



MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE OFFICE
COUNTY OF PLACER

TO: Honorable Board of Supervisors
FROM: Thomas M. Miller, County Executive Officer
Submitted by: Jennifer Merchant, Principal Management Analyst
DATE: February 28, 2012
SUBJECT: North Lake Tahoe Resort Association's Proposed Expenditure of Infrastructure Account Funds

Action Requested:

Provide direction to County Executive Office staff regarding the North Lake Tahoe Resort Association's proposed expenditure of up to \$2.6 million toward the Tahoe City Public Utility District's (TCPUD) purchase of the Tahoe City Golf Course, including development of financing options.

Background:

Placer County has entered into an annual agreement with the North Lake Tahoe Resort Association (NLTRA) to provide transportation and infrastructure project development and tourism marketing and visitor information services. The agreement is funded with general fund Transient Occupancy Tax (TOT) dollars and requires Board of Supervisors approval prior to expenditure from the infrastructure portion of the agreement budget.

The Resort Association's Infrastructure Committee and Board of Directors have voted to recommend that the County Executive Office carry forward the following projects for approval by your Board. In doing so, they affirm that the projects are consistent with the Resort Association's Tourism and Community Investment Master Plan, which was approved by your Board in July 2004. These projects have the potential to lead to significant improvements to the tourism infrastructure at North Lake Tahoe and are consistent with goals in the Resort Association's Tourism & Community Investment Master Plan.

The TCPUD reached agreement in late November 2011 to purchase the Tahoe City Golf Course for \$5 million. The Tahoe City Golf Course, the largest land holding in Tahoe City, has been part of the community since 1917. Five parcels comprising approximately 45 acres are an integral centerpiece of the community and any future economic development efforts.

The Golf Course property is the largest privately-held property in Tahoe City, and as such has intrinsic value because of its unique position as an adjacent open space buffer along the downtown commercial core. A vast majority of the property is classified as a stream environment zone and therefore has limited if any development potential, but conversely a high value as an open space and recreation corridor. It is likely that even if summer golf course operations continue in the short term, as is planned, wetlands restoration could improve water quality and filtration

functions on site. Wetlands restoration would also lend itself to interpretive boardwalks/trails which would also provide an added recreation benefit. Winter recreation opportunities are also likely to be considered during community planning processes, which increases year-round recreation potential.

While the TCPUD took the lead on the purchase, they did so with the intention to create a funding partnership with other local agencies, possibly including Placer County, the Redevelopment Agency, and the NLTRA. Due to the recent California Supreme Court action which has resulted in the elimination of redevelopment agencies statewide, the Placer County Redevelopment Agency (RDA) will not be a funding participant. The Truckee Tahoe Airport District has indicated its interest to participate as a funding partner in exchange for consideration of a location for an emergency services heli-pad on a developable portion of the Golf Course property adjacent to the new Tahoe City fire station. However, its share is less than half of what the Placer County RDA had considered providing. A Memorandum of Understanding between the parties is currently being crafted and will be brought before your Board should you determine your interest to participate as a funding partner. A current estimate of funding shares is outlined in Attachment A to this memo.

Late last year your Board allocated \$20,000 to conduct advance studies and initial due diligence on the Golf Course property, including initial site mapping, Phase 1 environmental site assessment, an ALTA survey, property inspections and appraisal, wetlands analysis, water rights analysis, business operations and equipment evaluation, and others. Some key findings are as follows:

- The Phase 1 environmental study showed no excessive contaminants
- There are roughly 4-6 developable acres, in and around the existing clubhouse facility
- There are encroachments on the south side of the property, both from the Golf Course on to other private properties, as well as from other properties onto the Golf Course
- It is likely possible to realign the second hole in order to construct public parking
- The property appraisal shows the highest and best use of the property to be five single family dwellings
- Existing buildings are in moderate condition
- Operation of a golf course is feasible without significant public subsidy

Parallel to the due diligence analyses the TCPUD has also continued negotiations with the property owners regarding the final sale price, especially in light of an appraisal that indicates the market value of the property is less than the initial \$5 million TCPUD offer.

The TCPUD has also held several public hearings and meetings to gather input on moving forward with the purchase as well as future possible uses for the property. Most feedback regarding the purchase is positive. Many Tahoe City residents believe operating the golf course in the short term is appropriate, but also see the property's potential future value as a greater community asset to drive business to Lake Tahoe. Other future uses discussed include the emergency services heli-pad referenced above, boutique hotel, wetlands restoration and interpretive paths, welcome/visitor center, performing arts center, recreation center and expansion of winter recreation opportunities such as cross country skiing, snowmobiling and ice skating.

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Additionally, the TCPUD has reviewed three responses to a Request for Proposals issued last month regarding operations of the golf course, should the purchase be completed. The TCPUD plans to contract golf course, pro shop and restaurant and bar operations for a period of up to five years during which Tahoe Regional Planning Agency and Placer County update the Tahoe City Community Plan. It is possible that an updated Community Plan could change the allowed land use on the property to be consistent with community needs, within environmental and other regulatory constraints and frameworks.

At its regular meeting on Feb. 1, 2012, the NLTRA Board of Directors acted 9-0-1 (the CEO representative abstained) to recommend that your Board approve a \$2 million allocation from the TOT Infrastructure Fund toward the TCPUD purchase of the Tahoe City Golf Course. But because of the shortfall caused by the State's elimination of the Redevelopment Agency, a funding gap equal to its initially-estimated \$1.2 million share still remains. In order to close the funding gap, remaining participants have returned to their boards for consideration of increased financial participation. The Resort Association Board, by a vote of 8-1-2 at a special meeting held on Feb. 15, 2012, recommends that up to an additional \$600,000 also be allocated from the Infrastructure Fund to further close the gap. The Resort Association Board action included a requirement to create a joint oversight committee within 30 days of close of escrow and a contingency that should measurable progress toward Resort Association goals for the property not occur within five years, the TCPUD will reimburse the Resort Association's allocation. Stated Resort Association goals to date include possible development of a boutique hotel, visitor information/welcome center, performing arts facility, parking and circulation improvements and year-round recreation opportunities. The TCPUD has also taken action to allocate up to \$475,000 in addition to its initial \$1 million commitment toward the purchase.

SPECIFIC REQUEST:

CEO staff agrees in principal with the Resort Association's recommendation to allocate up to \$2.6 million in TOT Infrastructure Account funds toward the purchase of the Golf Course, but has several concerns regarding allocation of the full amount from TOT funds currently available in the Infrastructure Account in the County Treasury.

- Approximately \$9.1 million in TOT funds are being held in the County Treasury and Resort Association bank account, \$5 million of which is designated for capital projects, and \$4.1 million of which is undesignated, but tentatively earmarked for potential future projects identified in the Resort Association's Integrated Work Plan. Potential priority projects currently earmarked for funding with the TOT funds held in the County Treasury include construction of multi-purpose trails, visitor centers, performing arts centers, way-finding signage, waterborne transit and others. These totals include \$1.2 million in funds allocated in your Board's approved FY 2011-2012 Resort Association budget, but not yet fully collected through the current fiscal year. Based on previously-budgeted allocations to the Resort Association's Infrastructure Account specifically for capital projects, it is estimated that available TOT revenue for the next five years, from FY 2012-2013 through FY 2016-2017 will be between \$3.3 and \$4.9 million, which could be allocated to projects in addition to those already identified in the Resort Association's Integrated Work Plan.

- Pursuant to the Board's Legislative Platform and other actions, your Board has placed a high priority on implementation of the Kings Beach Commercial Core Improvement Project (KBCCIP). If the County is successful in receiving \$4 million in requested Federal grants, and already-allocated Redevelopment Agency funds are available, a minimum of \$2.5 million in TOT funds will be necessary to initiate the project on schedule starting in FY 2012-2013. \$4.35 million in Resort Association TOT funds have been allocated to the KBCCIP to date, of which \$2 million is still available for distribution. Project mitigation supported by the Kings Beach community, including sidewalks, additional parking and traffic calming is estimated to encompass \$5 million of the current \$10 million project shortfall. Additionally, your Board has previously prioritized budgeting of sufficient funding for certain County services in the Tahoe area to be funded by TOT funds collected in the Tahoe area.
- As currently zoned, the Golf Course property has limited development potential. Future potential will not be known until both the Tahoe Regional Planning Agency Regional Plan Update and Placer County Community Plan processes, including CEQA analysis, are complete. The estimated timeline for completion and approval of these documents is at least five years.
- While TOT collections have broken records the last two years because of the addition of new hotel accommodations and favorable winter weather conditions, the ongoing sluggish economy and poor winter recreation conditions this year are likely to result in reduced collections and ongoing TOT revenue uncertainty. Also, even though community polling indicates support for the June ballot measure to continue with the current additional two percent TOT collection in the Tahoe area, a conservative approach to future revenue is prudent.

For these reasons, County Executive Office staff requests that your Board provide direction to staff to work with the Resort Association to develop a preferred financing methodology. If your Board is interested in participating as a funding partner in the Golf Course purchase, CEO staff recommends that financing be structured to allow flexibility in funding needed for potential infrastructure projects in balance with fluctuations in TOT revenues.

CEO staff believes that this methodology will provide sufficient flexibility to allow TOT Infrastructure Funds to be held in reserve for the priority KBCCIP to ensure stability in the event TOT revenue falls below expectations or that Redevelopment Agency bond proceeds are not accessible, as well as for future funding obligations for other priority County services in the North Lake Tahoe area, such as transit, recreation and public health and safety operations. This funding scenario would also free up TOT cash reserves currently held in the County Treasury for other priority projects identified in the Resort Association's Integrated Infrastructure & Transportation Work Plan including the King's Beach Commercial Core Improvement Project.

Environmental Analysis: The Board of Supervisors' approval of this funding contribution is categorically exempt from CEQA per Section 15061, which provides a general rule that if an activity does not have the potential to cause a significant environmental effect, it is exempt from CEQA. Any future project resulting from a purchase of the Tahoe City Golf Course property will be evaluated under CEQA by the corresponding lead agencies, possibly including Placer County.

Fiscal Impact: As your Board provides direction to staff to work with the Resort Association to develop a preferred financing methodology, CEO staff recommends that financing be structured to allow flexibility in funding needed for potential infrastructure projects in balance with fluctuations in TOT revenues.

Attachment A: Potential Purchase Funding Breakdown

Tahoe City Golf Course Purchase**Potential Purchase Partnership Breakdown**

Organization	Contribution
Tahoe City Public Utility District	\$1,475,000
North Lake Tahoe Resort Association	\$2,600,000
Truckee Tahoe Airport District	\$500,000
Placer County Park Dedication Fees	\$100,000
Placer County Open Space Fund	\$200,000
Maximum Purchase Price	\$4,875,000