MEMORANDUM DEPARTMENT OF FACILITY SERVICES COUNTY OF PLACER

To: BOARD OF SUPERVISORS Date: JULY 21, 2009

From: JAMES DURFEE / MARY DIETRICH

Subject: SITE SELECTION FOR THE TAHOE GOVERNMENT CENTER

<u>ACTION REQUESTED / RECOMMENDATION</u>: It is recommended that your Board take the following actions associated with the selection of a site for the Tahoe Government Center (TGC):

1. Confirm the B.B. LLC Option 1 in Kings Beach as the top-ranked TGC site; and,

- Authorize the Director of Facility Services to negotiate a Master Agreement, which defines material terms for a Lease Purchase Agreement including key approval and construction milestones; and,
- Direct staff to return to your Board for approval of the agreement upon completion of negotiations.

BACKGROUND: On April 4, 2006, your Board authorized Facility Services to proceed with a Site Solicitation to identify Tahoe area properties that could accommodate consolidation of general government functions, which are currently located in a number of leased facilities. Preliminary assessments identified that a 24,000 square foot building could accommodate the potential occupants, which include the CEO's Public Information and Emergency Services staff, the Redevelopment Agency, the Community Development Resource Agency departments, Public Works, Environmental Health, the Assessor and the Tahoe Regional Planning Agency (TRPA).

On April 21, 2009, staff provided an update that included fiscal and risk analyses of the four properties under final consideration for the proposed TGC. In relation to the B.B. LLC property in Kings Beach, staff described three development options that could be pursued with the site developer/owner. The following provides a brief summary for each of the four properties (Exhibits A and B):

1. Kings Beach: B.B. LLC

Option 1 (Original – Lease/Purchase): Developer constructs and delivers TGC and 63 parking-garage spaces to County; County constructs 26 spaces off-site for fleet; Redevelopment Agency constructs 28 spaces off-site for customer and public use. Option 2: County acquires a +/- 0.80-acre entitled parcel and 63 parking-garage spaces from Developer; County constructs the TGC, and 26 spaces off-site for fleet; Redevelopment Agency constructs 28 spaces off-site for customer and public use. Option 3: Developer delivers a +/- 2.0-acre un-entitled parcel that is sufficient for the TGC and on-site parking; County constructs the TGC, a 78-space on-site surface parking lot, and 26 spaces off-site for fleet; Redevelopment Agency constructs 28 spaces off-site for customer and public use.

2. West Shore Tahoe City: Tahoe Tree Company

County acquires a +/- 10.18 acre property improved with a 6,000 sf building. County performs tenant improvements to existing building for near-term County occupancy (Phase 1), and later obtains entitlements/approvals and constructs TGC (Phase 2).

3. Dollar Hill: Highlands Village

County acquires a +/- 11.41 acre unimproved property, obtains entitlements / approvals, and constructs TGC.

4. Tahoe Vista: North Tahoe Public Utility District (NTPUD)

County partners with NTPUD, in a joint development at the NTPUD site on National Avenue in Tahoe Vista.

TGC Site Evaluation

At the April 21, 2009 meeting, your Board prioritized criteria to select a site that best meets the County's objectives, removed the Dollar Hill and NTPUD sites from consideration, and directed staff to continue evaluation of the remaining properties. Staff subsequently utilized your Board's priorities to assign point values to each of the following categories, and utilized the resultant scoring tool to uniformly evaluate the B.B. LLC Options 1, 2, and 3, and the Tahoe Tree Company properties.

A. Revitalization: 35 points

The project's presence and role in a Redevelopment Area, including the degree to which the project would: bring economic benefits to the County and Community, be a catalyst to redevelopment by bringing synergy to the Community, be an opportunity for County leadership in Redevelopment efforts, and provide off-hour community benefits.

B. Costs: 30 points

The project's cost attributes including: lowest Pro Forma Project Costs, flexibility in timing project funding, ability to implement competitive cost strategies, and leverage of other partners' participation.

C. Risks: 25 points

The risk factors associated with the development of the TGC at the particular site including: entitlements and project approvals, physical risks (e.g. environmental, demolition, grading, land coverage), dependence on the performance of development partners, and community opposition.

D. Facility Issues: 10 points

The site's physical and locational attributes including: proximity to future development areas, a walkable and pedestrian/bus oriented commercial location, traffic constraints, advisory body and County employee support/preference, and accommodation of facility requirements.

Through this evaluation process, the B.B. LLC Option 1 ranked First, B.B. LLC Option 2 ranked Second, Tahoe Tree Company ranked Third, and B.B. LLC Option 3 ranked Fourth.

Risk Assessment

By applying the prioritized criteria in this uniform manner, each project was evaluated for the level of development risk. While the B.B. LLC Options 1 and 2 were ranked First and Second respectively, the speculative nature of this mixed-use development presents greater risks than selection of the Tahoe Tree Company site. This primarily results from a greater potential for significant delays in project delivery, or the risk of no-project if the developer cannot secure TRPA and County approvals. Staff has identified that these approvals include: Tentative Subdivision Map, Conditional Use Permit, Design Review, Amendments to the Kings Beach Community Plan, certification of the Environmental Impact Report, TRPA certification of the Environmental Impact Statement, and an amendment to the TRPA Code of Ordinances. In addition to these approvals, the B.B. LLC mixed-use project requires a variety of commodities that must be secured through the TRPA Community Enhancement Project (CEP). Another risk associated with Options 1 and 2 stems from the current state of the economy, and its potential effect on the developer's ability to secure financing and deliver the project.

The three leading sites possess different fiscal ramifications to the County. The selection of the B.B. LLC Option 1 or 2 requires your Board's commitment of significant long-term funding beyond the \$6.5 million dollars, which is included in the County's Facility Finance Plan. The Tahoe Tree Company site would allow the County to secure a site and defer construction of the TGC until a later date. Any proposed project in excess of \$6.5 million dollars, either for tenant improvements, near term construction costs, or finance payments over time will have an impact on the availability of funds for other projects already identified in the Facility Finance Plan.

Although the B.B. LLC Option 1 has these inherent risks, given the revitalization benefits and an opportunity to locate the TGC in a highly walkable commercial location near the future development areas at Tahoe, this option was the highest ranked alternative. Option 1 would provide additional benefits from the Developer's ability to realize cost savings and the ability to deliver the TGC sooner than the County could complete a project. The lease/purchase structure of this alternative, coupled with early project delivery, defers the County's initial lease payment until the TGC building is complete, which is projected for Fiscal Year 2013/14. Depending on the amortization period of TGC building costs, the County's annual payment would be between \$2.4 million and \$4.0 million dollars. Although the B.B. LLC Option 2 is ranked Second, it is not considered a viable fiscal alternative, given the near term funding commitment of up to \$25 million dollars between Fiscal Years 2011/12 and 2014/15, which would be required to purchase entitled land and parking garage spaces, and to construct the TGC building.

With your Board's confirmation of the ranking and authorization, Property Management will commence negotiations of Lease Purchase terms with B.B. LLC and return with a Master Agreement for your Board's approval. The Master Agreement will provide the overarching deal points for this project, which include the term, maintenance obligations, option to purchase provisions, and the method for determination of rent. Similar to the Lease Purchase Agreement negotiated for the South Placer Courthouse project, the TGC Master Agreement will provide expectations for the building construction approval processes and interactions with County staff, design standards, Developer and County obligations, and Developer performance milestones such as project approval, design review, construction commencement, and delivery deadlines.

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To address the project risks discussed above, as a separate but related item presented to your Board today, staff will ask your Board for authorization to negotiate an option to purchase the Tahoe Tree Company property in the event the negotiation of the Master Agreement or Lease Purchase Agreement are not finalized or predefined performance milestones are not met. The goal is to secure an Option from Tahoe Tree Company for up to two years. With your Board's confirmation of B.B. LLC Option 1, staff will proceed with negotiation of a Master Agreement and return to your Board for approval.

ENVIRONMENTAL CLEARANCE: This action is exempt from review under the California Environmental Quality Act (CEQA) pursuant to CEQA Section 15061 (b)(3), which exempts activities that have no potential to cause significant environmental impact.

FISCAL ANALYSIS: Assuming a \$22.8 million dollar total purchase price for the B.B. LLC Option 1 TGC building, land, and 63 parking garage spaces (amortized at 7% annually); plus the off-site fleet parking lot, the County's total Project Pro Forma Cost ranges between \$29.5 million dollars (seven-year lease purchase) and \$37.6 million dollars (fifteen-year lease purchase). Annual payments to B.B. LLC are estimated to be between \$2.4 million and \$4.0 million dollars depending on the term and would begin in Fiscal Year 2013/14. The price per square foot for the total B.B. LLC Option 1 project, including the land value, is between \$1,229 and \$1,566 dollars depending on the term of the lease purchase. The Project Pro Forma Cost for the Tahoe Tree Company property ranges between \$20.5 and \$24.5 million dollars depending on the timing for the TGC construction. However, the County would have the discretion as to the timing of the expenditure beyond initial purchase of the property. The price per square foot for the Tahoe Tree project, including land value, is between \$854 and \$1,020 dollars.

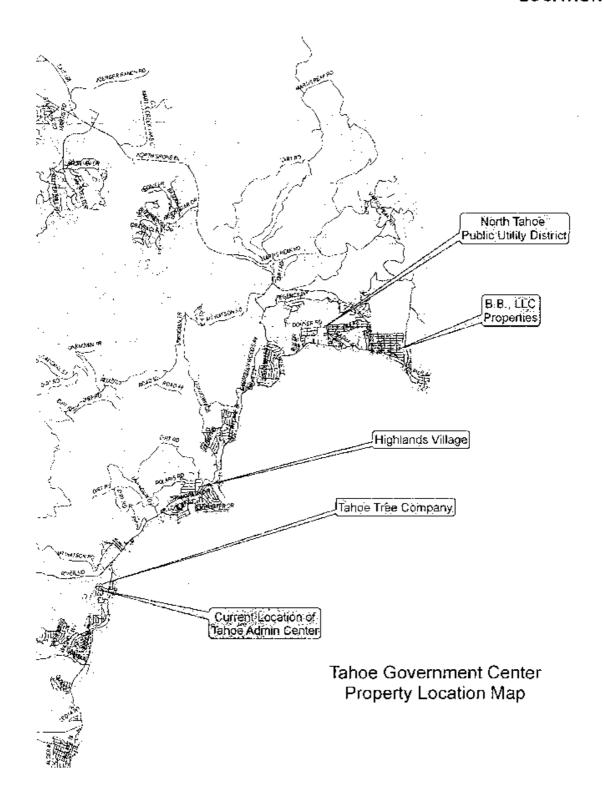
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ATTACHMENTS: EXHIBIT A - LOCATION MAP

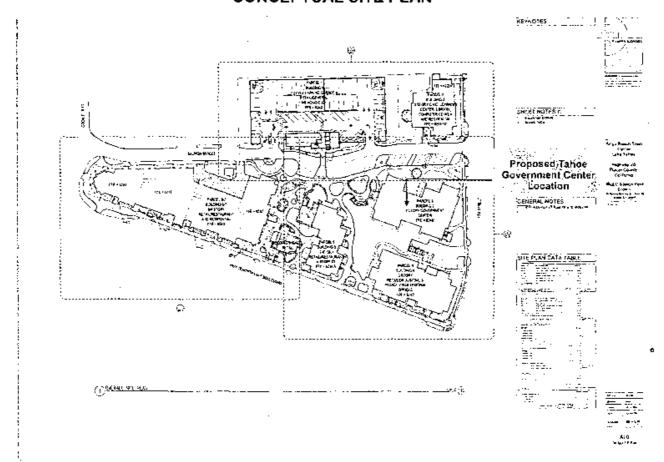
EXHIBIT B - CONCEPTUAL SITE PLANS

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EXHIBIT A LOCATION MAP



B.B. LLC CONCEPTUAL SITE PLAN



TAHOE TREE COMPANY CONCEPTUAL SITE PLAN

