY	83001	Jul-93	154
Jackson Hole Lodge	Jackson, WY	83001	Jun-94	68
Teton Gables Motel	Jackson, WY	83001	Jun-86	72
Wyoming Inn Of Jackson	Jackson, WY	83001	Jun-80	20
Rustic Inn @ Jackson Hole	Jackson, WY	83001	Jun-41	59
Snow King Resort	Jackson, WY	83001	Jun-44	150
Spring Creek Ranch Resort	Jackson, WY	83001	Jun-66	21
Teton Pines Resort	Jackson, WY	83002	May-76	321
The Lodge @ Jackson Hole	Jackson, WY	83001		23
Wort Hotel	Jackson, WY	83001	Oct-98	40
Amangani	Jackson, WY	83001	Jun-87	18
Rusty Parrot Lodge & Spa	Jackson, WY	83001	Oct-89	82
Jackson, WY Subtotal				**2,158**

Prepared by EPS 11/25/2014

Table A-9
Tahoe Basin Town Center Investment Incentives and Business Plan
Lodging Properties By Market - Jackson Hole, WY

Jackson Hole, WY

Item	City, State	Zip Code	Open Date	Rooms
Moran, WY				
Hatchet Resort	Moran, WY	83013	Jun-10	92
Colter Bay Village	Moran, WY	83013	Jun-64	89
Headwaters Lodge & Cabins @ Flagg Ranch	Moran, WY	83013	Jun-55	385
Signal Mountain Lodge	Moran, WY	83013	Jun-68	79
Togwotee Mountain Lodge	Moran, WY	83013	Jun-58	166
Jackson Lake Lodge	Moran, WY	83013	Jun-54	33
Jenny Lake Lodge	Moran, WY	83013	Jun-26	37
Moran, WY Subtotal				**881**
Teton Village, WY				
Village Center Inn	Teton Village, WY	83025	Dec-03	156
Alpenhof Lodge	Teton Village, WY	83025	Oct-02	145
Inn @ Jackson Hole	Teton Village, WY	83025	Jan-08	130
Four Seasons Resort Jackson Hole	Teton Village, WY	83025		16
Hotel Terra	Teton Village, WY	83025	Jun-65	42
Snake River Lodge & Spa	Teton Village, WY	83025	Jun-72	83
Teton Mountain Lodge	Teton Village, WY	83025	May-68	151
Teton Village, WY Subtotal				**723**
Jackson Hole Total				**3,762**

Jackson Hole

Source: STR; EPS.

DRAFT

Table A-10
Tahoe Basin Town Center Investment Incentives and Business Plan
Lodging Properties By Market - McCall, Idaho

McCall, ID

Item	City, State	Zip Code	Open Date	Rooms
McCall Market				
Donnelly, ID				
Tamarack Resort	Donnelly, ID	83615	Jun-06	**41**
McCall, ID				
Rustic Inn	McCall, ID	83638	Jun-04	19
Scandia Inn Motel	McCall, ID	83638	Jun-76	17
Best Western Plus McCall Lodge & Suites	McCall, ID	83638	May-03	85
Brundage Inn Motel	McCall, ID	83638	May-40	60
Holiday Inn Express & Suites McCall	McCall, ID	83638	Jul-07	66
Hotel McCall	McCall, ID	83638	Jun-48	77
Shore Lodge	McCall, ID	83638		22
McCall, ID Subtotal				**346**
New Meadows, ID				
Hartland Inn & Motel	New Meadows, ID	83654	Jun-84	**22**
McCall Total				**409**

McCall

Source: STR; EPS.

DRAFT

Table A-11
Tahoe Basin Town Center Investment Incentives and Business Plan
Lodging Properties By Market - Healdsburg, CA

Healdsburg, CA

Item	City, State	Zip Code	Open Date	Rooms
Healdsburg Market				
Geyserville, CA				
Geyserville Inn	Geyserville, CA	95441	Jun-98	**41**
Healdsburg, CA				
Best Western Dry Creek Inn	Healdsburg, CA	95448	Jun-01	15
H2 Hotel	Healdsburg, CA	95448	Mar-05	16
Madrona Manor	Healdsburg, CA	95448	Jan-81	22
Grape Leaf Inn	Healdsburg, CA	95448	Nov-01	55
Hotel Healdsburg	Healdsburg, CA	95448	Apr-86	163
Hotel Les Mars	Healdsburg, CA	95448	Jul-10	36
Healdsburg, CA Subtotal				**307**
Windsor, CA				
Hampton Inn Suites Windsor Sonoma Wine Country	Windsor, CA	95492	Nov-08	116
Holiday Inn Express Windsor Sonoma Wine Country	Windsor, CA	95492	Jun-05	75
Windsor, CA Subtotal				**191**
Healdsburg, CA Total				**539**

Healdsburg

Source: STR; EPS.

Prepared by EPS 11/25/2014

DRAFT

Table A-12
Tahoe Basin Town Center Investment Incentives and Business Plan
Lodging Properties By Market - Mammoth, CA

Mammoth, CA

Item	City, State	Zip Code	Open Date	Rooms
Mammoth Lakes Market				
June Lake, CA				
Boulder Lodge	June Lake, CA	93529	Jun-52	62
June Lake Motel	June Lake, CA	93529	Jun-65	24
June Lake Villager Motel	June Lake, CA	93529		20
Reverse Creek Lodge	June Lake, CA	93529	Jun-98	32
Whispering Pines Resort	June Lake, CA	93529	Jun-20	22
Double Eagle Resort & Spa	June Lake, CA	93529	Jun-27	24
Herdleberg Inn Resort	June Lake, CA	93529		15
June Lake, CA Subtotal				**199**
Mammoth Lakes, CA				
Mammoth Creek Inn	Mammoth Lakes, CA	93546	Jun-81	60
Quality Inn Mammoth Lakes	Mammoth Lakes, CA	93546	Jun-83	88
Shilo Inn Suites Mammoth Lakes	Mammoth Lakes, CA	93546	Jan-89	71
Swiss Chalet Motel	Mammoth Lakes, CA	93546	Jun-70	35
Austria Hof Lodge	Mammoth Lakes, CA	93546	Jun-59	217
Best Western Plus High Sierra Hotel	Mammoth Lakes, CA	93546	Jun-99	73
Cinnamon Bear Inn	Mammoth Lakes, CA	93546	Jan-00	169
Mammoth Ski Resort	Mammoth Lakes, CA	93546	May-97	133
Alpenhof Lodge	Mammoth Lakes, CA	93546	Jun-72	23
Convict Lake Resort	Mammoth Lakes, CA	93546	Jun-92	20
Sierra Lodge	Mammoth Lakes, CA	93546	Jun-72	100
Sierra Nevada Resort	Mammoth Lakes, CA	93546	Nov-88	59
Snowcreek Resort	Mammoth Lakes, CA	93546	Jan-72	58
Snowflower Resort	Mammoth Lakes, CA	93546	Jun-24	46
Mammoth Creek Condos	Mammoth Lakes, CA	93546	Jun-72	24
Mammoth Mountain Chalets	Mammoth Lakes, CA	93546	Nov-07	212
Mammoth Mountain Inn	Mammoth Lakes, CA	93546		42
Mountainback Condominiums	Mammoth Lakes, CA	93546	Jun-70	149
Seasons 4	Mammoth Lakes, CA	93546	Sep-03	183
Westin Monache Resort Mammoth	Mammoth Lakes, CA	93546	Jun-95	22
Juniper Springs Resort	Mammoth Lakes, CA	93546	Jun-75	200
Tamarack Lodge & Resort	Mammoth Lakes, CA	93546		21
The Village Lodge	Mammoth Lakes, CA	93546	Jun-29	29
Mammoth Lakes, CA Subtotal				**2,034**
Mammoth Lakes Total				**2,233**

Mammoth

Source: STR; EPS.

Table A-13
Tahoe Basin Town Center Investment Incentives and Business Plan
Lodging Properties By Market - Breckenridge, CO

Breckenridge, CO

Item	City, State	Zip Code	Open Date	Rooms
Breckenridge Market				
Breckenridge, CO				
Breckenridge Mountain Lodge	Breckenridge, CO	80424	Jun-80	108
River Mountain Lodge	Breckenridge, CO	80424	Jun-85	36
Pine Ridge Condo	Breckenridge, CO	80424	Oct-08	20
Doubletree Breckenridge	Breckenridge, CO	80424	Jun-85	83
Lodge @ Breckenridge	Breckenridge, CO	80424	Jun-85	208
Tannhauser Lodging	Breckenridge, CO	80424	Nov-01	58
Village @ Breckenridge Hotel	Breckenridge, CO	80424	Jun-79	78
Wildwood Suites	Breckenridge, CO	80424	Jun-60	71
Beaver Run Resort & Conference Center	Breckenridge, CO	80424	Jun-02	69
Blue Sky Condos	Breckenridge, CO	80424	Jun-85	110
Crystal Peak Lodge	Breckenridge, CO	80424	Jun-86	550
Main Street Station	Breckenridge, CO	80424		37
Mountain Thunder Lodge	Breckenridge, CO	80424	Jun-79	60
Wedgewood Lodge	Breckenridge, CO	80424	Jun-92	47
RockResorts One Ski Hill Place	Breckenridge, CO	80424	Jun-10	65
Breckenridge, CO Subtotal				**1,600**
Copper Mountain, CO				
Copper Mountain Resort	Copper Mountain, CO	80443	Jun-75	**798**
Dillon, CO				
Best Western Ptarmigan Lodge	Dillon, CO	80435	Jun-63	73
Comfort Suites Summitt County Dillon	Dillon, CO	80435	Mar-98	101
Dillon, CO Subtotal				**174**

Table A-13
Tahoe Basin Town Center Investment Incentives and Business Plan
Lodging Properties By Market - Breckenridge, CO

Breckenridge, CO

Item	City, State	Zip Code	Open Date	Rooms
Frisco, CO				
Baymont Inn & Suites Frisco Lake Dillon	Frisco, CO	80443	Jun-92	15
Galena Street Mountain Inn	Frisco, CO	80443	May-98	51
New Summit Inn	Frisco, CO	80443	Jun-90	31
Ramada Limited Frisco	Frisco, CO	80443	Feb-71	216
Holiday Inn Summit County Frisco	Frisco, CO	80443	Jun-81	127
Frisco, CO Subtotal				**440**
Keystone, CO				
Arapahoe Inn	Keystone, CO	80435	Jun-74	1,058
The Inn @ Keystone	Keystone, CO	80435	Jun-98	58
Keystone Lodge & Spa	Keystone, CO	80435	Jun-74	152
Keystone Resort & Conference Center	Keystone, CO	80435	Dec-89	103
Keystone, CO Subtotal				**1,371**
Silverthorne, CO				
La Quinta Inns & Suites Silverthorne Summit Co	Silverthorne, CO	80498	Feb-01	57
Quality Inn & Suites Silverthorne	Silverthorne, CO	80498	Jun-74	147
Silverthorne, CO Subtotal				**204**
Breckenridge Total				**4,587**

Breckenridge

Source: STR; EPS.

APPENDIX B:

TDR Policy and Land Development Approval Process:

Removing Uncertainty

APPENDIX B: TDR POLICY AND LAND DEVELOPMENT PROCESS: REMOVING UNCERTAINTY

Identifying available commodities and the ability to transfer them throughout the basin are important components of assembling sufficient supply to realize redevelopment of the opportunity sites.[10]

Before the dissolution of redevelopment agencies in California, the South Lake Tahoe Redevelopment Agency was the primary bank of commodities, banking and selling them at typically discounted rates to support specific South Shore projects. In this post redevelopment agency context, identifying sensitive sending sites, purchasing the land, and banking the commodities is a primary mission of the California Tahoe Conservancy (CTC). The value of this role is critical to identifying those sites that will have the most value in the TRPA bonus program and that will generate the greatest environmental benefit. Other potential commodity banks include the Nevada Division of State Lands, the TRPA's TDR Marketplace, and the County.

Each of the potential banks has limitations that could effectively preclude the opportunity sites from receiving sufficient TDRs to support environmental and economic redevelopment projects. The Nevada Division of State Lands is equipped only to support a coverage bank. The TRPA's parcel-based record keeping system makes it difficult to identify blocks of banked TAUs, CFA, and coverage.[11] The CTC is both skilled in identifying and banking TDRs; however, they lack the funding to purchase them on a large scale. The County has the funding potential to become a primary TDR bank and to utilize the commodities to support the catalyst projects on the opportunity sites.

In Tahoe City, the opportunity sites primarily will need TAUs, coverage, and possibly some CFA. The Kings Beach opportunity sites also will be looking for those three primary commodities, in addition to residential units. Currently, the County has identified several properties on the market for sale, located on sensitive lands, but none of which are in Placer County. However, current TRPA policy provides the jurisdiction with potential sending sites veto power over relocation to another jurisdiction. This policy effectively diminishes the demand for commodities and creates a disincentive for retiring sensitive lands because of the risk of purchasing a building with TAU's only to have the jurisdiction veto moving them to the property in need. According to TRPA documentation, "most of the Region's existing tourist units do not comply with modern

[10] Substantial confusion regarding quantities, location, and policies affecting TAUs is indicative of a dysfunctional system. Some interviewees believe El Dorado County has in excess of 15,000 TAUs (existing product or on paper or both); others state there are 2,000 "surplus." Prices are estimated to range from $10,000 to $70,000 per unit. There is no established market exchange. Most experts interviewed are completely unaware of an 18-month statute of limitations to register TAU ownership after a transaction as cited by TRPA. In reality, there is very little reliable data regarding the extent and cost of these assets in the Tahoe Basin.

[11] It should be noted that the TRPA is undertaking a program to identify these commodities and put them into the marketplace Web site.

environmental standards and many (more than 3,000 units) are located in Stream Environment Zones."[12] However, because a great number of these units are generating TOT, jurisdictions are reluctant to transfer them.

Realistic goals for all of the Tahoe Basin communities in terms of land use and densities in the Town Centers should be clearly spelled out in the Community/Area Plans. Armed with this information and the Lake Tahoe Region Sustainability Action Plan, a methodology for transferring development rights from highly sensitive sites to opportunity sites throughout the basin would support regional sustainability.

Conversion of Commodities

Under the TRPA's Transfer of Development Rights Policy, the following conversions can be made:

- TAU converted to residential units
- TAU converted to CFA
- Residential units converted to CFA
- Residential units converted to TAU

In communities where there is potentially an excess of CFA, the TRPA needs to develop a policy to allow conversion of CFA to TAUs. In addition, to support the retirement of sensitive lands, the TRPA should consider a process to convert coverage into both TAUs and CFA to replenish the bonus pools.

The final piece to creating an organized TDR program is the need to systematically identify, organize, and display in one location all the sending sites and commodities, including undeveloped sensitive site commodities, the blighted and environmentally unsound properties, excess coverage, and banked commodities. The current banking entities need to cooperate as a single storehouse. This will both consolidate and stabilize the market for commodities and provide transparency to both buyers and sellers.

This commodity storehouse also needs to identify all of the small excess commodities that exist on individually owned properties. Our conversations with the TRPA provided startling information that land owners who redevelop their property must register any excess commodities within 18 months or the commodity is void. With this policy in place, the TRPA should organize all the commodity data they have on the small parcels. Understanding the full allotment of commodities, both on and off the market, will further eliminate the uncertainty of commodity availability and value.

Assessment of Major Development Constraints

Creating an Appropriate Land Development Context

The overall land development approval process within the Tahoe Basin is fragmented and confusing. A project seeking to gain approvals in the basin is required to not only go through the TRPA review process, but also separate Fire Department approval, utility district review and

---

[12] TRPA Issue Sheet #2, Development Allocations and Transfers, July 27, 2012.

approval, CEQA evaluation, and the County's Land Use approval processes, including Surveying & Engineering Division site improvement plan review and approval. As complex and inherently lengthy as is this multijurisdictional process, it is exacerbated by fragmentation and non-linear requirements, as developers and their consultants are confronted with preparing highly detailed and exact plans for one agency before making general applications to larger governing agencies. This dynamic causes multiple submittals and resubmittals, which are costly, both as a direct expense in consultant fees and in the time delays for entitlements.

The Placer County/Tahoe Land Use Development Process chart on page B-5 identifies a three-step process that on the surface appears clearly organized. The aspect that is not clear from the diagram (nor could a diagram accurately depict) is the level of work that has to go into site planning for fire and engineering before TRPA will approve the project at the planning level. Then, once a developer gets to the improvement plan level at Surveying & Engineering, changes are typically required that require reprocessing by the Fire District, NPUDs, and when significant enough, back through TRPA. This back and forth process requires the developer to respond to demands from four different agencies with four different regulatory structures. In our interviews with project developers, a consistent theme was repeated that identified agencies getting multiple "bites at the apple," and continuing to increase mitigation demands. This lack of a coordinated and comprehensive approval process, has led to agency demands that many developers consider extraordinary and subjective.

Presently, the County Web site is devoid of information critical to both assessing the viability of a project site, and to understanding the totality of the project approval process and its critical path. The County should be the "One Stop Shop" for all requirements, information, fees and mitigations for all participating agencies. Currently, even small project proponents are forced to hire expensive local development consultants to navigate the process. Numerous stakeholders have spoken to the cultural shift taking place in the Engineering/Surveying department from one which previously operated "by the book" in a sometimes confrontational approach, to one which is supportive and solution based. This shift needs to permeate throughout all departments so staff become project advocates. In addition, the County needs to create a process that incorporates the justifiable mitigations needed by the Fire District and the PUDs into a coordinated and non-subjective process.

The entire project approval process, both in the County and in the basin, suffers from the "silo" effect resulting in both a lack of continuity between land use entitlements and engineering/building construction plan review, and the continuous revealing of additional requirements, restrictions, and fees. Approval delays are a primary risk to successful development, and discretionary approval decisions create a process of chaos and uncertainty. Development in the Lake Tahoe Basin should be held to strict standards, but those standards should be clear and objective.

A key factor driving infill development planning and development regulations is achieving "regulatory certainty." Creating a transparent regulatory environment where private-sector investors understand what is required to gain project approvals, and regulatory discretion is limited as a matter of policy (e.g., use by right zoning) would assist in streamlining the development process without eliminating important environmental checks and balances, and also result in reducing up-front development costs that can promote the status quo. From a financial perspective, there are substantial benefits to reducing the time and risks involved in the review and approval process. The value created by reducing costs and risks can be redeployed for public purposes, including infrastructure funding.

An approval process that takes between 4-5 years will not support the desired redevelopment of the Tahoe City and Kings Beach opportunity sites. As the opportunity site developments will most likely require focused EIRs, creating a streamlined, multi-agency process that focuses on the project's organizational flow, as opposed to individual agency requirements, should be established. The goal is to create entitlement review and approval calendar that achieves full approvals within 24 months. The County could utilize one of the many skilled consultants in the basin to assist with putting a pilot approach in place, gaining consensus across the various approving agencies, and working as an extension of the County.

North Tahoe Fire Protection District

Fire prevention strategies are a part of any project and are particularly critical in a location that is subject to lighting strikes, has a tremendous amount of fuel, and has only one primary access route along the lake front. There is the real opportunity for development projects to contribute to fire prevention with both design solutions and through funding to support infrastructure. The difficulty from the development proposal aspect is that the TRPA requires fire department approval on a pre-application. As the District approval requires the location of all existing and proposed structures, roads and driveways, and hydrants on the submittal, this policy exacerbates the real multiple-submittal and resubmittal impediment of the fractured TRPA, County, and Fire District approvals process. In addition, the Fire District collects mitigation fees on projects based on the 2013 North Tahoe Fire Protection District Fire Facilities Impact Fee Study and the Capital Facilities and Fire Mitigation Fee Expenditure Plan. Implementation and strict adherence to the mitigation fees defined in the plan will provide development proposals with a certainty that has significantly impacted or thwarted projects in previous years.

County Engineering and Surveying Division (ESD)

Within the ESD, site improvement approvals have been highlighted by project developers and land use consultants within the basin. Interviewed stakeholders consistently identified two primary areas of constraint within this process. The first could be defined as a cultural constraint to development, in that project review was primarily on identifying problems or impediments in the proposal rather than working with the development team to identify solutions to various design issues. Several of our interviews clearly stated that in the recent past, this cultural constraint has begun to shift to a more supportive and solution based attitude. If the opportunity sites in Tahoe City and Kings Beach are to be successfully developed, it is imperative that the County ESD continue and even accelerate this cultural shift to become valued facilitators of the opportunity site proposals.

To that end, ESD needs to establish a Lake Tahoe Basin team that has a clear understanding of the requirements and complexities of development in the basin and has the internal culture of being a partner with the development team through the process.

The second constraint is the level of engineering detail needed at an early stage of the process. Several stakeholders spoke to the requirements for over-engineered solutions that met County standards but did not necessarily speak to the conditions of these two small lakefront communities. Within these opportunity sites, ESD has the opportunity to work with the

Placer County/Tahoe Land Development Process

PHASE 1:
Land Use Entitlements (Planning)

- Pre-Development Meeting*
- Application Submittal & Initial Project Review by Placer County and TRPA
    - Includes review by Local Serving Fire and Public Utility District
- CEQA/NEPA Review & Preparation
- Project Report Preparation & Municipal Advisory Council Review
- Planning Commission/Board of Supervisors Deliberations & Entitlement Approval
- TRPA Advisory Planning Commission/TRPA Governing Board Deliberations & Entitlement Approval

PHASE 2:
Improvement Plans (Engineering)

- Improvement Plan Pre-Submittal Audit
- Improvement Plan Review
- Improvement Plan Issuance with Documentation of Local Serving Fire and Public Utility District Approval

PHASE 3:
Plan Check (Building)

- Pre-Application/Project Scope Meeting (Commercial)
- Construction Drawings Submittal
- Partnering County Departments/Agencies Review of Project Plans
    - Includes review by Local Serving Fire and Public Utility District
- Building Services Division Completion of Project Plans Review
- Permit Issuance with Documentation of TRPA Approval

Shovel Ready

*Not included in average permitting times for land development projects. TRPA invited to attend.

development teams and their engineers to identify design solutions that are appropriate to the physical characteristics of the two communities and support the environmental concerns within North Lake Tahoe. This should take place in a coordinated review process that does not require the extensive and out of sequence front end detail.

Public Utility Districts

The North Tahoe Public Utility District and the Tahoe City Public Utilities District (NTPUD and TCPUD, or collectively, PUDs) charge hookup and service fees for new development. Information needed to understand the magnitude of these fees and the methodology for their calculation for projects other than single-family residences is not readily available. Regarding the recent affordable housing projects in Kings Beach, the developer spoke of being surprised during the process as the NTPUD charged commercial fixture fees for a residential project. This type of discretionary mitigation is often a tipping point with regard to feasibility.

Parking Requirements and Alternatives

Parking is a primary constraint to development projects in the basin. Three factors underlie this constraint:

1. The first is the extremely high cost of individual spaces as a direct result of high land costs, and construction costs that require structural considerations for snow load and seismic forces.
2. High construction costs as a result of short construction season, moving materials into the basin, and the relative lack of local skilled labor as compared to Reno and Sacramento.
3. The parking burden each project must bear, based on current policy.

Under the current County Standards and Guidelines for Signage, Parking, and Design, a hypothetical mixed use project in the County clearly shows the impact current parking policy has on redevelopment (see **Table B-1**).

The parking burden on a mixed use project such as the example above generates a total square footage requirement of more than 130,000 square feet of parking (352 spaces @ 375 square feet per space). This simply cannot be accomplished in surface parking within the Tahoe City or Kings Beach communities. Costs for structured parking, as outlined in the sample pro formas, typically reaches $45,000 per space or more.

The inability of mixed use projects to blend and share parking under the current policy is not supportive of the best practices of compact development. The County needs to generate a comprehensive transportation program in which parking contributes as a flexible resource encouraging people to park once and either walk, bike, or take transit. It should consider the balance of daytime and night time load requirements, and incorporate Transit Demand Management programs in both communities.

Currently the County is undergoing a parking analysis as part of the upcoming Area Plan. According to staff, the analysis is looking at the potential for parking reductions based on real basin needs, and is considering a number of flexibility options including shared parking and in lieu fees for public parking. As parking is still one of the leading constraints to achieving the

DRAFT

Table B-1
Tahoe Basin Town Center Investment Incentives and Business Plan
Placer County Parking Requirements

Item	Area (SF) or Units	Ratio	Current Placer Co. Requirements
Tourist Accommodation/Hotel	80	1.2 per room	96
Professional Office	8,500	1/250 GFA	34
Restaurants	11,500	1/100 GFA	115
Bank	3,000	1/200 GFA	15
Stand Alone Retail	15,000	1/300 GFA	50
In-Line Retail	12,500	1/300 GFA	42
Total Parking Required			**352**

parking

Source: Placer County; EPS.

desired density for projects on opportunity sites, seeking reductions to current parking ratios, and providing flexibility in how that parking is managed and shared has the potential to support community goals for the Town Centers. Sample development scenarios for mixed-use projects within the Placer County communities of Tahoe City and Kings Beach indicate that a 25-percent reduction in required parking is a valuable first step in maximizing the development potential of the opportunity sites; but, typically this requires structured parking, which simply is not a viable upfront expense for private investors to shoulder, given the costs of the structure, and project economics.

TAU Acquisition and Distribution

The County is in position to play a critical role in the acquisition and dissemination of TAUs and other land commodities, especially through the purchase of properties on environmentally sensitive sites throughout the basin, and banking the commodities in support of future development that supports the community plan.

To the extent the County is able to acquire a substantial pool of TAUs, it will have the ability to target specific opportunity sites within Tahoe City and Kings Beach, and bolster the redevelopment efforts of the developers of these sites with sufficient TAUs, coverage, density, and CFA to support mixed-use projects. In this regard, preference for provision of TAUs at below-market or low cost (as conditions warrant) to various projects could be based on:

- Demonstrated fiscal benefit.
- Low Vehicle Miles Traveled.
- Location relative to other related uses to encourage the formation of viable mixed-use, pedestrian-oriented districts.
- Contribution to infrastructure and recreational amenities.

APPENDIX C:

Feasibility Analysis and Tables

Development Feasibility Challenges

Beyond an overall lack of clarity in the development review and approval environment, needed infill development also has the dual challenge of funding development commodities and demolition at the outset of the project. When parking structures are needed to facilitate the type of mixed use project sought by consumers, evidence indicates the cost may exceed a project's viable economic capacity.

When the complexities of TRPA-related TDR and the hyper-litigious environmental community are added to the challenges of seasonality and remote location, the results are visually apparent: disinvestment is rampant, and the resulting out-of-date product fails to capture the region's rightful share of national and international tourists, as well as continuing to impair rather than restore Lake Tahoe's famed clarity and natural environment.

While certain policies and mitigation fees[13] are partially to blame for this outcome, the economic explanation for this situation is more straight-forward: the value of existing uses generating even modest cash flow can exceed the prospective value of new investment, which is reduced by the threat of a long and protracted approval process and other unusual costs. Therefore, business owners have little incentive to risk spending valuable time and money on development concepts that, as history has shown, are unlikely to pan out.

Every risk confronting a project reduces expectations of actually receiving expected revenue. This reduction takes the form of a "discount rate" which measures the degree of risk, with a higher discount rate reflecting more risk.[14] A stable business operation with a good track record may have limited risk, and might be assigned a low discount rate of 7 percent for illustrative

[13] Upkeep, façade improvements, and business expansions are stymied by the TRPA's excess coverage mitigation fee, which is charged when an applicant seeks to improve or transact property. While this policy is intended to hold existing development to the same standards as new development, this policy has the unintended effect of creating a disincentive to reinvestment and redevelopment, and inadvertently produces deferred maintenance, affecting perception, achievable lease rates, and prospects for redevelopment. To the extent the policy affects upgrades and improvements needed to successfully sell properties, a lack of turnover during periods of economic growth and property value appreciation limits property tax receipts to the County. Among other approaches and changes under consideration, TRPA is working with the County to evaluate the creation of area-wide coverage management plans and BMP programs through the Area Plans which are currently underway.

[14] This is due to the use of the rate in discounting revenue in future years. A given amount of money will be less in today's dollars if a high Discount Rate is applied, compared to a lower rate based on the relative absence of risk.

purposes.[15] A cash flow simulation for this existing business is provided in the top section of **Table C-1**.

In comparison, a new development project entails a major investment in the first year or two. The revenue from this investment begins later and is reduced each year by the Discount Rate of 15 percent, which is much higher than the 7 percent rate used in the previous example.[16] This higher rate reflects the fact that a new development faces much more risk than an established business, as an entirely new addition to the community must be tested by the market. This is shown in the middle section of **Table C-1**.

When the two scenarios are compared in terms of today's dollars,[17] the difference may not be compelling. **Table C-1** illustrates a scenario where a property owner operating or leasing to an existing business may be fully warranted in making a decision not to redevelop, based on the realization that the risk-weighted returns of new development (high risk, high return) may not differ much from those of an existing business (low risk, low return).

As a result, a relatively low value use generating modest cash flow can be more financially attractive than a redevelopment project, even though the redevelopment project *may* produce vastly higher revenue in the future if entitled quickly and supported by the market.

This table also illustrates the effects of entitlement land development approval process-related delay on project value. In this case, illustrated by the bottom portion of the table, the delay further reduces new project value well below that of a standard 2-year approval period or continuation of an existing use—a clear signal that redevelopment will remain an unattractive option unless risk and time of land development approvals are substantially reduced.

Challenges of Lodging Product

Lodging is an inherently difficult use to develop, especially in cases of high value, specialized product in resort regions. Until approximately 2 years ago, it was virtually impossible to obtain financing for new development anywhere in the U.S., including the surest of deals, with most industry activity related to acquisition of existing properties.

With economic recovery, the lending market has loosened to the point of facilitating new development activity, but lenders continue to apply stringent underwriting criteria, with local developers citing a need to inject 40 percent of project's required investment as equity at the front end.

---

[15] Potential risks to this business might include inflation, business cycle risk, and other normal risks which affect any business.

[16] In reality, the required discount rate (synonymous with "targeted internal rate of return [IRR]") may be 20 percent or higher in the Tahoe Basin, depending on specific risk characteristics. This level of IRR is potentially consistent with the estimated acceptable cash-on-cash return of 12 to 15 percent discussed elsewhere in this section, assuming there are no usual or protracted delays in project approval.

[17] As measured by Net Present Value (NPV).

Table C-1
Illustration of Property Owner Risk: Existing Business versus New Development

Item		Year 1	2	3	4	5	6	7	8	9	10 (reversion @ 6.5%)
Existing Business: Low Risk, Low Return											
Reinvestment		($1,000,000)									
Net Cash Flow (1)		($1,000,000)	$180,000	$185,400	$190,962	$196,691	$202,592	$208,669	$214,929	$221,377	$3,405,805
NPV @ discount rate =	**7%**	**$2,034,809**									
New Development Project: High Risk, Strong Cash Flow											
Predevelopment Costs		$300,000									
Shell/TIs/Other		$4,725,000	*$210* /SF								
Total		$5,025,000									
Normal Entitlement Processing Period											
Net Cash Flow (2)		($5,025,000)	$0	$763,848	$786,763	$810,366	$834,677	$859,718	$885,509	$912,074	$14,031,915
NPV @ discount rate =	**15%**	**$1,939,680**									
New Development: Protracted Entitlement Processing Period (3)											
Net Cash Flow		($5,025,000)	$0	$0	$786,763	$810,366	$834,677	$859,718	$885,509	$912,074	$14,031,915
NPV @ discount rate =	**15%**	**$1,362,102**									

(1) Triple net lease @ rate per year: $ 12 SF = 15,000 increasing at 3% per annum.
(2) Triple net lease @ rate per year: $ 32 SF = 22,500 increasing at 3% per annum.
(3) Illustrative example excludes annual carry.
Note: example is purely hypothetical to illustrate effect of risk, discount rate, and Net Present Value (NPV).

Prepared by EPS 1/14/2015

Moreover, developers are concerned regarding the need to move quickly to gain land development approvals, secure financing, and break ground during present favorable economic conditions.

Resort Area Risk Factors

As discussed in the preceding chapter, in a seasonal mountain economy, there are a number of fundamental differences from the norm that drive up costs. These factors include shortened construction periods, a lack of local skilled labor, increased transportation costs increasing overall cost of building materials, and complications added by snowfall (travel, snow storage loading).

Based on these factors, the average cost of lodging, parking, or other development is higher than comparable projects in non-mountain settings, well exceeding $200/square foot and often approaching $250/square foot or more for mixed-use projects.[18]

Tahoe-Specific Risk Factors

In the Tahoe Basin, development costs are very difficult to project with certainty at the front end, requiring developers to use more general assumptions for mountain resorts, which carries with it a risk of making inaccurate projections. Predictability and certainty of land development approvals-related costs is very important, even if costs remain high, in order to make sound economic judgments as projects are planned.

Investment in the Tahoe Basin is particularly sensitive to a range of unusual financial challenges during the earliest phases of development. As indicated by developers interviewed for this analysis, there are a multitude of ways a project may fail (or be caused to fail) in the Tahoe Basin, while the creation of a successful project requires a confluence of fortunate circumstances and insightful strategies.

Specific risks confronting developers and investors in the Tahoe Basin include:

- Unique commodities backdrop
- Multijurisdictional complexity
- Commodity inventories are insufficient to implement bonus incentives leading to uncertain land development approvals timeline and expense
- Engineering requirements are too formal/expensive at the front end
- Inability to predict front-end fees and charges with certainty
- Over-inflated land values
- Constant threat of litigation

[18] These vertical development costs, as used in this section, include hard and soft costs, but exclude land, site work, commodity acquisition, developer fee, and contingency.

The dual impact of high initial costs combined with uncertainty regarding the ability to recoup these costs add to the usual challenges of infill development to create a powerful financial dis-incentive which must be removed to realize investment and development in North Lake Tahoe.

Pro Forma Analysis

The Tahoe commercial real estate market is defined by high barriers to entry, requiring highly sophisticated and dedicated efforts to obtain land development approvals. Although the high level of risk associated with this difficult process would imply a need for higher rates of return to justify investment, these returns are capped by the conditions highlighted above. Therefore it is necessary to evaluate ways in which extraordinary costs or risks can be removed in order to improve prospects for feasibility. As discussed toward the end of this discussion, public participation that offsets unusual costs appears justified based on the increase in environmental gains as well as fiscal benefits associated with new development.

Financial Testing Scenarios

EPS prepared static pro formas for two development prototypes germane to projects in Tahoe City and Kings Beach. The analysis looks at the economics of a stabilized project, comparing asset values to overall costs to solve for "return on cost" (ROC), a relatively simple but useful measure of project performance, where estimated development and other costs are deducted from asset value to solve for developer profit. The static pro forma reflects the relative costs and revenues once the project is built and operating and is based on the premise that a project received land development approvals within the reasonable timeframe of 2 years. An acceptable minimum developer profit (using ROC) in this context is posited to be in the 12 to 15 percent range, higher than an oft-used threshold of 10 to 12 percent that relates to more generic development conditions embodying less risk. However, it is important to note that minimum return thresholds vary greatly among individual developers, their appetite for risk, and their range of other investment opportunities.

Two different development concepts have been evaluated to inform strategies for overcoming feasibility constraints. Based on identified issues, trends, and conditions, as well as the types of development concepts presently moving forward in each community, these prototypes are described in further detail below.

Scenario 1: Condo-Hotel

As discussed in the opportunities and constraints analysis, a strong accommodations project has great synergy with other related land uses.. An initial project in the 100-120 room range, split between hotel and condominium rooms, would be an effective initial phase to fill the lodging gap and stimulate local spending.

In Tahoe City, additional developments of this type may be proposed in response to improving economic conditions as well as the potential reconfiguration of the "Y" with emphasis on Mackinaw Street and the larger Fanny Bridge district. On the opposite end of town, the Boatworks area also appears to be a good opportunity for lodging and other activating uses.

Scenario 1 features a 120-room hotel, roughly split between standard hotel units and condominium units which enter the rental pool while the owners are absent.[19]

Scenario 2: Mixed Use Structure

In some circumstances a more complete package of integrated uses may be needed to create a major town center hub. For example, in Kings Beach there may be an opportunity to integrate assets such as the State Beach, the Event Center and the ongoing construction of a complete street concept on SR 28 with a well-conceived mixed-use development concept. A bold and comprehensive initial project could fill several obvious gaps, including hotel, housing, retail, and commercial/office space. An initial project consisting of these uses is posited as the second prototype for financial testing.

Scenario 2 is therefore similar to Scenario 1 but also includes 240 spaces of structured parking, as well as over 20,000 square feet of retail and office space.

Financial Results

Successful development in the Tahoe Basin is an exacting and challenging process that can be thwarted easily due to extraordinary costs of development. **Table C-2** provides returns under different conditions to provide a general sense of project cost sensitivities that influence feasibility. For purposes of the discussion below, it is assumed that minimum return thresholds are in the range of 12 to 15 percent when expressed as a percentage of total project costs.

Scenario 1

The baseline project produces a financial return, meeting minimum feasibility thresholds. When the cost of $1.8 million for TAUs is deducted (assuming an average cost of $15,000 per TAU), returns meet the stated feasibility threshold. This indicates a potential need for the County to assist with this type of project by offsetting the cost of TAU’s (in all or part).

Scenario 2

The pro forma feasibility analysis clearly indicates that this project cannot sustain the cost of TAUs and structured parking. In this case, the extra cost associated with structured parking is estimated for working purposes to be $45,000 per space, or a total of $10.8 million. It is common for structured parking requirements to represent 10 to 15 percent of the construction cost of mixed-use projects. In this case, structured parking costs are likely substantially over that amount. Any reduction of TAU (and other applicable commodities such as coverage) and parking costs will improve feasibility prospects; the, or ability to remove them from the project pro forma using one or more supplemental funding sources, produces probable returns meeting stated feasibility thresholds.

As discussed elsewhere in this report, candidates for funding identified shortfalls include TOT, IFDs and a range of other sources and techniques.

---

[19] In a condo-hotel, gross revenue is split 50/50 between owner and management company after deducting commissions, marketing expenses, credit card fees, and other booking charges.

DRAFT

Table C-2
Tahoe Basin Town Center Investment Incentives and Business Plan
Summary of Preliminary Feasibility Analysis

	Scenario 1	**Scenario 2**
	120 Room Condo-Hotel Surface Parking Land Acquired	**80 Room Condo-Hotel 21,000 SF Commercial 240 Spaces Structured Parking**
Hotel Room Average Daily Rate	$200-$230	$195-$225
Hotel Occupancy	55%-65%	55%-65%
Condo Price/SF	$625-$675	$625-$675
Commercial Lease Rate (NNN)	$2.00/mo/SF	$2.00/mo/SF
Overall Capitalization Rate	8.5%-10%	8.5%-10%
Parking Type	Surface	Structured
Cost per Parking Space	$2,500-$3,500	$35,000-$70,000
Vertical Development Cost/Square Foot [1]	$210-$250	$210-$250
Baseline Return (Cash on Cost)	7%-9%	negative
Return with Parking Structure Cost Offset	n/a	7%-9%
Return with TAU Cost Offset plus Parking Structure Cost Offset (if applicable)	**12%-15%**	**12%-15%**

feasibility

Source: EPS.

General Note: projects are proxies for planned projects, however, pro forma results are illustrative and not intended to reflect confidential details. It should be noted that permit costs are approximations, given uncertainty in calculations in lieu of substantial project detail.

[1] Reflects hard and soft costs (ranging from 20 to 27 percent). Excludes land, site work, commodities acquisition, developer fee, and contingency (ranging from 10 to 12 percent).

Prepared by EPS 2/16/2015

Time Series Considerations: Private Developer

A project "close to the margin" on static costs is extremely vulnerable to delay. As discussed throughout this report, early-stage costs are funded out of equity, often from personal accounts or from a consortium of smaller investors. If obtained from a third-party investment bank, equity in various forms is very costly with interest rates potentially exceeding 20 percent. Given the thin profit thresholds described above, any extension of time beyond an efficient land development approvals period for this context (say 24 months) could easily render a project infeasible.

This is a clear illustration of the most critical finding overall: unless the land development approvals system is streamlined and shortened substantially, it is extremely challenging for infill mixed use projects to succeed in North Tahoe's Town Centers, even leveraging TRPA's density bonuses, other RPU incentives, maximum densities, and shared parking.

Time Series Considerations: Placer County

Placer County is presently evaluating its ability to contribute TAUs and other needed commodities to projects in order to improve feasibility prospects. One issue surfacing with this proposition is cost exposure to Placer County, should the TAUs be acquired prior to when needed, and banked.

When the County or a related agency acquires TAUs, the County could be faced with the prospect of operating cash flowing properties until TAUs are needed. For an operating asset, costs are likely to be covered by operating cash flow, so the County should not incur any loss. Property management fees in this case are likely to range from 3 to 5 percent of gross revenue.

In situations where properties are not cash flowing (e.g., shut down by code enforcement), the County would need to fund property tax and potentially periodic management fees, in addition to its purchase of TAUs.

In a scenario where an asset is inoperable and located outside of Placer County, the combination of TAU interest costs plus asset property tax and maintenance is illustrated as follows:

TAU Capital Cost for 100 TAUs:	$15,000 each, or $1.5 million
Annual Interest Carry (1 year at 3.5%):	$52,500
Maint., Taxes, Insurance, and Mgmt (10% of AV[20]):	$50,000 (subject to verification)
Total Annual Carry per 100 Rooms:[21]	$102,500

[20] For purposes of this illustration, assessed value is assumed to be $500,000, once the project is stripped of development rights. Includes cost of security.

[21] These figures are preliminary and subject to verification. Note that when partnering with a land bank organization like CTC, interest carry, maintenance/taxes/insurance/management would not apply.

Summary: Major Issues Affecting Pro Forma Returns

Key feasibility issues are related to the cost of parking, the costs of commodities (e.g., TAU, CFA, Coverage), and very high overall construction costs which can approach $250/square foot for vertical development costs as discussed earlier.

Predevelopment expenses are particularly challenging as they are uncertain and often funded by equity. Any actions that reduce or adjust the timing of costs back in time relative to revenue will improve the overall rate of return. These are examples of techniques available to improve the outcome:

- **Land Development Approvals must be processed within a 2-year period** for most projects—this is something the County should take immediate action to improve.
- **Reduce required engineering accuracy** required at initial application stage.
- **Offset all or a portion of TAU costs** otherwise incurred by developers where evidenced by fully documented feasibility analysis.
- **Defer costs where possible**, such that fees and charges are paid at Certificate of Occupancy issuance instead of building permit issuance.
- **Structured parking cannot be carried by projects** and should be looked at as essential infrastructure that may require public funding.

County Fiscal Benefits from Opportunity Area Development

In all cases, it is necessary to ensure that any public participation in cost coverage or write-downs is warranted from a public policy standpoint. To examine this issue, EPS calculated TOT and sales and use tax from an example of 400 units of hotel rooms and roughly 75,000- 100,000 square feet of commercial area that might occur over an estimated 20 year period.[22]

Table C-3 demonstrates substantial economic benefit accruing from the above-referenced development footprint, with $1.8 million generated annually in TOT ($2.1 million annually if the tax rate is increased from 10 to 12 percent), and new sales and use tax generating about $240,000 annually, totaling $2 million to $2.3 million per year between just these two General Fund revenue sources. Using standard underwriting criteria, the TOT generation alone may translate to bonding capacity of approximately $20 million (2014 $) when these uses are built and operating.

---

[22] Note that for calculation purposes, the upper end of the estimated commercial area range is utilized.

DRAFT

Table C-3
Tahoe Basin Town Center Investment Incentives and Business Plan
Summary of Annual TOT and Sales Tax Revenues:
400 TAUs and 100,000 Square Feet Commercial Floor Area

Item	Source	Annual Revenue
Scenario 1		
TOT @ 10%	Table E-1	$1,752,000
Sales Tax	Table E-2	$314,941
Total		**$2,066,941**
Scenario 2		
TOT @ 12%	Table E-1	$2,102,000
Sales Tax	Table E-2	$314,941
Total		**$2,416,941**

tax sum

Source: Placer County; EPS.

APPENDIX D:

Funding Sources Detail

Appendix D: Funding Sources Detail

Financial Incentive Candidates

In the case of North Lake Tahoe and other parts of the Tahoe Basin, one pressing financial challenge is the provision of required land use commodities to new infill projects in the Town Centers. Another, even more difficult challenge, is the cost of providing structured parking to serve higher density projects.

Interviews of active and prospective developers indicate that any steps the County can take to assist with the funding of these and other up-front costs are critical to the realization of near-term development.

The following section profiles a subset of key potential resources and discusses how they could be used in an overall strategic approach. Typical financial incentives available to infill and other projects in California are summarized by **Table D-1**.

Infrastructure Financing Districts, available for years but rarely used, are undergoing a resurgence, thanks in part to new legislation establishing Enhanced Infrastructure Financing Districts (EIFDs), and are treated in more detail below. Landscape and Lighting Districts and Assessment Districts have been used more extensively in California over the years but recent legislation has hampered the viability of these tools. In particular, recently passed Proposition 26 requirements for "special benefits" within an assessment district have created a litigious environment for these funding tools. Future legislative efforts may result in refinements that make these tools more valuable to California cities and counties.

Grant Funding

While existing State and federal grant programs can be directed at infill development to provide additional funding (e.g., the Bay Area's OBAG program), the amount available when compared to the infrastructure investments required will not be anywhere close to the cumulative needs.

Grant funds from regional, state, and federal sources however can provide useful initial capital, as well as planning assistance, that benefits economic development. Specific grant programs come and go, and the specific requirements for any particular grant are highly variable. However, there are several regional, state, and federal entities and programs that currently or potentially provide grant funding to municipal projects, including:

- **Sustainable Community Strategy (SCS)-Related Sources.** Working through the TMPO, in response to SB-375, federal transportation funds are distributed to regions and subsequently to local infill development areas. EPS has made a recommendation to the SGC that State agencies work with federal sources (e.g., US Department of Housing and Urban Development and US Environmental Protection Agency) to prioritize infill areas demonstrating "shovel-ready" status where funding needs outstrip local capacity, but would produce positive overall benefits.

Table D-1
Tahoe Basin Town Center Investment Incentives and Business Plan
Funding Finance Options Matrix

Mechanism	Description	Application
Enhanced Infrastructure Financing District (EIFD)	Local agencies can establish an Enhanced Infrastructure Financing District (IFD) for a given project or geographic area of the jurisdiction. The EIFD captures incremental increases in property tax revenue from future development otherwise accruing to the county's General Fund that can be used for to finance public capital facilities or other specified projects of communitywide significance, including, but not limited to, brownfield restoration and other environmental mitigation; the development of projects on a former military base; the repayment of the transfer of funds to a military base reuse authority; the acquisition, construction, or rehabilitation of housing for persons of low and moderate income for rent or purchase; the acquisition, construction, or repair of industrial structures for private use; transit priority projects; and projects to implement a sustainable communities strategy.	Requires approval by every local taxing entity that will contribute its property tax increment and also requires 55 percent voter approval to issue bonds (landowner vote if less than 12 registered voters in jurisdiction).
Mello-Roos Community Facilities District (CFD)	Allows cities to create assessment districts and raise funds through special property taxes. Provides financing for public capital investment and operating improvements within the district through tax-exempt bonds sponsored by a public agency.	Requires a 2/3[rds] approval in a resident (or land owner) vote to allow CFD special taxes to be collected.
Business Improvement District (BID)	Provides a structure for business owners to pay special assessments (and/or other funds) earmarked for public improvements and services within a business district, such as street cleaning, security, and capital improvements.	County adopts a resolution to form a BID and establishes the BID through an ordinance, given property owner support.
General Fund Contributions / Dedications	A dedication of General Fund property or sales tax revenue, low interest loans, one-time contributions, and other discretionary financial contributions.	General Fund contributions are part of County's annual budget appropriations process and must be approved by the County Board (does not require voter approval).
Municipal Lease Financing	An agreement to lease a public facility, with shares in the flow of lease revenue sold as a means of generating upfront revenue for the facility.	Lease payments would come from the County's annual budget and must be approved by the County Board (does not require voter approval).
Voter-approved Tax Measures	Voters can approve parcel or sales tax increases for a specific purpose or general revenue purposes.	Requires 2/3[rds] voter approval for special tax and majority approval for general tax.
Disposition of Public Land / Assets	County may dispose of its property assets (through sale or ground lease)	Requires county asset appropriate for disposition and County Board approval, subject to a number of requirements.
Development Impact Fees	One-time fees charged to new development to cover "fair share" infrastructure cost needed to accommodate growth.	Approved by the County Board vote (does not require property owner approval).
Other Fees & Exactions (including "in-lieu" fees)	There are a number of other mechanisms such as project-specific fees and exactions that could be used as funding mechanisms.	These can be negotiated on a case-by-case basis (e.g., Development Agreement) or approved generally for areas within the County, subject to a number of requirements.

matrix

Source: EPS.

- **EDA Economic Adjustment Assistance Program.** These funds are available for the creation of a Comprehensive Economic Development Strategy (CEDS), as well as implementation grants to support infrastructure, site preparation, rehabilitation, and other activities germane to Town Center development in North Lake Tahoe. This may be a useful supplemental or gap funding resource to fund subsequent analysis building on current business planning activities.

- **EDA Public Works Program.** This program is intended for distressed communities seeking to revitalize, expand, and upgrade their physical infrastructure. This source may have potential for improvement of harbor facilities as well as brownfield remediation in NTB.

- **Strategic Growth Council.** The SGC is required to allocate 50 percent of funds for affordable housing in disadvantaged communities, with criteria matching conditions prevalent in Kings Beach in particular. In addition, the SGC has been a candidate for grant funding allowing further evaluation of commodity exchange rates, although a recent funding request was not awarded.

- **Other Cap and Trade-Based Programs and Services.** Related to the above-referenced Agency, EPS has recommended that the SGC make technical support and planning grant programs available to local and regional agencies, including technical advisory services to agencies looking to bring emerging funding sources such as EB-5 into projects.

Key Short-Term Sources of Funding

As Placer County may fund the acquisition of TAUs from a General Fund reserve comprised of TOT from North Lake Tahoe, there may be a need to replenish this source relatively quickly. New financing tools are becoming available; in the wake of the dissolution of Redevelopment, California legislators are pursuing innovative solutions to provide local governments with tools to generate economic investment (e.g., a tax increment financing provision for infill/smart growth projects). It is prudent for the County to remain actively engaged in these legislative discussions and advocate, when needed, to promote positive change at the State level.

Emerging areas of potential among newer and traditional sources having a good potential match to the County's goals are provided in further detail in the following section.

Enhanced Infrastructure Financing District

This funding source is emerging as a leading candidate for infrastructure investment in infill settings as a direct result of the loss of Redevelopment in California. It provides a viable option for offsetting County contributions toward extraordinary capital outlays for critical facilities such as structured parking, which in many cases will be necessary in order to realize allowable densities under the RPU.

Local agencies can establish an EIFD for a given project or geographic area of the jurisdiction. The EIFD captures incremental increases in property tax revenue from future development otherwise accruing to the city's General Fund that can be used for funding project-related infrastructure. New legislation makes EIFDs easier to enact, eliminating the voter requirement to form the EIFD and reducing the voter requirement to 55 percent to issue bonds. These changes make EIFDs a more viable funding and financing mechanism. Tax increment financing is available, and with the consent of the taxing entities in the district, agencies can combine their tax increment to fund infrastructure and other projects demonstrating communitywide benefit.

- **Establishment.** The legislative body of a city or a county may establish an EIFD. Fifty-five percent registered voter approval is required to issue bonds (landowner vote if fewer than 12 registered voters reside in the district.
- **Who Pays?** The incidence of burden of an infrastructure financing district is the property owners paying the property taxes. However, since the property tax "increment" is diverted to the IFD, and is not available to the County general fund, the County at large also "pays" by foregoing property tax revenue.
- **Benefits.** EIFDs, similar to Redevelopment Agency tax increment financing (TIF), redirect property taxes otherwise accruing to a jurisdiction to support new development. The value created by the project is captured and invested in a manner that helps realize the project.
- **Limitations.** Only limited types of public capital facilities that offer communitywide significance may be financed through an EIFD. EIFDs cannot be used to finance operations and maintenance expenses. Unlike former Redevelopment tax increment funding, EIFDs can only utilize local government's share of property tax (along with other agencies who agree to forego their share of tax increment).

While any tax increment, no matter how small, could benefit a marginally financially feasible project, it is important to note that in most cases local property tax available is very limited. In Tahoe City and Kings Beach, Placer County receives roughly between 19 and 25 percent of property tax revenue, on average (tax allocations vary by tax rate area). Perhaps more importantly, the use of local property tax to support infrastructure financing has fiscal implications. Dedicating tax revenue to infrastructure reduces funding available for new public services costs associated with development.

It is important to note that the potential of EIFDs is limited in comparison to historical redevelopment powers. While EIFDs are similar to Redevelopment in the ability to leverage property tax increment, EIFDs do not address contractual relations between public and private entities.

<u>EIFD Funding Potential</u>

Table D-2 provides an example of EIFD funding potential generated by 400 hotel rooms and 100,000 square feet of commercial space. Based on this analysis, and taking into consideration growth in existing assessed value in Tahoe City and Kings Beach, existing EIFD legislation would produce approximately $3.4 million annually with the addition of nearly $240 million in assessed value. If recommended adjustments to the EIFD were to be approved by the State Legislature, effectively increasing the property tax allocation by adding ERAF[23] to the County's AB-8 factor, this amount could increase to over $5 million annually (see **Table D-3**). **<u>This range of annual revenue could be sufficient to issue between $30 million and $50 million in bond proceeds.</u>**

---

[23] Educational Revenue Augmentation Fund. This adjustment would require an alternative, supplemental statewide revenue source to backfill the loss of funding for public schools.

DRAFT

Table D-2
Tahoe Basin Town Center Investment Incentives and Business Plan
Illustrative Infrastructure Financing District (IFD) Tax Increment Revenue Projection (2014$) - Scenario 1

Scenario 1
Current IFD Policies

Item	Beginning Assessed Value	Annual AV Growth [1]	New AV Added to Roll	Ending Assessed Value	Cumulative Growth in AV	Gross Tax Increment [2]	Net Tax Increment [3]	Less County Admin. Fee [4]	IFD Project Tax Increment
Formula					*a*	*b = a * 1%*	*c = b * 20.16%*	*d*	*e = c - d*
Base AV (FY 13/14)	**$4,143,906,709**								
FY 14/15	$4,143,906,709	$124,317,201	$0	$4,268,223,910	$124,317,201	$1,243,172	$250,589	($5,000)	$245,589
FY 15/16	$4,268,223,910	$128,046,717	$0	$4,396,270,628	$252,363,919	$2,523,639	$508,696	($5,100)	$503,596
FY 16/17	$4,396,270,628	$131,888,119	$79,510,217	$4,607,668,963	$463,762,254	$4,637,623	$934,817	($5,202)	$929,615
FY 17/18	$4,607,668,963	$138,230,069	$0	$4,745,899,032	$601,992,323	$6,019,923	$1,213,451	($5,306)	$1,208,145
FY 18/19	$4,745,899,032	$142,376,971	$0	$4,888,276,003	$744,369,294	$7,443,693	$1,500,444	($5,412)	$1,495,032
FY 19/20	$4,888,276,003	$146,648,280	$79,510,217	$5,114,434,500	$970,527,791	$9,705,278	$1,956,317	($5,520)	$1,950,797
FY 20/21	$5,114,434,500	$153,433,035	$0	$5,267,867,535	$1,123,960,826	$11,239,608	$2,265,596	($5,631)	$2,259,965
FY 21/22	$5,267,867,535	$158,036,026	$0	$5,425,903,561	$1,281,996,852	$12,819,969	$2,584,153	($5,743)	$2,578,410
FY 22/23	$5,425,903,561	$162,777,107	$0	$5,588,680,668	$1,444,773,959	$14,447,740	$2,912,267	($5,858)	$2,906,409
FY 23/24	$5,588,680,668	$167,660,420	$79,510,217	$5,835,851,305	$1,691,944,596	$16,919,446	$3,410,495	($5,975)	$3,404,520
FY 24/25	$5,835,851,305	$175,075,539	$0	$6,010,926,844	$1,867,020,135	$18,670,201	$3,763,399	($6,095)	$3,757,304
FY 25/26	$6,010,926,844	$180,327,805	$0	$6,191,254,649	$2,047,347,940	$20,473,479	$4,126,891	($6,217)	$4,120,674
FY 26/27	$6,191,254,649	$185,737,639	$0	$6,376,992,289	$2,233,085,580	$22,330,856	$4,501,287	($6,341)	$4,494,945
FY 27/28	$6,376,992,289	$191,309,769	$0	$6,568,302,057	$2,424,395,348	$24,243,953	$4,886,915	($6,468)	$4,880,447
FY 28/29	$6,568,302,057	$197,049,062	$0	$6,765,351,119	$2,621,444,410	$26,214,444	$5,284,111	($6,597)	$5,277,514
FY 29/30	$6,765,351,119	$202,960,534	$0	$6,968,311,652	$2,824,404,943	$28,244,049	$5,693,224	($6,729)	$5,686,495
FY 30/31	$6,968,311,652	$209,049,350	$0	$7,177,361,002	$3,033,454,293	$30,334,543	$6,114,610	($6,864)	$6,107,746
FY 31/32	$7,177,361,002	$215,320,830	$0	$7,392,681,832	$3,248,775,123	$32,487,751	$6,548,638	($7,001)	$6,541,636
FY 32/33	$7,392,681,832	$221,780,455	$0	$7,614,462,287	$3,470,555,578	$34,705,556	$6,995,686	($7,141)	$6,988,545
FY 33/34	$7,614,462,287	$228,433,869	$0	$7,842,896,156	$3,698,989,447	$36,989,894	$7,456,146	($7,284)	$7,448,862
FY 34/35	$7,842,896,156	$235,286,885	$0	$8,078,183,040	$3,934,276,331	$39,342,763	$7,930,420	($7,430)	$7,922,990
FY 35/36	$8,078,183,040	$242,345,491	$0	$8,320,528,532	$4,176,621,823	$41,766,218	$8,418,921	($7,578)	$8,411,343
FY 36/37	$8,320,528,532	$249,615,856	$0	$8,570,144,387	$4,426,237,678	$44,262,377	$8,922,078	($7,730)	$8,914,348
FY 37/38	$8,570,144,387	$257,104,332	$0	$8,827,248,719	$4,683,342,010	$46,833,420	$9,440,330	($7,884)	$9,432,446
FY 38/39	$8,827,248,719	$264,817,462	$0	$9,092,066,181	$4,948,159,472	$49,481,595	$9,974,129	($8,042)	$9,966,087
FY 39/40	$9,092,066,181	$272,761,985	$0	$9,364,828,166	$5,220,921,457	$52,209,215	$10,523,942	($8,203)	$10,515,739
FY 40/41	$9,364,828,166	$280,944,845	$0	$9,645,773,011	$5,501,866,302	$55,018,663	$11,090,250	($8,367)	$11,081,883
FY 41/42	$9,645,773,011	$289,373,190	$0	$9,935,146,201	$5,791,239,492	$57,912,395	$11,673,547	($8,534)	$11,665,012
FY 42/43	$9,935,146,201	$298,054,386	$0	$10,233,200,587	$6,089,293,878	$60,892,939	$12,274,342	($8,705)	$12,265,637
FY 43/44	$10,233,200,587	$306,996,018	$0	$10,540,196,605	$6,396,289,896	$63,962,899	$12,893,162	($8,879)	$12,884,283
30-Year Total					**$87,337,730,151**	**$873,377,302**	**$176,048,855**	**($202,840)**	**$175,846,014**

ifd sum1

Sources: Placer County Assessor; ParcelQuest; EPS.

[1] Assessed value estimated to increase by 3% annually, accounting for assumed legislated annual increase of 2% and additional property transactions within IFD boundary.
[2] Gross Tax Increment is 1% of the difference between assessed values in current and base years.
[3] Net Tax Increment of 20.16% is the average estimated post-ERAF Placer County General Fund percentage of the 1% property tax revenue for Tahoe City and Kings Beach, which would be available for funding infrastructure, net of the percentage for all other taxing entities within the district boundary. This approach reflects current IFD policy.
[4] A placeholder administrative cost of $5,000 is anticipated to increase annually by 2%.

Prepared by EPS 2/16/2015

DRAFT

Table D-3
Tahoe Basin Town Center Investment Incentives and Business Plan
Illustrative Infrastructure Financing District (IFD) Tax Increment Revenue Projection (2014$) - Scenario 2

Scenario 2
Amended IFD Policies

Item	Beginning Assessed Value	Annual AV Growth [1]	New AV Added to Roll	Ending Assessed Value	Cumulative Growth in AV	Gross Tax Increment [2]	Net Tax Increment [3]	Less County Admin. Fee [4]	IFD Project Tax Increment
Formula					*a*	*b = a * 1%*	*c = b * 30.23%*	*d*	*e = c - d*
Base AV (FY 13/14)	**$4,143,906,709**								
FY 14/15	$4,143,906,709	$124,317,201	$0	$4,268,223,910	$124,317,201	$1,243,172	$375,783	($5,000)	$370,783
FY 15/16	$4,268,223,910	$128,046,717	$0	$4,396,270,628	$252,363,919	$2,523,639	$762,839	($5,100)	$757,739
FY 16/17	$4,396,270,628	$131,888,119	$79,510,217	$4,607,668,963	$463,762,254	$4,637,623	$1,401,849	($5,202)	$1,396,647
FY 17/18	$4,607,668,963	$138,230,069	$0	$4,745,899,032	$601,992,323	$6,019,923	$1,819,687	($5,306)	$1,814,381
FY 18/19	$4,745,899,032	$142,376,971	$0	$4,888,276,003	$744,369,294	$7,443,693	$2,250,061	($5,412)	$2,244,649
FY 19/20	$4,888,276,003	$146,648,280	$79,510,217	$5,114,434,500	$970,527,791	$9,705,278	$2,933,687	($5,520)	$2,928,167
FY 20/21	$5,114,434,500	$153,433,035	$0	$5,267,867,535	$1,123,960,826	$11,239,608	$3,397,481	($5,631)	$3,391,850
FY 21/22	$5,267,867,535	$158,036,026	$0	$5,425,903,561	$1,281,996,852	$12,819,969	$3,875,188	($5,743)	$3,869,445
FY 22/23	$5,425,903,561	$162,777,107	$0	$5,588,680,668	$1,444,773,959	$14,447,740	$4,367,227	($5,858)	$4,361,368
FY 23/24	$5,588,680,668	$167,660,420	$79,510,217	$5,835,851,305	$1,691,944,596	$16,919,446	$5,114,368	($5,975)	$5,108,392
FY 24/25	$5,835,851,305	$175,075,539	$0	$6,010,926,844	$1,867,020,135	$18,670,201	$5,643,582	($6,095)	$5,637,487
FY 25/26	$6,010,926,844	$180,327,805	$0	$6,191,254,649	$2,047,347,940	$20,473,479	$6,188,672	($6,217)	$6,182,455
FY 26/27	$6,191,254,649	$185,737,639	$0	$6,376,992,289	$2,233,085,580	$22,330,856	$6,750,115	($6,341)	$6,743,774
FY 27/28	$6,376,992,289	$191,309,769	$0	$6,568,302,057	$2,424,395,348	$24,243,953	$7,328,402	($6,468)	$7,321,934
FY 28/29	$6,568,302,057	$197,049,062	$0	$6,765,351,119	$2,621,444,410	$26,214,444	$7,924,037	($6,597)	$7,917,439
FY 29/30	$6,765,351,119	$202,960,534	$0	$6,968,311,652	$2,824,404,943	$28,244,049	$8,537,541	($6,729)	$8,530,811
FY 30/31	$6,968,311,652	$209,049,350	$0	$7,177,361,002	$3,033,454,293	$30,334,543	$9,169,450	($6,864)	$9,162,586
FY 31/32	$7,177,361,002	$215,320,830	$0	$7,392,681,832	$3,248,775,123	$32,487,751	$9,820,316	($7,001)	$9,813,315
FY 32/33	$7,392,681,832	$221,780,455	$0	$7,614,462,287	$3,470,555,578	$34,705,556	$10,490,709	($7,141)	$10,483,567
FY 33/34	$7,614,462,287	$228,433,869	$0	$7,842,896,156	$3,698,989,447	$36,989,894	$11,181,213	($7,284)	$11,173,929
FY 34/35	$7,842,896,156	$235,286,885	$0	$8,078,183,040	$3,934,276,331	$39,342,763	$11,892,432	($7,430)	$11,885,002
FY 35/36	$8,078,183,040	$242,345,491	$0	$8,320,528,532	$4,176,621,823	$41,766,218	$12,624,988	($7,578)	$12,617,410
FY 36/37	$8,320,528,532	$249,615,856	$0	$8,570,144,387	$4,426,237,678	$44,262,377	$13,379,521	($7,730)	$13,371,791
FY 37/38	$8,570,144,387	$257,104,332	$0	$8,827,248,719	$4,683,342,010	$46,833,420	$14,156,689	($7,884)	$14,148,805
FY 38/39	$8,827,248,719	$264,817,462	$0	$9,092,066,181	$4,948,159,472	$49,481,595	$14,957,173	($8,042)	$14,949,131
FY 39/40	$9,092,066,181	$272,761,985	$0	$9,364,828,166	$5,220,921,457	$52,209,215	$15,781,671	($8,203)	$15,773,468
FY 40/41	$9,364,828,166	$280,944,845	$0	$9,645,773,011	$5,501,866,302	$55,018,663	$16,630,904	($8,367)	$16,622,537
FY 41/42	$9,645,773,011	$289,373,190	$0	$9,935,146,201	$5,791,239,492	$57,912,395	$17,505,614	($8,534)	$17,497,080
FY 42/43	$9,935,146,201	$298,054,386	$0	$10,233,200,587	$6,089,293,878	$60,892,939	$18,406,565	($8,705)	$18,397,860
FY 43/44	$10,233,200,587	$306,996,018	$0	$10,540,196,605	$6,396,289,896	$63,962,899	$19,334,545	($8,879)	$19,325,666
30-Year Total					**$87,337,730,151**	**$873,377,302**	**$264,002,307**	**($202,840)**	**$263,799,467**

ifd sum2

Sources: Placer County Assessor; ParcelQuest; EPS.

[1] Assessed value estimated to increase by 3% annually, accounting for assumed legislated annual increase of 2% and additional property transactions within IFD boundary.
[2] Gross Tax Increment is 1% of the difference between assessed values in current and base years.
[3] Net Tax Increment of 30.23% is the average of the estimated pre-ERAF Placer County General Fund percentage of the 1% property tax revenue for the Tahoe City and Kings Beach areas. This approach reflects currently proposed IFD policy amendments.
[4] A placeholder administrative cost of $5,000 is anticipated to increase annually by 2%.

Prepared by EPS 2/16/2015

In reality, this assessed value may accrue over a slower time frame; regardless, EIFDs provide a strong prospect for taking out any short term debt related to funding a parking garage.

California Infrastructure and Economic Development Bank

The California Infrastructure and Economic Development Bank (I-Bank) may be a viable source for relatively near-term replenishment of County TAU or other outlays, provided it can make a compelling case that other options are limited.

I-Bank provides accessible low-cost financing options to eligible applicants for a wide range of infrastructure projects through the Infrastructure State Revolving Fund (ISRF Program). ISRF Program funding is available in amounts from $50,000 to $25,000,000 with terms of up to 30 years.

Applications for loan funds are accepted on a continuous basis, but are subject to fairly stringent lending criteria, including a 5 year history of stable property tax collection for land secured debt. Other loan repayment options include Enterprise Fund Revenues, General fund lease revenues, and other voter-approved General Fund debt.

Project applicants must demonstrate that the project can feasibly be completed within 2 years, with loan repayment anticipated to begin 1 year after loan origination. Notably, project readiness requirements include the provision that the "Applicant must provide evidence that it has applied for or received all permits or approvals…necessary for the construction of the project." Therefore, the County will need to make a concerted effort to ensure developers can navigate the entire permit process to tap this source.

Two categories of projects may be financed with ISRF loans: Infrastructure Projects and Economic Expansion projects. The borrower must be a subdivision of a local or state government (Sponsor) or a public-benefit, tax-exempt, not-for-profit entity engaged in business or operations in the State and applying in conjunction with a Sponsor.

These eligible infrastructure projects are germane to development in North Lake Tahoe:

- County Highways
- State Highways
- Drainage, Water Supply, Flood Control
- Educational Facilities
- Environmental Mitigation Measures
- Parks and Recreational Facilities
- Parking
- Port Facilities (including marinas and other water-borne infrastructure)
- Public Transit
- Sewage Collection and Treatment
- Solid Waste Collection and Disposal
- Water Treatment and Distribution
- Public Safety Facilities

Economic Expansion projects are those projects that facilitate certain environmental, economic and social goals, and can include infrastructure and vertical development associated with

Industrial, Utility, and Commercial Projects as well as Educational, Cultural, and Social Projects. Eligible costs include construction, ROW, demolition, financing, and other soft costs.

Timing could be as little as 6 months between application and funding but depends on several factors related to execution of financing documents.

Common criticisms of the I-Bank ISRF Program have included its cumbersome program application process, its strict credit standards and related risk aversion, and limited financial incentive to participate. However, recent changes to the program may increase I-Bank lending to jurisdictions without other credit options.

Pursuing further opportunities to modify or expand the Program, or to create an entirely new program, could make State-sponsored lending a useful tool for assisting and incentivizing infill development. One idea recommended to the SGC is to create a revolving loan fund creating "mezzanine" financing for land secured financing districts, prior to the realization of special tax capacity, in situations where commercial lenders are unwilling or unable to accept the political or commercial risks inherent in a deal.

In the case of North Lake Tahoe, this could play out in conjunction with the SCIP program described below, where impact fees and other charges are funded through land-secured financing.

EB-5 Equity

EB-5 funds have been deployed successfully to catalyze resort development. The Vermont EB-5 Regional center was the first state owned and operated regional center. EB-5 funds invested through the Vermont EB-5 Center were used to revitalize the Jay Peak Resort, a sprawling resort offering skiing, golf, a waterpark and lodging facilities. The EB-5 program is largely credited with providing investment capital for the Jay Peak Resort that would not otherwise have been available. The "original EB-5 public-private partnership," the Vermont EB-5 Center's government affiliation offers a certain level of legitimacy and credibility that helps attract potential immigrant investors.

The EB-5 program was established by the federal government to bring new investment capital into the United States and create new jobs for U.S. workers. Through the program, foreign investors can obtain green cards by investing their capital in new, restructured, or expanded commercial enterprises in the United States, creating and/or preserving jobs. Immigrant investors receive a 2-year conditional permanent residential status. If they satisfy EB-5 program job creation criteria, the conditions are removed and the immigrants become unconditional lawful residents.

Immigrant investors must invest at least $1 million in capital in a new commercial enterprise that creates not fewer than 10 jobs. The investment threshold is lower for targeted employment areas—in these high unemployment areas, immigrant investors can invest $500,000, but must still demonstrate the creation of 10 jobs associated with their investment. Meeting this job creation threshold typically requires leveraging EB-5 funds with other sources of capital, often traditional private financing.

Statewide Community Infrastructure Program

The Statewide Community Infrastructure Program (SCIP) is a program of the California Statewide Communities Development Authority that makes use of a local government's ability to create land-secured financing districts. The Program "pools" debt obligations to gain a comparatively lower interest rate and issuance costs (particularly if the issue is small). SCIP benefits developers because it provides low-cost, long-term financing of fees and improvements, which can otherwise entail substantial upfront cash outlays. Local agencies benefit from SCIP because it encourages developers to pay fees upfront (more so than they otherwise would). Further, the availability of low-cost, long-term financing also softens the burden of rising fees and improvement costs, which benefits developers and local agencies.

The California Statewide Communities Development Authority is a Joint Powers Authority (JPA) sponsored by the League of California Cities and the California State Association of Counties. Membership in the Authority is open to every California city and county, and most are members. SCIP financing is available for development projects situated within cities or counties (local agencies) which have elected to become SCIP participants. Eligibility to become a local agency requires only (a) membership in the League of Cities or CSAC, (b) membership in the Authority, and (c) adoption of a resolution making the election (the "SCIP Resolution").

Participation in SCIP entails the submission of an application by the property owner of the project for which development approvals either have been obtained or are being obtained from a local agency. For projects determined to be qualified, SCIP provides non-recourse financing of either (a) eligible development impact fees payable to the local agency or (b) eligible public capital improvements (or both). Under certain circumstances, determined on a case by case basis, development impact fees payable to local agencies also may be used as repayment for upfront SCIP funding.

SCIP funding awards are aggregated for inclusion in a round of financing authorization. Periodically, as warranted by the accumulation of approved funding applications, the California Statewide Communities Development Authority issues tax-exempt revenue bonds. For projects involving a sufficient amount of financing (generally $5 million or more), a special series of bonds may be issued to fund the project separately if the timing of issuance of a pooled financing does not suit the project. Revenues to pay debt service on the SCIP bonds are derived from special assessments pursuant to the Municipal Improvement Act or through the levy of special taxes by establishing a CFD pursuant to the Mello-Roos Community Facilities Act.

State Direct Investment through Cap and Trade

Infill areas are often constrained, face extraordinary remediation challenges, and lack capacity to overcome obstacles through local and regional revenue sources. To this extent, State direct investments could be made, disseminating cap and trade funds through a point based system that rewards local institutional capacity, efficiency, and overall effectiveness of the infrastructure investment in meeting "triple bottom line" or other goals. This funding could directly fund infrastructure (e.g., parking) or leverage existing State programs (e.g., I-bank program targeted at infill development).

Public Private Partnerships

To the extent that the County contributes TAUs or other public assets to a development project, it can position itself as an equity partner in the project. Agreements between the County and specific developers may be developed that produce sources of repayment to the County. For example, it may be determined that returns over and above a meaningful private sector threshold are shared with the County on an ongoing basis in exchange for funding assistance at the outset of a project. Terms can be put in place to arrange for loan forgiveness if certain public objectives (assessed value, jobs, tax revenue, etc.) are realized. This approach requires an "open book" arrangement with private developers, which may or may not be acceptable on a case by case basis. Two examples of this public private partnership concept that may be applicable in North Lake Tahoe include:

- **TOT as a Key Incentive.** The present TOT rate in the North Tahoe portion of the County is 10 percent; a 12-percent rate may be considered at a future point. As discussed earlier, this resource could generate nearly $1.8 million to $2.1 million annually, based on an increase of 400 rooms in North Tahoe. If additional resources are needed on a deal by deal basis, an approach to leveraging this resource includes a self-imposed TOT surcharge. Property owners would use a Development Agreement to establish a higher TOT rate imposed on a project specific basis to compensate County for value of TAUs contributed. As an option, a credit against annual payment from developer to County could be applied.

- **Sale-Leaseback.** The County could replenish its outlay for TAUs and other commodities by selling specific assets to one or more private-sector entities and leasing them back, thereby realizing a lump sum providing working capital for the acquisition/land bank program. Use of this approach would require a more specific evaluation of the relative value of key assets (e.g., County office space or fire station in Tahoe City) the cost and source of lease back payments, and the recognized quantitative and qualitative benefit from the application of sales proceeds.

Longer Term Options

Transportation Sales Tax Measure

The County could consider a local option ½-cent sales tax measure. As new funding cycles are re-authorized, they are likely to be better aligned with infill programs and other regional planning objectives as reflected in Sustainable Community Strategies.

Institutional Impact Investments

Once the land development approval process is stabilized, there is an opportunity to leverage institutional capital to North Lake Tahoe, either through direct efforts or through a partnership with the CTC, which is actively evaluating major outside funding sources to augment its budget for commodities acquisition and restoration of properties. Many institutional investors are committed to placing certain percentages of their investments in funds that generate social and/or environmental goods, while achieving strong financial returns. These investors use a variety of techniques, depending on specific mission objectives and return criteria, and often blend below market rate tools (grants, credit enhancement, below-market loans in including "first loss," gap financing, and revolving loan funds). In this regard, the term "first loss relates to a strategy of taking Placer County out of the primary risk position, and putting in place a source of equity capital, which could be an amalgamation of public and private resources. This source pairs well with the use of New Market Tax Credits and the use of EDC or Community Development Finance Institutions using a 501(c)(3) structure, as discussed elsewhere in the report. It is recommended that this topic be taken up in greater detail in partnership with the

CTC. However, as stated throughout this document, substantial improvement in the overall development risk profile through land development approval streamlining is imperative to creating the preconditions for this emerging approach.

New Market Tax Credits

The New Market Tax Credit (NMTC) program was designed to help with revitalization efforts in distressed communities, such as Kings Beach, by providing federal tax credit incentives for equity investments made in certain businesses or economic development projects by means of a qualified financial institution (Community Development Entities).

Typical projects receiving NMTC funds include the purchase, rehabilitation, or construction of a building or the expansion of an existing business within an identified distressed community. The Department of the Treasury's Community Development Financial Institutions Fund identified a total of more than $31 billion of NMTC investments in the past 10 years that have brought economic benefits to low-income communities. Almost 60 percent of the investments were in real estate projects with the remainder primarily directed toward business operations.

There are several qualified financial institutions in California that have helped place investments in various successful projects throughout the state. For instance, the California Infrastructure and Economic Development Bank (IBank) has established an effort to utilize NMTCs in innovative ways including donations, tax credits, and a blending of financing instruments.

State Water Bond

The CTC stands to derive an estimated $15 million out of the Water Bond Initiative placed on the November 2014 ballot. This will provide vital, if limited, funding for continued acquisition of development rights and subsequent restoration efforts.

Sales Tax and Other Local Taxes Linked to Municipal Credit and Financing

Subject to a vote, Counties can use a variety of existing or new funding sources to fund infrastructure directly or provide interim financing for developer-based obligations. For example, local sales tax increases, transient occupancy taxes, and utility user taxes can be created or increased for this purpose. By enhancing General Fund revenues, the County gains the ability to divert some funds to infrastructure projects. A commitment to fund specific types of projects can be made in the ordinances that create new taxes or can be made as a matter of County policy. County funding can be used to fund infrastructure using a "pay-as-you-go" approach, as a source of reimbursement, or to support a municipal bond issue (e.g., to fill an initial funding gap associated with development impact fee programs or land secured financing programs).

Increasing Flexibility of Impact Fees

Related to the economic concerns discussed above, it is important to recognize that there are methods for moderating or deferring fees. Though individual development impact fee ordinances must be consistently applied and coordinated, they may contain features that can reduce potential negative economic effects and thus not unnecessarily inhibit otherwise desirable development. Also, there can be features of development impact fees that address economic concerns generally or on a case-by-case basis:

- **Fee Deferrals.** While the statute allows a levy of fees at issuance of building permit, many development impact fee ordinances allow a deferral until the "certificate of occupancy" is issued.

- **Fee Waivers.** Fee waivers provide the local government the ability to waive the fee for a particular project when it is determined that without such reduced costs a project that has substantial public benefit may otherwise not occur. Lacking such community benefits, waivers may be regarded as a "gift of public funds." Examples of such partial or total waivers include projects with the potential to generate substantial municipal revenue or amenities, affordable housing projects, and employment-generating uses. Fee waivers reduce funding in a fee program proportional to the aggregate amount of waivers or exemptions granted. Such revenue reductions must be "made up" by the County from other funding sources, or risk not being able to build the infrastructure for which the fee was levied.

- **Credits and Reimbursements.** Credits and reimbursements are mechanisms that allow developers subject to an impact fee to build infrastructure in-lieu of paying the fee and receiving a proportional credit for the value of that construction against the fee obligation. Reimbursement would occur in the case where construction value actually exceeded the particular developer's fee obligation.

- **Short-Term Fee Financing (interest bearing installment payments).** Ordinances can provide for a developer to pay fee obligations over a period of time subject to an interest bearing and secured note.

Organizational Concept: EDC

To maximize the County's potential to promote and guide private sector development activities toward creating new, unique, and character-rich places in North Lake Tahoe, the County should explore the benefits and costs associated with formation of a local Economic Development Corporation or similar 501(c)(3) organization. EDCs are used throughout California and they vary in size and scope, ranging from thinly staffed regional economic development bodies that provide marketing and site selection support to larger corporations capable of assembling, repositioning, developing, and managing real estate projects that support economic development.

While an EDC program could be expensive and risky relative to other strategies (and requires further study and evaluation), an EDC could provide the County with an entity that could participate in the provision of commodities or parking improvements. EDCs often provide access to a wider range of capital investment funds, ranging from federal grant sources to corporate donations. To be effective, the EDC would require dedicated operating funds and staffing, as well as investment capital.

APPENDIX E:

Supporting TOT, Sales Tax, and IFD Analysis

DRAFT

Table E-1
Tahoe Basin Town Center
Investment Incentives Analysis
Potential Increases in Transient Occupancy Tax (TOT) Revenue

Item	Formula	Assumption	TOT Rate		Annual Revenue		
			Existing	Potential	Existing	Potential	Difference
Annual TOT Revenue							
Hotel Rooms	*a*	400					
Annual Rooms Available	*b = a * 365*	146,000					
Occupancy Rate	*c*	60.0%					
Average Daily Room Rate	*d*	$200.00					
Placer County TOT Rate [1]	*e*		10.0%	12.0%			
Total Annual TOT Revenue (Rounded)	*f = (b * c * d * e)*				**$1,752,000**	**$2,102,000**	**$350,000**

tot kb

Source: Placer County; EPS.

[1] Existing Placer County TOT rate is 10% for the "North Lake Tahoe Area."

DRAFT

Table E-2
Tahoe Basin Town Center
Investment Incentives Analysis
Estimated Annual Retail Sales Tax

Item	Source/ Assumptions	Formula	**Revenue**
Estimated Annual New Retail Sales - Placer County			
Visitor Spending	Table A-6		$29,392,500
Additional Retail Space	Table A-7		$25,082,714
Subtotal Estimated Annual New Retail Sales		***a***	**$54,475,214**
Estimated Annual New Taxable Sales	**44%**	***b = a * 44%***	**$23,969,094**
Annual Sales Tax Revenue			
Bradley Burns Local Sales Tax Rate	1.00%	*c = b * 1.00%*	$239,691
Less Annual Property Tax in Lieu of Sales Tax Rate [1]	-0.25%	*d = b * -0.25%*	($59,923)
Total Bradley Burns Sales Tax Revenue	**0.75%**	***e = b * 0.75%***	**$179,768**
Annual Property Tax in Lieu of Sales Tax Revenue [1]	0.25%	*f = d * 0.25%*	$59,923
Total Annual Sales Tax Revenue		***j = e + f + h***	**$239,691**

sales kb

Source: California State Board of Equalization; EPS.

[1] Based on Senate Bill 1096 as amended by Assembly Bill 2115 which states 1/4 of the 1 percent sales tax revenue (0.2500 percent) will be exchanged for an equal dollar amount of property tax revenue. When concluded, the full 1 percent sales tax will be restored.

DRAFT

Table E-3
Tahoe Basin Town Center
Investment Incentives Analysis
Estimated New Assessed Value

Land Use	Rooms/ Sq. Ft.	Value per Room/ Sq. Ft.	Total New Assessed Value
Hotel	*Rooms*	*Per Room*	
Traditional Rooms	200	$260,000	$52,000,000
Condominium Units	200	$1,040,000	$208,000,000
Total Hotel	**400**		**$260,000,000**
	Sq. Ft.	*Per Sq. Ft.*	
New Commercial Uses	103,121	$200	**$20,624,295**
Total			**$280,624,295**
Less Assessed Value of Existing Uses			*($42,093,644)*
Net New Assessed Value			**$238,530,650**

av kb

Source: EPS.

DRAFT

Table E-4
Tahoe Basin Town Center
Investment Incentives Analysis
Estimated Property Tax Allocations

	KINGS BEACH			TAHOE CITY		
Fund/Agency	**Pre-ERAF Distribution by Tax Rate Area [1]** TRA 091-036	**Percent Shift to ERAF [2]**	**Post-ERAF Distribution Factors**	**Pre-ERAF Distribution by Tax Rate Area [1]** TRA 091-133	**Percent Shift to ERAF [2]**	**Post-ERAF Distribution Factors**
Taxing Entities for Analysis						
County General	28.7155%	33.29420%	19.1549%	31.7400%	33.33460%	21.1596%
County Library	1.4282%	19.13950%	1.1548%	1.5787%	19.15130%	1.2764%
Fire Control	1.2637%	0.00000%	1.2637%	0.0000%	0.00000%	0.0000%
Truckee Tahoe Airport	2.8034%	0.00000%	2.8034%	3.0993%	0.00000%	3.0993%
Tahoe City Cemetery	0.0000%	11.73640%	0.0000%	0.1073%	11.73640%	0.0947%
North Tahoe Fire	12.8628%	10.24250%	11.5453%	9.6398%	10.23460%	8.6532%
Placer County Resource Conservancy	0.0000%	10.68770%	0.0000%	0.0000%	10.68770%	0.0000%
Tahoe Truckee Unif M&O	19.3603%	0.00000%	19.3603%	21.4006%	0.00000%	21.4006%
Sierra College M&O	7.4254%	0.00000%	7.4254%	8.2079%	0.00000%	8.2079%
Superintendent of Schools	3.5311%	0.00000%	3.5311%	3.9026%	0.00000%	3.9026%
Tahoe Resource Conserv	0.1013%	0.00000%	0.1013%	0.1120%	0.00000%	0.1120%
Placer County Water Agency M&O	0.2212%	38.87770%	0.1352%	0.2442%	38.94250%	0.1491%
Tahoe Forest Hospital M&O	3.0220%	0.00000%	3.0220%	3.3411%	0.00000%	3.3411%
Tahoe Truckee Sanitation M&O	1.5382%	0.00000%	1.5382%	1.7000%	0.00000%	1.7000%
North Tahoe PUD M&O	17.7269%	0.00000%	17.7269%	0.0000%	0.00000%	0.0000%
Tahoe City PUD M&O	0.0000%	11.06640%	0.0000%	14.9265%	11.06640%	13.2747%
Subtotal Property Tax Pre-ERAF	**100.0000%**		**88.7626%**			**73.0965%**
Educational Revenue Relief Fund (ERAF)			11.2374%			26.9035%
Total Gross Property Tax			**100.0000%**			**100.0000%**

tax_alloc

Source: Placer County Auditor-Controller; EPS.

[1] Represents the percentage allocation of the 1% ad valorem property tax by Tax Rate Area (TRA) for the TRA of the project.
[2] Estimated by EPS based on information provided by the Placer County Auditor-Controller.

DRAFT

Table E-5
Tahoe Basin Town Center
Investment Incentives Analysis
Estimated Existing Assessed Value

TRA	Net Assessed Value
Kings Beach	
091009	$3,320,692
091024	$57,791,030
091036	$652,366,696
091054	$262,110
091055	$715,245,463
091101	$2,775,383
091135	$17,123,685
091139	NA
091140	NA
Total Kings Beach	**$1,448,885,059**
Tahoe City	
091003	$2,119,962,721
091014	$2,076,018
091026	$49,906,413
091030	$148,415,333
091038	$9,868,669
091103	$2,693,618
091133	$354,515,425
091134	$139,264
091138	$7,444,189
091141	NA
Total Tahoe City	**$2,695,021,650**
Total Kings Beach and Tahoe City	**$4,143,906,709**

exist kb

Source: California State Board of Equalization
and Placer County.

Prepared by EPS 2/16/2015

DRAFT

Table E-6
Tahoe Basin Town Center
Investment Incentives Analysis
Estimated Retail Spending per Visitor Day - North Lake Tahoe

Item	Quantity
Retail Spending by Type	
Retail and Other	$89,200,000
Food and Beverage	$117,600,000
Total Retail Spending	**$206,800,000**
Estimated North Lake Tahoe Visitor Days	3,143,000
Retail Spending per Visitor Day	**$66**

spend

Source: Dean Runyan and Associates, November 2013.