



**MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER**

TO: Honorable Board of Supervisors

FROM: David Boesch, County Executive Officer
By: Jennifer Merchant, Deputy County Executive Officer

DATE: February 24, 2015

SUBJECT: Economic Development Incentives for Tahoe Basin Town Centers Final Report

Action Requested

1. Receive a presentation by the consultant Economic Planning Systems and accept Economic Development Incentives for Tahoe Basin Town Centers Report.
2. Provide input and direction to staff regarding recommendations to be analyzed in subsequent business plan.

Background

On April 22, 2014 your Board affirmed its commitment to facilitating development in Tahoe Regional Planning Agency (TRPA)-designated Town Centers. This affirmation was supported by an allocation of funds to create an investment strategy and business plan. County staff initiated a contract with EPS to analyze current roadblocks to investment and make recommendations regarding policies, financing, and utilization of land use commodities as incentive tools.

On October 21, 2014 your Board received a project status report that outlined initial report findings, including documentation of extraordinary private sector investment risk due to regulations, weather, remoteness, land costs and land development process timelines, and the need for public sector assistance to reduce risk by acquiring up-front land development commodities such as Tourist Accommodation Units and further analyze financial strategies such as sale-leaseback, other public-private financing methods, and seeking out new opportunities such as Infrastructure Finance Districts.

Since October, staff has sought feedback from business and development community stakeholders and regulatory partners, and worked with the consultant to further refine the findings and recommendations, including completion of sample development pro formas.

The report includes five stand-alone analyses, including a review of existing demographic and community conditions, analysis of existing regulatory process and development constraints, development prototype feasibility analysis, potential incentive funding sources, and more detailed analysis on possible financial incentive tools.

Report findings are similar to those presented in October, however are now inclusive of related recommendations, which will be further analyzed for possible implementation in the subsequent

Business Plan. The findings and recommendations are contained within the Executive Summary, and include:

- **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 that many of the stakeholders interviewed explained 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 applicants to submit multiple/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. As a result, few private sector projects can absorb costs inherent with redevelopment in the Tahoe Basin.
- **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.
- **Recommendation– Mid-Term**
 - It is also recommended that Placer County continue its participation in ongoing efforts by TRPA to re-vamp 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. 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.

- **Recommendation - 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 requirements tailored specific to future needs in the Town Centers.
- Public financing, such as Enhanced Investment Finance Districts, should be further explored by the County's business plan as an alternative to facilitate public-private partnerships to implement and share parking costs, especially as those costs are often directly related to tourism, environmental benefits and facilitating walkable communities.

Staff is requesting that, pending additional public comment, your Board accept the Report draft and direct staff to complete the subsequent Business Plan. Utilizing data in the report and additional market-specific studies, the Business Plan will provide a road map for implementing Report recommendations, including development of specific parameters related to return on the County's investment for any incentives utilized.

Fiscal Impact

There is no impact on the County's General Fund associated with the presentation of the Report. The Report and subsequent Business Plan were funded following approval of your Board from Community and Agency Support, a budgeted net County cost of up to \$75,000.

Attachment 1:

Economic Development Incentives for Tahoe Basin Town Centers Final Report – Executive Summary

Hearing Report

The Economics of Land Use



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)

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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.

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