

## **Appendix F: Economic and Market Analysis Report**

*The Economics of Land Use*



## Draft Report

# Tahoe Basin Community Plan Economic and Market Analysis

Prepared for:

Placer County

Prepared by:

Economic & Planning Systems, Inc.

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

*Berkeley  
Denver  
Los Angeles  
Sacramento*

**[www.epsys.com](http://www.epsys.com)**

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# 1. INTRODUCTION AND SUMMARY OF FINDINGS

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## Introduction

Economic & Planning Systems, Inc. (EPS) has been retained by Dyett & Bhatia, in conjunction with Placer County, to conduct an Economic and Market Analysis (Analysis) for the Tahoe Basin Community Plan (Community Plan). The Community Plan is located in the Lake Tahoe Basin watershed in northeast Placer County (County) and includes the unincorporated communities of Tahoe City, Kings Beach, Tahoe Vista, Carnelian Bay, Homewood, Tahoma, and others.

The purpose of the Analysis is to assess the real estate and related economic trends in the Community Plan area: what factors (both opportunities and constraints) influence redevelopment investment decisions, and how does the evolving regional planning framework in the basin affect specific planning and development initiatives in the Community Plan area?

Drawing from substantial experience in mountain and resort communities throughout the United States, as well as throughout the Tahoe Basin, and building from a more exhaustive analysis for the County in 2006 entitled, "Economic and Redevelopment Strategies for Kings Beach and Tahoe City" (ERS), EPS has re-examined the North Tahoe regional economy in light of several major shifts that have occurred in the interim.

The onset of the Great Recession led to dropping land values and market demand for real estate throughout the entire U.S. During the years that followed, development initiatives in most geographic areas and all market segments were extremely challenged. Given the added complexities inherent to the Tahoe Basin, local projects have been especially difficult to implement, given these market struggles, and several well-conceived projects languished while waiting for market conditions to recover.

These other factors influence the type, scale, and timing of development in the Tahoe Basin:

- **Tahoe Regional Planning Agency (TRPA) Regional Plan Update (RPU).** The RPU provides for a shift toward more local permitting, improved methods of transfer of development rights (TDR), and more streamlined guidelines for the adaptive reuse of existing structures, relative to the previous Regional Plan. Importantly, the RPU places a great deal of importance on transit-oriented development (TOD) projects. These streamlined entitlements are intended to facilitate new development ascribing to "best practices" in areas of sensitive environmental conditions and are subject to specific regional limitations identified in the RPU. These best practices also incorporate new models of mixed-use development, having great appeal to strategic consumer segments such as national and international travelers.
- **Loss of Redevelopment in California.** In 2012, Assembly Bill (AB) X1 26 effectively ended a 50+-year era of redevelopment in California, rendering the State one of only two in the U.S. without the use of tax increment financing. Although new legislation may fill some of the former functions in coming years, for the time being, loss of tax increment financing, as well as eminent domain, will contribute to slow the pace of investment and redevelopment in built-up areas such as the Tahoe Basin. It is therefore far more difficult to assemble

multiple parcels under separate ownership to create the scale necessary for new investment. Local economic development tools, such as Economic Development Corporations, may help to mitigate the loss of these critical tools. In any case, the County and private investors now must work closely with individual ownership interests to pursue strategic catalyst projects in key areas.

This Analysis occurs at a timely juncture and will inform the creation of the Community Plan to ensure its goals, plans, and policies are rooted in today's economic realities.

## **Methodology, Resources, and Limitations**

The Analysis first looks at the current and historical conditions prevalent in the Community Plan area to identify the community's economic drivers and performance trends and its competitive position as a regional, national, and international tourism destination. It is based on the most current economic data available and outreach to local experts to evaluate empirical data and fully understand actual conditions and ongoing trends.

Subsequently, a more focused look at real estate conditions, trends, and projections is provided to assess the prospects for various real estate and economic redevelopment initiatives intended to facilitate the realization of a sustainable mountain-region economy in the North Tahoe Basin.

## **Key Issues, Trends, Challenges, and Potentials**

- ***The Community Plan area has sustained long-term population loss, as full-time residents have moved away and an increasing number of second homeowners have taken their places.***

As second-home demand originating from Bay Area, Los Angeles, and other areas continues to intensify, prospective second homeowners have effectively bid-up prices beyond those which local residents, tethered to local jobs, can afford.

A declining full-time population has ramifications for the year-round economic stability of North Lake Tahoe, as remaining economic energy increasingly is related to tourism. It also may contribute to declining levels of civic participation among other effects. However, second homeowners also have been identified as a critical source of loyal, ongoing demand by upscale restaurateurs and other businesses serving this generally wealthy part-time residential base.

- ***The economy of the Community Plan and surrounding area is driven by tourism. Although this sector is relatively strong, it could be enhanced by the provision of some key amenities delivered in the context of catalyst projects, to capture the area's competitive potential among regional, national, and international patrons.***

Lake Tahoe is a global marketing icon. However, the economic beneficiaries of its stature are increasingly located outside the basin, and fundamental gaps exist and are growing in retail and local professional services, some of which may never be recovered. Economic catalyst projects located on the lake shore are needed to begin providing a critical mass of accommodations and other attractions capable of capturing an improved market share

among multiple-day visitors. Moreover, successful completion of such a project would demonstrate an improved and more predictable planning framework, improving financial prospects for investors under the RPU. Finally, such projects potentially generate transient occupancy tax (TOT) and other tax revenue for increased local reinvestment.

- ***The RPU provides context for catalyst projects to capitalize on the region's most precious asset: the lake shore. Yet additional economic development policy tools are needed to facilitate public-private partnerships to effect progress in the near future.***

The RPU's approach toward community planning (and other policy updates) have cleared a path toward developing the missing lodging, dining, and other uses with access and visibility to the lake—major competitive advantages, which are not fully leveraged. The value of real estate assets near the lake may incur substantial increases in the near future, if the RPU has successfully reduced development risk in the basin. As property values may begin to increase with the simplification of entitlements and the overall improvement in the economy, any acquisition efforts among public agencies for purposes of public-private development should be positioned as a near-term priority. Strategic public involvement over the next 5 years, in the form of land or assembly of "Tourist Accommodation Units" (TAUs), infrastructure upgrades, or zoning adjustments, can facilitate long-anticipated private investment conforming to best practices in resort development concepts. The formation and use of an Economic Development Corporation (EDC) is one conceptual approach that should be further evaluated for applicability in this port-redevelopment era.

- ***The Community Plan area has promise for real estate development or redevelopment activity among some key prototypes.***

Overall market demand looks to be very strong in the traditional areas of housing throughout the Community Plan area. Demand for super-premium development on the West Shore can be contrasted with acute demand at lower price points in other areas, including for condominium product in key nodes, as well as affordable housing product in Kings Beach. Consumer demand and sustainable development best practices support continued pursuit of mixed use concepts accommodating relocated retail from other less strategic locations. Expansion of retail and office space, however, occurs as a result of (not in anticipation of) proven demand, requiring an injection of economic activity from tourist-driven sectors. The use of a mixed-use platform connected to accommodations is needed to deliver these uses because lease rates do not appear to support new construction of stand-alone space at the present time in Tahoe City and Kings Beach.

No property class is more under-represented in North Lake Tahoe than the hotel sector. Two or more major destination projects are needed to catalyze the basin and compete with projects at Squaw and Northstar. The planned expansion to Homewood Mountain Resort has the ability to both improve the standing of Homewood as a competitor throughout the basin and to demonstrate that development risk is more manageable now than in previous times. Other areas of interest include the combination of the Henrickson holdings and the golf course in Tahoe City, as well as the conference center/crown motel cluster in Kings Beach.

There are continuing challenges to providing affordable housing, health care, and expanded retail provisions for the resident community in Kings Beach.

- ***Tahoe City and Kings Beach have the potential to capitalize on planning processes that are already underway to become more viable places to live, work, and visit. There are some specific “opportunity sites” that should be evaluated to facilitate these efforts.***

Tahoe City has an opportunity to create a critical mass of shopping and recreation in the downtown area, perhaps featuring enhanced accommodations in a boutique hotel environment on or with views to the lake shore. The “Henrickson Property” (located on the north side of North Lake Boulevard at Mackinaw Road) is the leading candidate in this regard, requiring a detailed site plan, as well as a plan for integrating this site with the Fannie Bridge district, soon to be transformed as part of the State Route 89 (Highway 89) alignment project. Compelling visitor attractions should be part of these areas. For example, the Olympic Heritage Museum is searching for a viable site. Other possible uses include a visitor-oriented environmental interpretation center, oriented to the science of Lake Tahoe, complementing more academically oriented locales elsewhere in the basin.

To the extent that nearby or adjacent parcels can be incorporated into the mix, it can help to broaden and enhance the overall experience that can be delivered. In particular, the parcels that adjoin the Henrickson parcel may be available, which, when added to the fold, may allow for a more comprehensive development program. The adjacent Tahoe City golf course also may figure in prominently.

The Fannie Bridge river district presents a substantial opportunity, with the re-alignment of Highway 89, to create a walkable, multi-dimensional arts, cultural, and restaurant district. The addition of U.S. Forest Service land located adjacent to the transit center would be a major addition to this area.

Kings Beach has an opportunity to be the “Livable Hub” of North Lake Tahoe because this multi-cultural area features a broad mixture of housing, retail, and recreational options that are well-located in the center of the North Lake Tahoe Region. Kings Beach’s continued transformation may require focusing on educational facilities/attraction of families and could include specific components of a revitalized town, leveraging the ongoing commercial core project, including an arts/cultural district and an opportunity for enhanced lodging, and perhaps could be with the existing (or perhaps repurposed) events center.

In Kings Beach, there is a major opportunity to combine the real estate holdings held by the Ferrari family with adjacent properties, coordinating with redevelopment of the event center. Proximity to the State Beach provides a major opportunity to transform central Kings Beach, in conjunction with the Commercial Core project.

In each case cited above, the County has an opportunity to partner with the Public Utility District (PUD) and other local stakeholders to help assemble property and issue Requests for Proposals (RFPs) to facilitate public-private development. Organizational and financing options for such strategies should be developed as the highest priority in local economic development efforts. Related County public financing policies, including the amount of return of TOT to local redevelopment and marketing efforts, should also be further explored.

- ***Financial feasibility prospects are challenged because of the high cost to develop or redevelop at Lake Tahoe. In many building classifications, the revenues generated through lease rates, room rentals, etc. are not sufficiently high to offset these costs.***

Substantial headwinds exist in any mountain region, and in the Tahoe Basin in particular, which complicate the ability to bring major investments to market, including these factors:

- Mountain-region seasonality, featuring an exceptionally strong summer season, variable winter seasons (depending on snowfall), and two quiet “shoulder” seasons.
- Higher operating costs related to heating, snow removal, repairs, transportation, and labor.
- The existence of multiple regulatory agencies, in appropriate response to the extraordinary environmental asset that is Lake Tahoe, which makes entitlement more complex than other more typical locales, contributing to longer project lead-times.
- The shortened construction season and additional regulatory requirements such as the necessity of Best Management Practices (BMPs) increase the cost of construction/redevelopment in the basin.
- Opposition to most substantial projects, led by very knowledgeable and sophisticated groups and individuals with full understanding of the California Environmental Quality Act (CEQA) and other entitlement processes.

The effect of these conditions on a prospective project financial feasibility analysis (i.e., the “pro forma”) is to push up the level of risk confronting a project, as a result of both higher-than-average operating costs affecting net cash flow and the higher discounting of net cash flow because of extraordinary risk. These outcomes result in making it difficult for projects of any size or complexity to “pencil-out” to the expectations of investors with debt and equity resources on the line.

- ***While appropriate steps have been taken to clarify TRPA’s regional planning framework, additional solutions are needed to further eradicate constraints to well-conceived projects.***

The TRPA RPU is a major step in the right direction in the clarification and alignment of community development and environmental protection policies. Continued emphasis on synchronizing entitlement processes between agencies (e.g., between TRPA and the County) will be of substantial benefit to well-located and designed projects, incorporating mixed-use concepts.

The County has an opportunity to further enhance feasibility prospects through the exploration of various economic development strategies. For example, the potential creation of a bank to ensure the availability of TAUs, providing TDRs for new accommodations as part of TRPA’s policy regime, could be further evaluated. As mentioned above, given the demise of redevelopment, further evaluation of the benefits of an EDC may be warranted; similar to that being used in the City of Roseville, this type of entity may be able to take public ownership of land assets and enter into public-private partnerships, to secure a broad swath

of funding resources for privately owned vertical development paired with public money for land assembly and infrastructure. The County must play a strategic role in the continual evaluation of density, parking standards, and other critical policies, having direct implications for the project pro forma and overall success in meeting community design and planning objectives.

## 2. COMMUNITY PLAN ECONOMIC CONTEXT

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This chapter provides an assessment of economic conditions of the Community Plan area. EPS has conducted rigorous economic research and analysis to evaluate past, present, and likely future economic conditions using a variety of data sources and previously conducted research studies. In addition, qualitative feedback has been obtained through a series of interviews with local economic experts and business owners.

### Regional Economic Overview

The Community Plan lies near other mountain communities, including Alpine Meadows, Squaw Valley, Martis Valley, Northstar, and Truckee. These major centers of activity compete with the dispersed communities in the Community Plan area as places to visit, work, recreate, shop, and live. **Map 1** shows the boundaries of the Community Plan and various communities within and outside its boundaries.

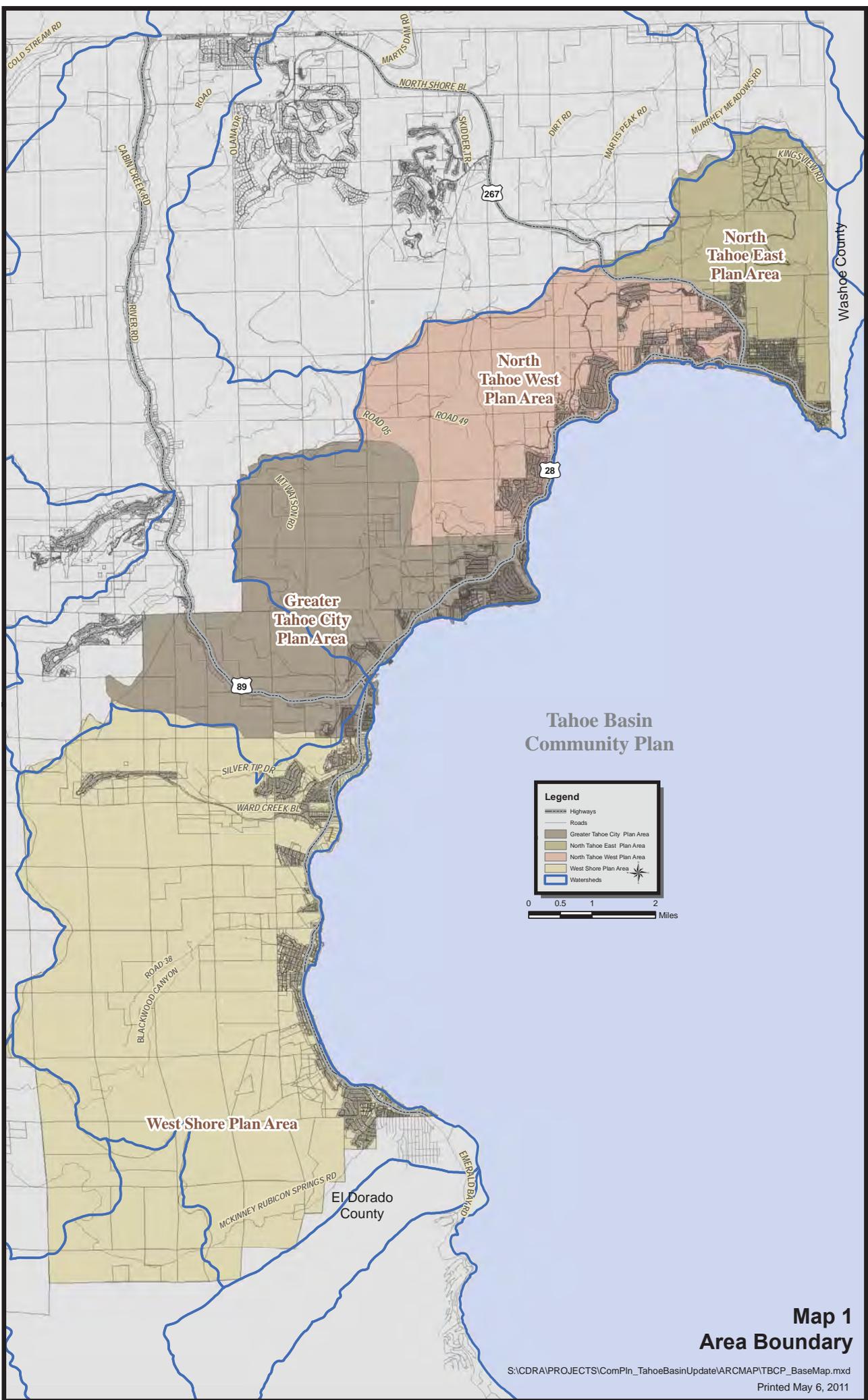
### Population

**Table 1** shows the population of the Community Plan and various areas of the County. As shown, the Community Plan is home to a surprisingly small 12,500 permanent full-time residents, which is about 3.5 percent of the County's total population. However, even given its small stature, the economic contribution of this region is much larger than its modest full-time population suggests, with a major contribution to the County's TOT and overall economic activity.

Like many areas in the Lake Tahoe Basin, the Community Plan area has sustained a decline in its permanent population base for many years. As shown in **Table 2**, the Community Plan has lost approximately 17 percent of its population from 2000 to 2010. Each community in the Community Plan experienced this loss differently, and each sustained a loss of population, except for Tahoe Vista, which actually gained 18 percent more residents during this decade. On the other end of the spectrum, Carnelian Bay lost 39 percent of its residents, which is the largest decline in the Community Plan. Tahoe City and Kings Beach fared slightly better and lost 21 percent and 8 percent, respectively.

### Demographics/Socioeconomics

The Community Plan area demonstrates a very diverse population, with a high degree of variation among the various communities in terms of age, ethnicity, income, and other factors. Generally speaking, the West Shore communities feature much of the premium housing in the region, concentrating many upper income Bay Area and other primary residents in premium second residences with a tight linkage with Tahoe City. Kings Beach, and the other end of the Community Plan Area and income spectrum, provides a substantial resident workforce to the Community Plan Area with a diverse and eclectic resident base.



**Tahoe Basin  
Community Plan**

**Legend**

- Highways
- Roads
- Greater Tahoe City Plan Area
- North Tahoe East Plan Area
- North Tahoe West Plan Area
- West Shore Plan Area
- Watersheds



**Map 1  
Area Boundary**

**Table 1**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Regional Population, 2010**

<b>Community</b>	<b>2010 Population</b>	<b>% of Total</b>
<b>Placer County</b>	<b>347,133</b>	<b>100.0%</b>
Auburn	13,468	3.9%
Colfax	1,977	0.6%
Lincoln	43,572	12.6%
Loomis	6,500	1.9%
Rocklin	58,295	16.8%
Roseville	122,060	35.2%
Unincorporated [1]	96,927	27.9%
<b>Tahoe Basin Community Plan</b>	<b>12,529</b>	<b>3.6%</b>

"pop"

Source: CSER Placer County Economic and Demographic Profile, 2013; and Placer County TBCP Background Report.

[1] Uninc. figure shown does not include TBCP.

**Table 2**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Community Plan Population Trends**

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<b>Community</b>	<b>2000 Population</b>	<b>2010 Population</b>	<b>% Change</b>
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%
<b>Total</b>	<b>15,057</b>	<b>12,529</b>	<b>-17%</b>

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*"community\_pop"*

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

**Table 3** shows the percentage of Hispanic residents in the Community Plan, Tahoe City, and Kings Beach. As shown, the Community Plan has a fairly robust Hispanic population overall, at approximately 20 percent of the total population. However, it is distributed very unevenly throughout the various communities. Kings Beach, for example, has a very high concentration of Hispanic residents, at more than 55 percent of the community's population. Tahoe City, on the other hand, has a much lower rate of Hispanic residents, at just 5 percent of the total population.

**Table 3**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Tahoe Basin Community Plan Population of Hispanic Origin, 2010 [1]**

Race	Total TBCP		Tahoe City [2]		Kings Beach [3]	
	Number	Percent	Number	Percent	Number	Percent
Hispanic or Latino	2,754	20%	84	5%	2,115	56%
Not Hispanic or Latino	11,304	80%	1,473	95%	1,681	44%

"hispanic"

Sources: Tahoe Basin Community Plan Background Report and 2010 US Census.

[1] Note totals shown here may not match other data sources.

[2] Represents the Sunnyside-Tahoe City CDP.

[3] Represents the Kings Beach CDP.

As shown in **Table 4**, Community Plan households demonstrate a wide variety of income levels, from a low of \$36,000 in Carnelian Bay to high of more than \$92,000 in Dollar Point. The Community Plan's two largest communities—Tahoe City and Kings Beach—exhibit a more moderate household income profile at approximately \$73,000 and \$61,000, respectively.

**Table 4**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Average Household Income of TBCP Communities**

<b>Community</b>	<b>Avg. HH Income</b>
Carnelian Bay	\$36,228
Dollar Point	\$92,731
Kings Beach	\$61,126
Tahoe Vista	\$82,178
Tahoma	\$91,699
Tahoe City	\$73,100
California	\$61,632

*"income"*

Sources: US Census and TBCP Background report.

### **Affordable Housing Assessment**

The Community Plan area offers housing options among a broad spectrum of price points, from low-quality aged cabins, apartments, and motel properties being used as low-income housing, to very high-end luxury residences, condominiums, and fractional properties. As part of a successful approach to planning and redeveloping the Tahoe Basin and the Community Plan, it is critical to ensure that a diverse range of housing is provided, including product for low and moderate income employees that are critical to local businesses.

Some low-priced housing options are available for residents of the area. Significant affordable housing efforts already have been completed in a dispersed format throughout Kings Beach, which have been very successful in providing high-quality housing options to low-income residents while improving the community's appearance. All indications point to the prospect that more of this product would be very well received, both in Kings Beach and in other areas of the Community Plan.

The amount of moderately priced residential real estate available is inadequate to serve the basin's workforce, and the rapid occupancy of affordable housing projects in Kings Beach is evidence of this fact. **Table 5** below shows the median household income of various communities in the Community Plan, and the corresponding housing price that these households could reasonably afford based on industry metrics. As shown, the housing values that would be affordable to these households range from approximately \$250,000 to \$370,000, which differs significantly from the actual supply of residential real estate that is available to them. Even the lowest priced single family residential unit on the MLS (as of the publication of this report) at \$199,000 is a very small studio cabin which would likely require significant upgrades to become livable. There are very few properties available at this pricing level, and most properties on the market are significantly more expensive. The *average* price of a single-family home in the various Community Plan areas shown in **Table 5** ranges from \$1.2 million to \$4.0 million.

**Table 5**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Affordable Home Values of TBCP Communities**

Community	Avg. HH Income	Affordable Home Value Based on Income [1]	Average Existing Home Value [2]	Range of Existing Home Values
Dollar Point	\$92,731	\$370,924	\$935,714	\$620,000 - \$1,195,000
Kings Beach	\$61,126	\$244,504	\$763,541	\$249,950 - \$2,995,000
Tahoe Vista	\$82,178	\$328,712	\$1,366,207	\$619,000 - \$3,995,000
Tahoma	\$91,699	\$366,796	\$577,545	\$199,000 - \$2,100,000
Tahoe City	\$73,100	\$292,400	\$1,444,450	\$499,000 - \$3,699,000

"affordability"

Sources: US Census , Multiple Listing Service, TBCP Background report, and EPS.

[1] Estimate based on four-times gross annual income.

[2] Based on MLS listings of single family homes as of July, 2013.

Because quality, affordable housing options are unavailable, many local workers choose to live in outlying areas (as supported by commute pattern data described below).

## Employment

In a similar fashion to the population trends described above, the Tahoe Basin has experienced substantial losses in the number of local jobs for many years. In 2001, the Tahoe Basin had approximately 28,000 employees. By 2009, this number had dwindled to 22,300, a decline of more than 20 percent.<sup>1</sup> The struggling gaming industry is seen as the largest culprit contributing to this downward trend, although job losses spread to many sectors of the local economy. This loss in employment is consistent with the loss in full time population at the Basin, which also experienced a decline of approximately 15- percent during this time period.

**Table 6** shows the composition of employment for residents of the Tahoe City and Kings Beach communities in 2002, as compared to 2011.<sup>2</sup> As shown, the largest groups of employment are in the largely tourism-serving Accommodations and Food Service and Retail Trade categories.

Interestingly, the number of employed residents in Kings Beach actually rose by a substantial amount during this challenging period, and each employment category saw some amount of growth. This is dynamic is telling because the Lake Tahoe basin underwent contractions in employment and population overall during this period, indicating the strength of the Community Plan area as an attractive place to live for workers. This trend appears to be reflective of a transformation of the population base of Kings Beach and Tahoe City, as older population is replaced by families, younger workers, and others who are entering the workforce. Kings Beach is somewhat unique in the Tahoe Basin as it has undergone pronounced social change, yet remains a substantial resident community providing a stable labor force based on the availability of less expensive housing and commercial real estate.

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<sup>1</sup> Tahoe Basin Community Plan Background Report.

<sup>2</sup> The geographic areas analyzed in these tables are the Sunnyside-Tahoe City Census-Designated Place (CDP) and the Kings Beach CDP.

**Table 6**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Employment by Sector, Sunnyside-Tahoe City and Kings Beach CDPs (2010)**

**PLACE OF RESIDENCE**

Industry	Kings Beach			Sunnyside-Tahoe City		
	2002	2011	Change	2002	2011	Change
Agriculture, forestry, fishing, hunting, and mining	6	20	14	4	8	4
Mining, Quarrying, Oil and Gas Extraction	0	0	0	2	0	(2)
Utilities	5	10	5	5	14	9
Construction	49	101	52	32	32	0
Manufacturing	52	65	13	21	13	(8)
Wholesale trade	21	55	34	12	9	(3)
Retail trade	89	172	83	32	56	24
Transportation and warehousing, and utilities:	19	42	23	5	13	8
Information	17	27	10	7	9	2
Finance and insurance	16	40	24	14	8	(6)
Real Estate and Rental and Leasing	17	36	19	7	13	6
Professional, scientific, and technical services	32	96	64	26	27	1
Management of Companies and Enterprises	8	21	13	7	1	(6)
Admin. and Support, Waste Management	26	84	58	15	23	8
Educational services	41	77	36	15	26	11
Health Care and Social Assistance	33	131	98	23	34	11
Arts, entertainment, and recreation	30	93	63	20	66	46
Accommodation and Food Service	149	283	134	72	137	65
Other services, except public administration	21	79	58	11	28	17
Public administration	6	45	39	5	30	25
<b>Total</b>	<b>637</b>	<b>1,477</b>	<b>840</b>	<b>335</b>	<b>547</b>	<b>212</b>

"sector\_residence"

Source: US Census Bureau LED/ LEHD OnTheMap Application

**Table 7** shows a similar breakdown of employment for workers whose jobs actually are located in the Community Plan (as opposed to employed residents, which are shown in the preceding **Table 6**). This table indicates a generally stagnant or struggling local business environment in Kings Beach (with a loss of 49 employees), while Tahoe City actually is strengthening and adding nearly 400 jobs to local businesses. In particular, Tahoe City is adding jobs in the construction and public administration categories. Other “white collar” jobs such as in real estate and professional services also saw growth.

**Table 7**

**Tahoe Basin Community Plan Economic and Market Analysis  
Employment by Sector, Sunnyside-Tahoe City and Kings Beach CDPs**

PLACE OF WORK

Industry	Kings Beach			Sunnyside-Tahoe City		
	2002	2011	Change	2002	2011	Change
Agriculture, forestry, fishing, hunting, and mining	0	0	0	0	2	2
Mining, Quarrying, Oil and Gas Extraction	0	0	0	0	0	0
Utilities	0	0	0	0	0	0
Construction	56	48	(8)	124	229	105
Manufacturing	13	1	(12)	7	17	10
Wholesale trade	5	1	(4)	4	6	2
Retail trade	56	51	(5)	213	226	13
Transportation and warehousing, and utilities:	3	0	(3)	0	3	3
Information	0	5	5	16	31	15
Finance and insurance	4	1	(3)	19	26	7
Real Estate and Rental and Leasing	10	5	(5)	36	61	25
Professional, scientific, and technical services	7	11	4	49	88	39
Management of Companies and Enterprises	0	0	0	0	0	0
Admin. and Support, Waste Management	12	12	0	53	56	3
Educational services	68	45	(23)	36	44	8
Health Care and Social Assistance	24	36	12	20	44	24
Arts, entertainment, and recreation	8	4	(4)	39	16	(23)
Accommodation and Food Service	167	129	(38)	437	472	35
Other services, except public administration	25	54	29	13	46	33
Public administration	0	6	6	0	88	88
<b>Total</b>	<b>458</b>	<b>409</b>	<b>(49)</b>	<b>1,066</b>	<b>1,455</b>	<b>389</b>

"sector\_employment"

Source: US Census Bureau LED/ LEHD OnTheMap Application

**Commute Patterns**

**Table 8** below compares the number of employed residents and on-site employees in Kings Beach and Tahoe City. As shown, Kings Beach is a residential enclave that includes far more employed residents than it does employment opportunities, signifying that Kings Beach residents must travel to other areas to work. Tahoe City on the other hand is clearly an employment hub that attracts workers who live in other areas throughout the Lake Tahoe region. These dynamics in both Kings Beach and Tahoe City have become more pronounced in recent years.

**Table 8** indicates that very few workers in the Community Plan actually live near their jobs and that many commute in from a multitude of areas, near and far. As shown, only five percent of Kings Beach employed residents work in Kings Beach, which is down from 13 in 2002. Tahoe City exhibits a slightly better balance, although only 80 percent of Tahoe City's employed residents actually work in Tahoe City, which is down from 90 percent in 2002.

**Table 8**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Inflow/ Outflow Commute Patterns in Tahoe City and Kings Beach**

	2002	2011
<b>Kings Beach</b>		
Employed in Selection Area	458	409
Living in Selection Area	637	1,477
<b>Net Job Inflow/ (Outflow)</b>	<b>(179)</b>	<b>(1,068)</b>
Living and Employed in Selection Area	13%	5%
Living in Selection Area but Employed Outside	87%	95%
<b>Tahoe City</b>		
Employed in Selection Area	1,066	1,461
Living in Selection Area	335	547
<b>Net Job Inflow/ (Outflow)</b>	<b>731</b>	<b>914</b>
Living and Employed in Selection Area	10%	21%
Living in Selection Area but Employed Outside	90%	80%

"commute"

## Tourism Performance

Tourism is the primary economic driver of the Community Plan area and indeed of the entire Lake Tahoe Region. According to the Lake Tahoe Prosperity Plan, the Tourism and Recreation “cluster” accounts for 55 percent of employment basinwide. While tourism is by far the largest economic driver in the basin, it is a relatively stagnant one, showing a 6-percent decline in total employment from 2000 to 2007 basinwide.<sup>3</sup>

The individual uses in the Community Plan play a key role in the overall tourism product the North Lake Tahoe Region has to offer. However, many of the most popular attractions, connections, accommodations, and other tourism infrastructure items exist in nearby areas outside the Community Plan. The Community Plan area presents a viable opportunity to fill some gaps that exist in the regional marketplace both by complementing existing amenities and creating new attractions to foster additional visitation. For example, additional attractions such as a winter sports park, stand-alone ice skating rink, and other ideas often surface among business owners knowledgeable of their client base.

### Visitation

It is estimated that the North Lake Tahoe Region accommodates over 2 million visitor-days each year as tourists come to experience the world-class ski resorts, hiking, biking, boating, events, and other recreational amenities the region has to offer. Although the travel and tourism industry is notoriously volatile and depends on many factors, including broad national conditions, weather, competitive stature, and others, the North Lake Tahoe Region has been and continues to be a viable and well-regarded tourism destination because of its top notch scenic and recreational amenities and its close proximity to major population centers in the San Francisco Bay Area, Sacramento/Central Valley, and Reno.

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 U.S., as well as from international markets. Recently, the North Lake Tahoe Resort Association has 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 metropolitan area.<sup>4</sup>

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

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<sup>3</sup> Lake Tahoe Basin Prosperity Plan, November 2010.

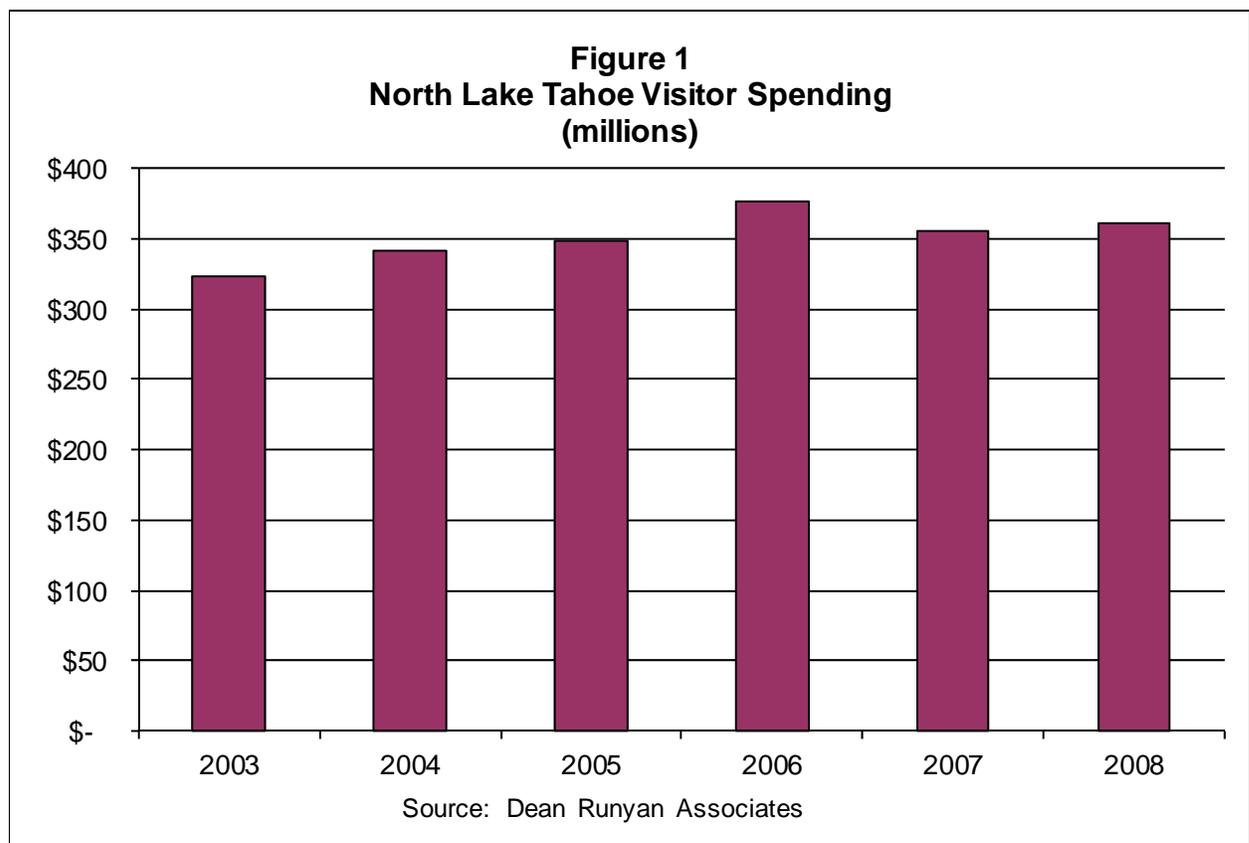
<sup>4</sup> North Lake Tahoe Visitor Survey, Summer 2012, RRC Associates.

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.

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

### Visitor Spending

Visitors to the North Lake Tahoe area spent approximately \$361 million locally in 2008, which was up from \$324 million in 2003, as shown in **Figure 1**.<sup>5</sup> Interviews with local experts and a review of other pertinent data indicate the updated figures will likely be similar to those shown below, although the spending figures observed in the late 2000s during the major recession will likely show much lower. More recently, 2012 and 2013 appear to be more favorable and are likely to be similar to the levels seen in the middle part of the 2000s.



<sup>5</sup> These figures are the most recent available as of the publication of this report, although an updated analysis is being conducted that will produce updated figures.

On average, North Lake Tahoe visitors spent approximately \$142 per person per day in 2007, although this factor varies considerably, depending on the type of accommodations. Those staying in hotels spent the most, at \$219 per day, while those staying at campgrounds spent the least, at just \$45 per day. **Table 9** arrays these data for 2008.

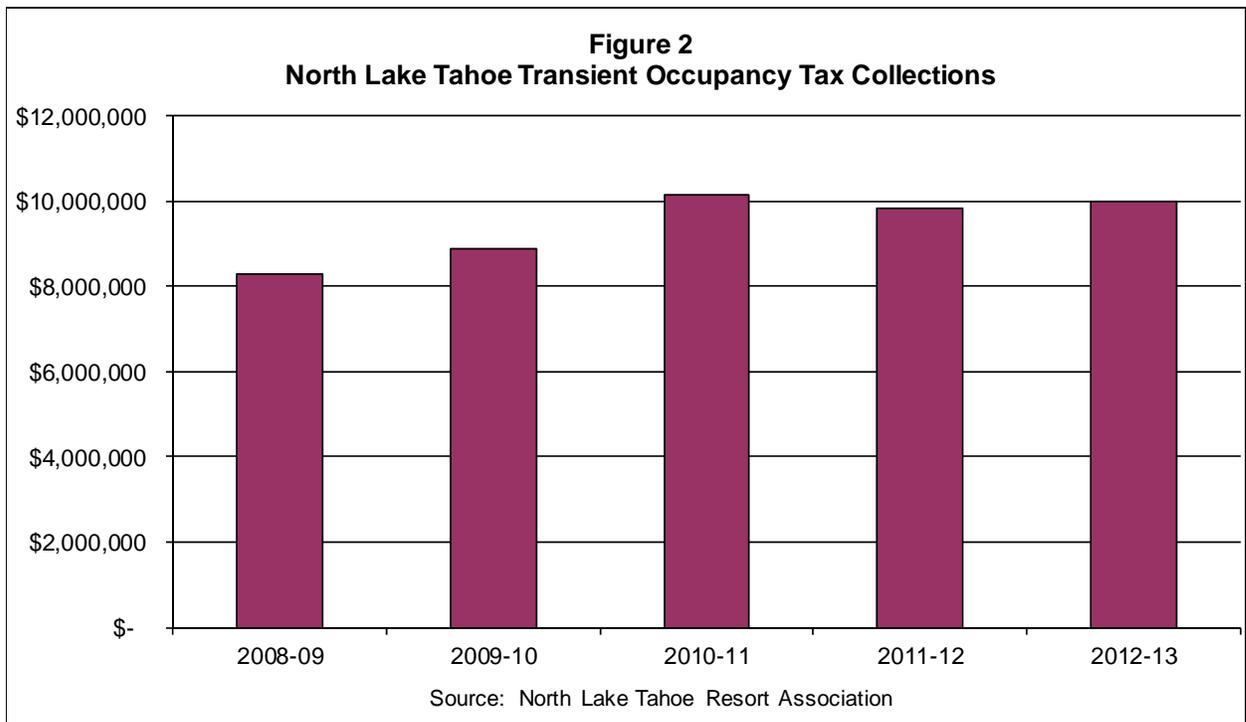
**Table 9**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**North Lake Tahoe Visitor Statistics, 2008**

<b>Accommodation Type</b>	<b>Average Daily Spending</b> (per person)	<b>Visitor Days</b> (thousands)	<b>Total Visitor Spending</b> (millions \$)
Hotel/ Motel/ B&B	\$219	579	\$127
Rented Condo/ Home	\$207	582	\$120
Private/ Vacation Home	\$67	932	\$62
Campground	\$45	125	\$6
<b>Total Overnight Visitors</b>	<b>\$142</b>	<b>2,218</b>	<b>\$315</b>

Source: The Economic Significance of Travel to the North Lake Tahoe Area, Dean Runyan Associates, 2009.

***Transient Occupancy Tax***

As a tourism destination, the North Tahoe area is very well-established. Because of its standing as a primary recreation area for Northern California residents and because of continual enhancement of tourism amenities in the nearby area, visitation is relatively stable. **Figure 2** shows annual TOT collections in the North Lake Tahoe area over the past 5 years. As shown, TOT receipts are fairly steady around \$10 million annually over the past 3 years, which is up approximately 20 percent from \$8 million in 2008–09.



**Overall Assessment of Tourism’s Role in the Community Plan**

Visitors are drawn to the various areas in the Community Plan for an array of reasons, such as lodging, shopping, to attend festivals, farmers’ markets, or other events, or (perhaps most significantly) to access or be near the lake itself. Although Tahoe City, Kings Beach, and the other nearby communities have unique and compelling attributes, various opportunities exist to enhance the visitor experience and to increase the annual visitation and visitor spending captured in the Community Plan.

The locales in the Community Plan area are faced with very powerful competition from nearby areas, such as the walkable village environment with a host of dining, shopping, and recreational amenities at Squaw Valley and Northstar; and the friendly, vibrant, walkable appeal of downtown Truckee.

The communities in the Community Plan area generally lack a diverse roster of accommodations, a condition that has been well documented. Beyond this, the communities lack the compelling packages of retail, services, and recreational amenities that make Northstar, Squaw Valley, and Truckee successful. The ability to offer catalyst projects with these components in both Tahoe City and Kings Beach is critical to growing the overall draw of the region, using the marketing power and scenic beauty of the lake, allowing all to share in a growing regional economy. The ability to generate additional community spending should be packaged with prioritized uses of marginal increases in tax revenue, if possible, to allow for further reinvestment in these communities in the form of redevelopment assistance, improved maintenance programs, and funding of community programs, including additional social services centered in Kings Beach, serving this important residential labor force base.

### 3. REAL ESTATE OUTLOOK

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Real estate users in the Community Plan area (and the rest of the Tahoe Basin) comprise two primary user types. First are local, full-time residents who occupy residential buildings, work at local businesses (including those at office industrial properties, retail stores, and lodging accommodations), and patronize businesses located across all building classifications. Second are visitors to the area who use residential real estate on a part-time basis, occupy lodging properties, and exert their spending power at businesses located at local, commercial properties (primarily retail) and in other nearby areas.

Key trends pertaining to each of these users were provided in **Chapter 2**. This chapter describes how these trends manifest themselves on real estate and land assets in the Community Plan area. This chapter characterizes the prospects for each major land use classification and analyzes key real estate, development, and redevelopment trends, which will impact long-term planning efforts related to the Community Plan and subsequent area planning process.

#### **Residential Real Estate**

This section describes the results of EPS's analysis of the residential real estate market in the Community Plan and surrounding region. This assessment includes all of the various residential product types that exist in the residential category, including single-family homes, multifamily condominiums and townhomes, as well as fractional- and timeshare-ownership models.

#### **Absentee Ownership**

The North Lake Tahoe area (and the Tahoe Region in general) is characterized by a high degree of absentee owners who hold real estate assets but do not use them on a full-time basis. **Table 10** shows the percentage of absentee ownership among various communities in the North Lake Tahoe Region. As shown, 63 percent of residential units in these areas are owned by absentee owners. Carnelian Bay and Tahoe City show the lowest rates of absentee ownership (at 45 percent and 64 percent, respectively), but these rates are still extremely high compared to what would be found in a "typical" residential area. Of note, local business owners repeatedly cite the importance of this market segment, as these residents are typically well-heeled and provide substantial support for local restaurants and high-end boutiques.

**Table 10**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Absentee Ownership of Residential Units, 2008**

Area	Owner Occupied	Absentee Owner	Total Units	Percent Absentee
Carnelian Bay	4,381	3,529	7,910	45%
Homewood	128	900	1,028	88%
Tahoma	41	166	207	80%
Kings Beach	419	1,682	2,101	80%
Tahoe City	4,105	7,443	11,548	64%
Olympic Valley	243	1,879	2,122	89%
Tahoe Vista	161	501	662	76%
<b>Total</b>	<b>9,478</b>	<b>16,100</b>	<b>25,578</b>	<b>63%</b>

Source: Placer County Travel Industry Assessment and Detailed Economic Impact Estimates, prepared by Dean Runyan Associates, 2009.

It is important to distinguish that aspects of absentee ownership are helpful to the local economy. While some of these homes are utilized only sporadically and are vacant for a large percentage of the year, others are rented out full-time to local residents. Furthermore, a large proportion of these homes are likely used as second homes which are utilized for a certain range of time each year, and these owners are valuable constituents of the local economy in that they do support many local businesses when they are present. They also provide ample property- and sales-tax revenues to local jurisdictions while demanding relatively little in public services.

### Residential Market Performance

The housing market in the North Lake Tahoe area has undergone a drastic transformation over the past decade. While home prices stayed relatively stable during the first few years of the 2000s, prices began rapidly escalating during the middle portion of the decade. The cause for this escalation was many-fold but stemmed from the overheated national housing market and was driven primarily by nonresidents who wished to purchase a vacation home in the Lake Tahoe area, which created a frenzy of purchasing activity and pushed home prices to previously unseen levels. This is a clear indicator of the attractiveness of the Community Plan Area among high-end households. This positive reception is a signal that other high-end product such as hotels, spas, and restaurants, well located and integrated at strategic hubs, would be well received by this demographic if appropriate product built visible and proximate to Lake Tahoe, provided that transportation issues and walkability requirements are addressed.

Single-family home prices in the North and West Lake Tahoe areas increased 73 percent from 2000 to 2005, as shown in **Table 11**. The impact on condominium pricing was even more pronounced, as this real estate class increased by 173 percent during this 5-year period (an average of approximately 35 percent per year). These price increases were happening throughout the U.S., and EPS has shown the Case-Schiller 20 City Index values for 2000 and 2005 to provide a reference to a larger geographic area. As shown, the in the Community Plan were similar to those seen in other areas; however, the condominium price increase in North Lake Tahoe was significantly more extreme.

**Table 11**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Median Home Prices - North and West Lake Tahoe Area**

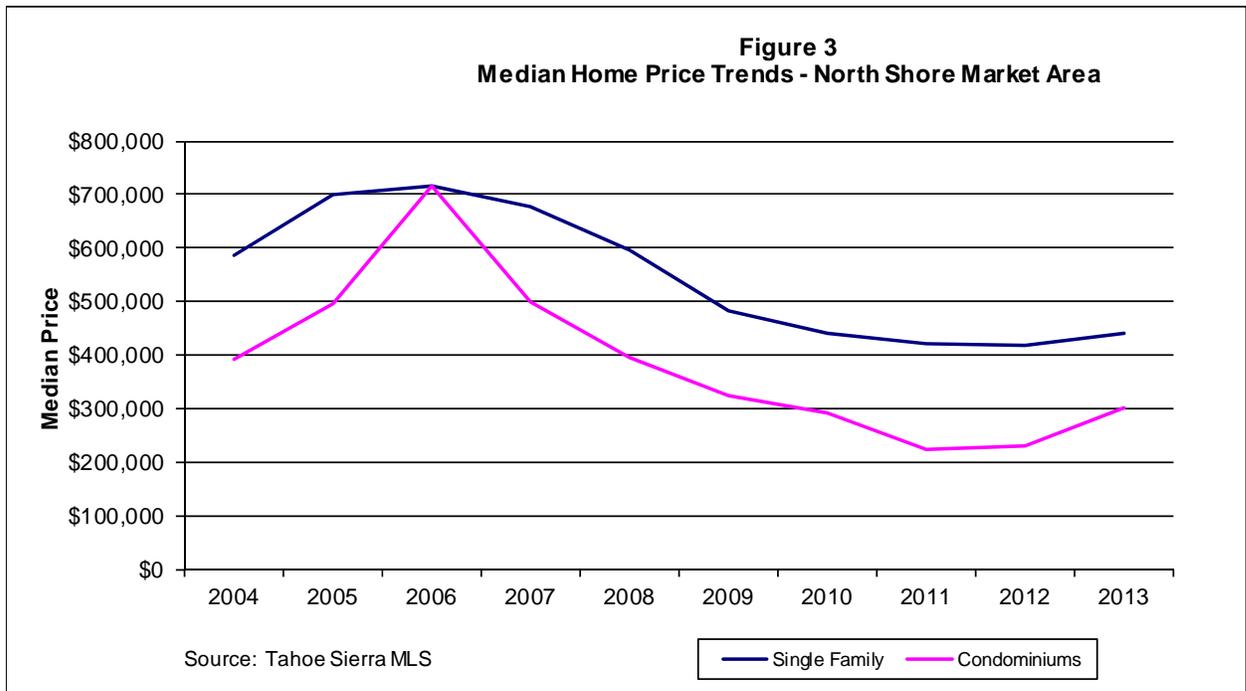
Item	2000	2005	% Change
Single Family	\$400,000	\$690,000	73%
Condominiums	\$205,000	\$560,000	173%
Case-Schiller 20-City Index [1]	106.76	190.10	78%

Sources: Century 21 Tahoe Sierra Real Estate , S&P Dow Jones Indexes, and EPS.

[1] Index values from June, 2000 and 2005.

As home prices rose to exorbitant levels, many local residents were precluded from purchasing homes, which pushed them to search in outlying areas, reduce their home size or quality expectations, or give up their search altogether. Others who already owned real estate saw an opportunity to cash out of their homes, move out of the area, and move into other areas where purchasing opportunities were not as overheated. Within the Basin, this rapid appreciation has effectively “anchored” households in place, limiting the intra-basin mobility needed for a fully functioning regional economy.

However, prices at these sky-high levels proved to be unsustainable, and the subsequent “bursting” of the real estate bubble in 2006–07 initiated the fall of home prices back to more normalized levels. Home prices fell drastically and hovered below 2004 prices for several years before stabilizing around 2012 and having recently begun to appreciate in value, as shown in **Figure 3**.



Source: Tahoe Sierra MLS

While residential real estate conditions are certainly improving (and prices are escalating rapidly in some areas), prices are generally still near or below 2004 pricing levels at the current time. **Tables 12** and **13** compare the sales and pricing activity of single-family and condominium products located in various submarkets of the North Lake Tahoe and Truckee region. EPS has arranged these data to show performance of residential real estate in areas in the Basin (i.e., the North Shore and West Shore) as well as areas outside the Basin (such as Squaw/Alpine, Northstar, Truckee, etc.). As shown, home prices generally increased to very high levels in all areas from 2004 to 2008, then “crashed” to much lower levels in the years thereafter. Some communities have fared better since that time, and it is of note that the West Shore has performed quite well compared to its comparative set, as home prices on there were significantly greater in 2012 than they were in 2004. The same cannot be said of other communities inside or outside the basin.

**Table 12**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Summary of North Tahoe Regional Real Estate Sales: Single Family Residential**

Geographic Area	Number of Listings			Average Price		
	2004	2008	2012	2004	2008	2012
<b>Within Basin</b>						
North Shore	208	84	216	\$780,183	\$846,633	\$737,167
West Shore	154	66	148	\$779,794	\$1,446,164	\$1,117,853
<b>Total/ Average</b>	<b>362</b>	<b>150</b>	<b>364</b>	<b>\$780,018</b>	<b>\$1,110,427</b>	<b>\$891,951</b>
<b>Outside Basin</b>						
Alpine/ Squaw	48	25	40	\$939,538	\$1,490,465	\$727,988
Northstar	44	11	33	\$1,162,347	\$1,928,545	\$835,591
Truckee	372	176	318	\$484,253	\$596,224	\$489,016
Tahoe Donner	381	194	273	\$624,252	\$743,556	\$525,427
Lahontan	8	11	11	\$2,267,188	\$2,180,455	\$1,549,318
<b>Total/ Average</b>	<b>853</b>	<b>417</b>	<b>675</b>	<b>\$624,104</b>	<b>\$795,314</b>	<b>\$552,126</b>

Source: Tahoe Sierra Board of Realtors

**Table 13**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Summary of North Tahoe Regional Real Estate Sales: Condominiums**

Geographic Area	Number of Listings			Average Price		
	2004	2008	2012	2004	2008	2012
<b>Within Basin</b>						
North Shore	96	31	78	\$533,914	\$665,048	\$329,320
West Shore	25	1	17	\$980,577	\$1,145,000	\$1,077,265
<b>Total/ Average</b>	<b>121</b>	<b>32</b>	<b>95</b>	<b>\$626,200</b>	<b>\$680,047</b>	<b>\$463,163</b>
<b>Outside Basin</b>						
Alpine/ Squaw	67	31	49	\$521,423	\$683,331	\$355,086
Northstar	6	48	58	\$303,333	\$1,449,213	\$659,301
Truckee	68	33	42	\$366,912	\$635,280	\$387,839
Tahoe Donner	75	19	41	\$352,205	\$370,366	\$221,168
Lahontan	0	0	0	n/a	n/a	n/a
<b>Total/ Average</b>	<b>216</b>	<b>131</b>	<b>190</b>	<b>\$407,966</b>	<b>\$906,463</b>	<b>\$426,294</b>

Source: Tahoe Sierra Board of Realtors

***Fractional Product-Types***

Fractional real estate is a popular product type in the Lake Tahoe area that serves the visitor population. This structure allows owners to hold just a specified percentage of real estate assets and use them for a pre-selected number of weeks per year. This ownership type is popular because it allows users to have access to their properties for a substantive period of time, while keeping the purchase price relatively low and sharing all maintenance costs and upkeep with other owners.

This critical market segment has demonstrated both success and failure in the Tahoe Basin. Recent successful projects, perhaps able to sustain lasting value more effectively, appear to be feature larger (e.g., 1/7) fractions of ownership, in contrast to other formats. However, more specific evaluations in context of particular projects and locations would be required to evaluate the ideal business model for this product. Major advantages include price points conducive to attracting middle and middle-upper income households that would otherwise not be able to afford second homers in the region, the improvement in occupied units associated with this segment, and the ability to integrate product with walkable mixed use development concepts.

The market for fractional units includes a variety of building prototypes, including aging condominiums located in 2<sup>nd</sup> tier areas to brand new and very high-end options in ski-in ski-out or lakefront locations.

EPS has performed an assessment of the pricing trends for fractional real estate since 2011s and found that fractional assets have declined in value by an average 25 percent in just a two year period, as shown in **Table 14**. While deep discounts have been available for the past several years, prices have more recently begun to increase along with other real estate assets throughout the market area. Interviews with local experts indicate that this product type has shown resiliency recently and remains viable and attractive to at both the high- and low-end of the pricing spectrum.

**Table 14**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Summary of Fractional Pricing Trends**

Item	2011 Value	2013 Value	Percent Increase/ (Decrease)
Average Price Per Unit	\$2,331,160	\$1,755,088	-25%
Average Price per Sq. Ft.	\$965	\$726	-25%

*"fraction\_sum"*

Sources: MLS search and EPS.

### Current Residential Real Estate Indicators

Current real estate listing data indicate a recovering and strengthening real estate market in the North Lake Tahoe/Truckee Region and in the Community Plan area.

In fact, data from the Tahoe Sierra Board of Realtors indicate the median price of single-family homes in the North Tahoe Region has increased by 5 percent from 2011 to the first quarter of 2013. The increase in condominium prices is significantly more pronounced and exhibited an increase of more than 30 percent during the same time period. This may be reflective of demand for close-in locations, and price points allowing access among a wide variety of households.

These data are consistent with a generally recovering real estate market throughout California and in many other areas of the U.S.

### Planned Residential Development Projects

Several development projects are moving through various stages of the entitlement process in the Community Plan area and the surrounding region. These projects will present competition to any future development or redevelopment opportunities in the Community Plan, but they also indicate the type of projects being demanded in the market place. These projects are described in further detail below:

- **Homewood.** Homewood Mountain Resort ski area has proposed and received all necessary approvals for a major expansion to its on-mountain resort infrastructure and a program of development that would add up to 100 condominium units, 48 ski-in ski-out chalets, 13 workforce housing units, 15,000 square feet of commercial space, and a five-star hotel with up to 75 rooms.

The Homewood is the first serious attempt to bring a substantial investment to the Community Plan's lake shore in many years. Although the Homewood project was approved by all required government bodies, including the County and TRPA, it was fraught with challenges, including a rigorous entitlement process, exhaustive environmental review and mitigation, lawsuits, and other obstacles. Given these difficulties, the project is fortunate to have a patient and well-capitalized developer committed to seeing the project through to completion. Many less experienced or financially secure investors would be unable or unwilling to accept these challenges and may have abandoned the expansion project long ago.

- **Kings Beach Town Center.** From 2006 to 2008, a private real estate firm known as BB LLC began acquiring parcels located between Fox and Coon Streets along Highway 28 in Kings Beach to construct a new mixed use development known as the King Beach Town Center. This four-acre project was envisioned to include a variety of uses including offices, retail shops and restaurants, residential units (including some affordable housing) and various streetscape and parking amenities. The project ultimately ran into financial difficulties associated with the Great Recession that impaired its prospects for development. The project continues to remain in the planning stages under a new ownership structure. This and other projects in Kings Beach are expected to receive a substantial boost from the \$24 million "commercial core" project, which will convert Highway 28 to a "complete street" through town and set the context for a substantial investment response from the private sector.

#### Regional Market Area

- **Village at Squaw Valley.** The owners of the Squaw Valley ski resort are in early planning phases for a major expansion to the ski area base and surrounding area. The Village at Squaw Valley Specific Plan proposes to add new development on 100 acres of land, which will include up to 1,295 units, consisting of a variety of hotel, condominium-hotel, fractional-ownership residences, and timeshares, and potentially some single-family home sites, as well as retail/restaurant uses, an aquatic center, and a variety of environmental restoration efforts and parking facilities.
- **Boulder Bay.** The Boulder Bay project, located on the site of the Biltmore Casino/Hotel on the Nevada side of the state line, will include four-story, 275-room Boulder Bay hotel, 60 residential condominiums, 14 affordable housing units, 20,000 square feet of retail/restaurant space, and a 10,000-square-foot casino. This project was approved by the TRPA Governing Board in 2012 and is reportedly waiting to secure financing before commencing construction within the next 1 or 2 years.
- **Town of Truckee.** The Town of Truckee is processing several development projects, which will compete with new and existing uses in the Community Plan. A brief description of each major project being considered is provided below:

- The **Canyon Springs** project is a proposed residential development totaling 284 acres into 177 single-family parcels, 8 parcels for affordable housing, and approximately 171 acres of open space.
- **Pollard Station** is proposed to for 118 separate residential units of various product-types in age-restricted senior neighborhood located on an 8-acre property in the Hilltop Master Plan area. The proposal includes a variety of housing options for seniors to serve a range of needs from fully independent seniors to those needing assistance with various activities of daily living.
- The **Truckee Springs Summary Plan** includes the potential for either 80 multifamily residential units or 120 hotel/lodging units, 5 single-family lots adjacent to the current homes on the river, and the dedication of substantial open space along the Truckee River. The Truckee Springs property consists of approximately 26 acres of undeveloped land at the western end of South River Street, adjacent to the Truckee River.
- The **Coldstream Specific Plan** proposes up to 30,000 square feet retail and commercial uses and approximately 300 residential units across a range of densities and product-types. The property owner has submitted the specific plan for review by the Planning Commission and Town Council and the Town has prepared a Final Environmental Impact Report (FEIR) for the project.
- **Joerger Ranch Specific Plan** is a mixed-use planned community located at the near the Tahoe/Truckee airport has been proposed for a variety of commercial and residential land uses emphasizing both region-serving and local-serving uses. Under existing zoning, the project could allow more than 200,000 square feet of retail commercial space, more than 200,000 square feet of office/industrial space, and 40 multifamily residential units. An Environmental Impact Report (EIR) is being prepared.

## Nonresidential Real Estate

### Lodging

As discussed throughout this report, the state of the lodging market in the Tahoe Basin as a whole, including the North Shore in particular, is abysmal. Average age of properties, mostly in roadside motel format, exceeds 60 years, and the accommodations base fails to provide the amenities or level of quality that represent a bona fide option for well-heeled travelers.

Data provided by Smith Travel Research (STR) confirm a limited inventory of accommodations in both Tahoe City and Kings Beach. These accommodations are listed in **Table 15**.

As mentioned above, the majority of accommodations in the Community Plan area are aging, small, and only desirable for the budget traveler. However, some investment has begun to occur in recent years, such as the Cedar Glen Hotel in Tahoe City

**Table 15**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Tahoe City/ Kings Beach Hotel Properties**

Name of Establishment	City	Open Date	Rooms
<b>Kings Beach</b>			
Crown Motel	Kings Beach	Jun-56	71
Tahoe Inn	Kings Beach	Jun-65	90
Stevensons Holiday Inn	Kings Beach	Jun-78	22
Big 7 Motel	Kings Beach	Jun-87	22
Sun N Sand Lodge	Kings Beach	Jun-97	26
<b>Subtotal Kings Beach</b>			<b>231</b>
<b>Tahoe City</b>			
Lake Of The Sky Motor Inn	Tahoe City	--	23
Tamarack Lodge Motel	Tahoe City	Jun-30	21
Cottage Inn @ Lake Tahoe	Tahoe City	Jun-38	22
River Ranch Lodge	Tahoe City	Jun-60	19
Travelodge Lake Tahoe	Tahoe City	Jun-60	47
Pepper Tree Inn	Tahoe City	Dec-70	51
Granlibakken Resort	Tahoe City	Jun-75	50
Tahoe City Inn	Tahoe City	Jun-81	33
Sunnyside Resort	Tahoe City	Jun-07	23
<b>Subtotal Tahoe City</b>			<b>289</b>
<b>Tahoe Vista</b>			
Rustic Cottage Resort	Tahoe Vista	Jun-25	20
Firelite Lodge	Tahoe Vista	Jun-50	27
Americas Best Value Inn & Suites Tahoe Vista	Tahoe Vista	Jun-60	31
Woodvista Lodge	Tahoe Vista	Jun-60	17
Tahoe Vistana Inn	Tahoe Vista	Jun-62	28
Franciscan Lakeside Lodge	Tahoe Vista	Jun-80	60
Mourelatos Lake Resort	Tahoe Vista	Jun-93	32
<b>Subtotal Tahoe Vista</b>			<b>215</b>

"hotel"

Sources: Smith Travel Research (STR), EPS

Besides the very few upgraded properties, the majority of hotels/motels located around the North Shore of Lake Tahoe was built between the 1950s and the 1970s and are small by today's hotel standards. With new regulations introduced with the creation of the TRPA, there historically has been less motivation to invest in upgrades of the properties, and while the property owners are enjoying greater property value as the price of land has increased, the profitability of the operation of the hotels/motels has become marginal. Clearly, increased supply of good quality accommodations is an essential component to inject activity on the shore communities.

### **Competing Market Area**

The Community Plan area exists among a very competitive environment for accommodations, as new and compelling products have been constructed in the nearby resort areas of Squaw Valley and Northstar. These resorts have been very successful in creating “village” atmospheres in which visitors can come to experience the high-quality recreational amenities while offering a variety of high-quality dining, shopping, and lodging opportunities in close proximity. The Ritz-Carlton Hotel at Northstar is the preeminent lodging property in the Lake Tahoe Region, offers the only AAA Five Diamond mountain resort in California, and is located among some of the best shopping and dining options in the entire Lake Tahoe Region. Other compelling hotel options such as the Plumpjack Inn at Squaw Valley offer unique, high-end accommodations located adjacent to primary tourism amenities.

The town of Truckee presents further competition for lodging and is a compelling draw for visitors who are drawn to its compact, walkable, and vibrant downtown environment, as well as its host of recreational and cultural options nearby. The award-winning Cedar Sport Hotel in Truckee has been cited as an example of a small-scale boutique hotel that caters to the “adventure traveler”. This hotel has been very successful and is forging a new niche among mountain travelers to the Sierra Nevada mountain region.

These lodging properties at Northstar, Squaw Valley, and Truckee have been more apt to upgrade or develop new products because they do not have to contend with the additional regulatory layers and other constraints imposed on properties in the basin. However, the Community Plan area offers several amenities these competing resort areas do not, **most important of which is access to the lake shore itself**. Other studies have estimated the “premium” that adjacency to Lake Tahoe offers can often be three- to four- times the value of properties not located on the lake.<sup>6</sup> However, it is apparent from the lack of investment in existing hotel properties that this premium is not being captured.

### **Lodging Conclusions**

As demonstrated above, most hotel product within the Community Plan area is aged and of marginal quality, and while some of these lodging properties are viable and maintain passable occupancy rates, most are mired in a gradual decline toward obsolescence. Meanwhile, the nearby competitors for these properties in areas like Squaw Valley, Northstar, and Truckee have been aggressive in rebuilding and revamping their hotel offerings and adding new hotels with the most contemporary amenities in an all-inclusive resort environment. The Community Plan does offer many excellent amenities of its own, including and an authentic mountain community atmosphere and access to the lake shore itself. However, in order to truly capitalize on these assets, hotel property owners will need to reinvest in their properties (often at substantial expense) in order to bring them up to the standards of today’s hotel traveler. Regional amenities such as shopping/dining options within walking distance and a highly functional transit program will also be critical to their success.

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<sup>6</sup> See South Shore Vision Destination Economic Impact Analysis prepared by Strategic Marketing Group, 2012.

Beyond the existing hotel properties, demand is likely to exist for new hotel products in located in key premium locations of the Community Plan. The addition of a large-scale flagged hotel would be a major benefit and could be feasible with appropriate public participation. However, a variety of boutique products are potentially feasible, with a minimum size in the range of 75 to 100 rooms, and may be easier to implement given omnipresent concerns regarding massing, visibility, etc. Tahoe City, Kings Beach, and the surrounding areas are well positioned for smaller scale boutique hotels along the lake shore. Indeed, some investment in this arena already is occurring and the fact that existing properties already possess the required development commodities (TAUs) can help defray their cost to redevelop.

Overall, every effort should be made to improve this sector and bring some highly sought-after accommodations to market, as it produces multiple public benefits including TOT, sales tax, and ability to integrate other commercial space (retail and office) as part of a diversification strategy for investors.

## Retail

The retail real estate assets located in the Community Plan area and surrounding region are unique because they cater to a much more transient population than is typical in a non-tourism area. Traditionally, retail centers serve the surrounding area and are categorized into super-regional, regional, community, and neighborhood centers according to the size of the store, the products they offer, and the size of the geographic radius they serve. However, retail in the Tahoe Basin is much more heavily geared to tourist patrons and does not fit standard classifications or rules of thumb.

The Community Plan area is characterized by a large amount of small “strip” retail buildings in the range of 5,000 to 10,000 square feet. Although these types of smaller retail buildings comprise the majority of the retail space in the Community Plan, there are three “traditional” grocery-anchored shopping centers, two of which are located in Tahoe City and one in Kings Beach. The quantity of neighborhood shopping centers exceeds what would be found in a typical residential area, supported by spending from outside residents.

An analysis of retail spending data conducted in the 2006 ERS indicated that the amount of retail is approximately adequate to service demand, although some opportunities for new retail exist in the specialty food, specialty clothing, beauty supplies, shoe stores, and jewelry stores categories.<sup>7</sup> Although the *amount* of retail appears to be sufficient to serve the Community Plan, the *character* of much of the retail stock is substandard and does not capture a large portion of resident spending. Available data and input obtained through interviews of local residents and employers indicate that local residents expend a large proportion of their available household spending in outside areas such as Truckee or Reno where more complete selection of goods are available, usually at a more reasonable price than what is found in the Community Plan area. The ability to stem this leakage completely is limited, since large-scale big-box retailers are not a preferred building typology for the Basin. However, the notion of an expanded drug/

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<sup>7</sup> Claritas data used to conduct the retail spending analysis present supply or sales data based on all spending, including spending by visitors and demand data which are based only on residential demographics.

convenience store, expanded grocery prototypes, or other types of small-format retail centers that include a broader range of products local residents may help to provide expanded options for basic goods that are desired by local residents.

**Retail Sales Trends**

The Community Plan area generated approximately \$1.5 million in sales tax in 2012. Overall, sales activity in the Community Plan has been relatively stable over the past 10 years, although it experienced a dip from 2007 to 2009 associated with national recessionary forces. More recently, sales tax activity has increased slowly to levels seen before 2007.

**Table 16** compares the sales tax collections of various areas within the Tahoe Basin to other emerging resort and commercial centers outside the Basin such as Northstar and Squaw Valley. As shown, these other resort areas have performed far better, seeing their annual retail sales increase by 47 percent overall during this period, while the communities within the Community Plan have seen sales tax decline by 12 percent.

**Table 16**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Retail Sales Tax Collection By Region, 2000 - 2012**

Area	2000	2012	% Change
<b>TBCP Area</b>			
Kings Beach	\$225,207	\$284,323	26.2%
Tahoe City	\$906,302	\$744,367	-17.9%
Tahoe Vista	\$191,104	\$135,573	-29.1%
West Shore	\$228,278	\$202,883	-11.1%
Carnelian Bay	\$71,391	\$101,593	42.3%
Tahoe Misc.	\$74,390	\$27,766	-62.7%
<b>Subtotal</b>	<b>\$1,696,672</b>	<b>\$1,496,505</b>	<b>-11.8%</b>
<b>Other Areas</b>			
Northstar	\$116,669	\$229,162	96.4%
Squaw/ Alpine	\$316,514	\$407,758	28.8%
<b>Subtotal</b>	<b>\$433,183</b>	<b>\$636,920</b>	<b>47.0%</b>
<b>Total</b>	<b>\$2,129,855</b>	<b>\$2,133,425</b>	<b>0.2%</b>

Source: North Lake Tahoe Resort Association

**Retail Real Estate Performance**

The Community Plan area has a fairly healthy market for leasable retail real estate in that there are relatively few vacancies. Currently, there is approximately 15,000 square feet of space available on commercial listing channels, which is likely approximately 5 to 10 percent of the total supply. The retail vacancies that do exist range from approximately \$1.00 to \$2.20 per square foot per month, as shown in **Table 17**. The average lease rate of retail properties currently on the market is \$1.68 per square foot per month. This rate appears to be steady but is down substantially from the “peak” of the North Lake Tahoe retail market in the late 1990s and early 2000s, when retail spaces reportedly commanded \$4.00 to \$5.00 per square foot.

**Table 17**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Retail Properties for Lease, North Lake Tahoe**

Center	Address	Community	Space Available (sqft)	Building Size (sqft)	Rental Rate /sqft/ mo.
Lakehouse Mall	120 Grove Street	Tahoe City	6,400	6,400	\$1.00 - \$2.50
The Boatworks	760 North Lake Blvd.	Tahoe City	7,101	37,408	\$1.44 - \$1.63
855 N. Lake Blvd.	855 N. Lake Blvd.	Tahoe City	384	n/a	\$2.18
Carnelian Bay Plaza	215 Carnelian Bay Road	Carnelian Bay	900	1,700	\$1.25
<b>Total/ Average</b>			<b>14,785</b>	<b>45,508</b>	<b>\$1.68</b>

"retail"

Source: Loopnet

## Office

The office real estate market in the Community Plan area is a relatively minor component of the region's overall economy and primarily consists of local-serving professional service companies such as real estate agents, attorneys, insurance agents, etc. Given these parameters and the tepid demand for office space from employment growth, the amount of space in the market is likely adequate for the near term. **Table 18** shows there is approximately 15,000 square feet of office space for lease in the Community Plan area. As shown, lease rates range from approximately \$1.00 per square foot per month to \$2.50 per square foot per month. The average lease rate is \$1.45 per square foot per month.

**Table 18**  
**Tahoe Basin Community Plan Economic and Market Analysis**  
**Office Properties for Lease, North Lake Tahoe**

Center	Address	Community	Space Available (sqft)	Building Size (sqft)	Building Class	Rental Rate /sqft/ mo.
3090 North Lake Blvd.	3090 North Lake Blvd.	Tahoe City	700	24,829	B	\$0.95
Safeway Lighthouse Shopping Center	850 North Lake Blvd.	Tahoe City	1,760	4,780	B	\$1.25
3080 Building	3080 North Lake Blvd.	Tahoe City	4,000	7,560	B	\$1.00
Big Tree Center	531 North Lake Blvd.	Tahoe City	3,900	10,000	B	\$2.00 - \$3.00
855 North Lake Blvd.	855 North Lake Blvd.	Tahoe City	385	900	B	\$2.18
7081 North Lake Blvd.	7081 North Lake Blvd.	Tahoe Vista	1,600	n/a	B	n/a
Carnelian Bay	5229 North Lake Blvd.	Carnelian Bay	1,500	3,000	B	\$1.00
Carnelian Bay Plaza	215 Carnelian Bay Road	Carnelian Bay	900	4,000	A	\$1.25
<b>Total/ Average</b>			<b>14,745</b>	<b>55,069</b>		<b>\$1.45</b>

"office"

Source: Loopnet

Although the office market is relatively stable and plenty of space appears to be available for any potential user, the office real estate class may have some promise for future expansion or re-investment if certain regional goals are accomplished and initiatives carried out. For example, a primary goal of the Lake Tahoe Prosperity Plan (2010) was to enhance the share of jobs in professional or service companies related to the "Environmental Innovation" economic cluster, which consists of green jobs such as in environmental engineering, climate change research, green building design, etc. A large proportion of these jobs would be housed in office space, and if the region is successful in attracting, establishing, or growing these (or other similar) types of firms, additional office space may be required.

As described in **Chapter 2** of this report, some growth in “white collar” jobs has occurred in the Community Plan. For example, in Tahoe City and Kings Beach alone, the Information, Finance/ Insurance, Real Estate, Professional Services, Other Services, and Public Administration categories added nearly 250 jobs from 2002 to 2011 in Tahoe City and Kings Beach alone, which is a growth rate of over 130 percent.

Demand for office space, in other resort locations such as Park City, has been spurred by the advent of highly talented and well-connected “lone eagles” with the ability to produce export-level work in technology and other fields at the executive level from resort locations. This dynamic does not appear to be particularly strong in the Basin at this time, but may be a source of future demand if continuing efforts to galvanize the local “tech” community gain traction. Otherwise, office demand will likely remain modest, supported by real estate, medical, and other population-serving uses. While stand-alone space would be difficult to justify given current or anticipated lease rates, office continues to be a viable consideration as a part of mixed use development concepts, offering some diversity and stability to operating cash flows in comparison to more volatile retail business.

## **Industrial**

The Community Plan area has a limited amount of industrial land, which primarily is used for small, local-serving industrial users such as auto repair facilities, machine shops, or storage.

Currently, there is only one available industrial building listed for lease in the Community Plan area, which offers 1,500 square feet of industrial/ “flex” space located in Tahoe Vista. This property is listed for \$0.95 per square foot, which is slightly below the rates for comparable properties in Truckee (which range from \$1.15 to \$1.90). These rates are relatively expensive for industrial building product, and are significantly most costly than what would be found in more “traditional” industrial markets. For example, a large industrial user looking for space in Northern California or Northern Nevada would expect to pay approximately \$0.25 to \$0.75 per square foot in nearby urban areas such as Sacramento or Reno.

The outlook for industrial land in the Community Plan area is fairly stable, since it primarily serves the small residential basis that exists by providing locations for often “undesirable” businesses such as automobile repair, metal fabrication, glass, indoor or outdoor storage, etc.. Since the residential population basis has been in a state of decline, Industrial land may continue to suffer as this decline persists. If population loss continues, it is possible that the need for industrial uses will decline and that the existing uses could phase out and transform to a more appropriate use.

Manufacturing or other industrial users are not generally considered uses for the Lake Tahoe Basin because the large floor plans and low-intensity uses require low land values (which are not generally present in the basin), because the often noisy or displeasing uses may clash with nearby residential or visitor populations, and because of the threat of environmental pollution that often accompanies such uses. Furthermore, other nearby areas such as Truckee or Reno present far better prospects for industrial since they have considerably more available land that is better located along transportation routes and served with infrastructure. However, some small quantities of the less intensive research & development (R&D) industrial/ flex product could have some promise for certain research or small-scale entrepreneurial endeavors within the

Community Plan, although these opportunities will be extremely limited and may be better located in areas outside the Basin.

## **Concluding Observations**

Overall, market demand looks to be very strong in the traditional areas of housing throughout the Community Plan Area. Demand for super-premium development on the West Shore can be contrasted with acute demand at lower price points in other areas, including for condominium product in key nodes as well as affordable housing product in Kings Beach. Consumer demand and sustainable development best practices support continued pursuit of mixed use concepts accommodating relocated retail from other less strategic locations.

Expansion of retail and office space, however, generally occurs as a result of (not in anticipation of) proven demand, requiring an injection of economic activity from tourist-driven sectors. The use of a mixed-use platform connected to accommodations is needed to deliver these uses, as lease rates do not appear to support new construction of stand-alone space at the present time in Tahoe City and Kings Beach.

No property class is more under-represented in North Lake Tahoe than the hotel sector. Two or more major destination projects are needed to catalyze the basin and compete with projects at Squaw Valley and Northstar. The planned expansion to Homewood Mountain Resort has the ability to both improve the standing of Homewood as a competitor throughout the basin and to demonstrate that development risk is more manageable now than in previous times. Other areas of interest include the combination of the Henrickson holdings and the golf course in Tahoe City, as well as the conference center/crown motel cluster in Kings Beach.